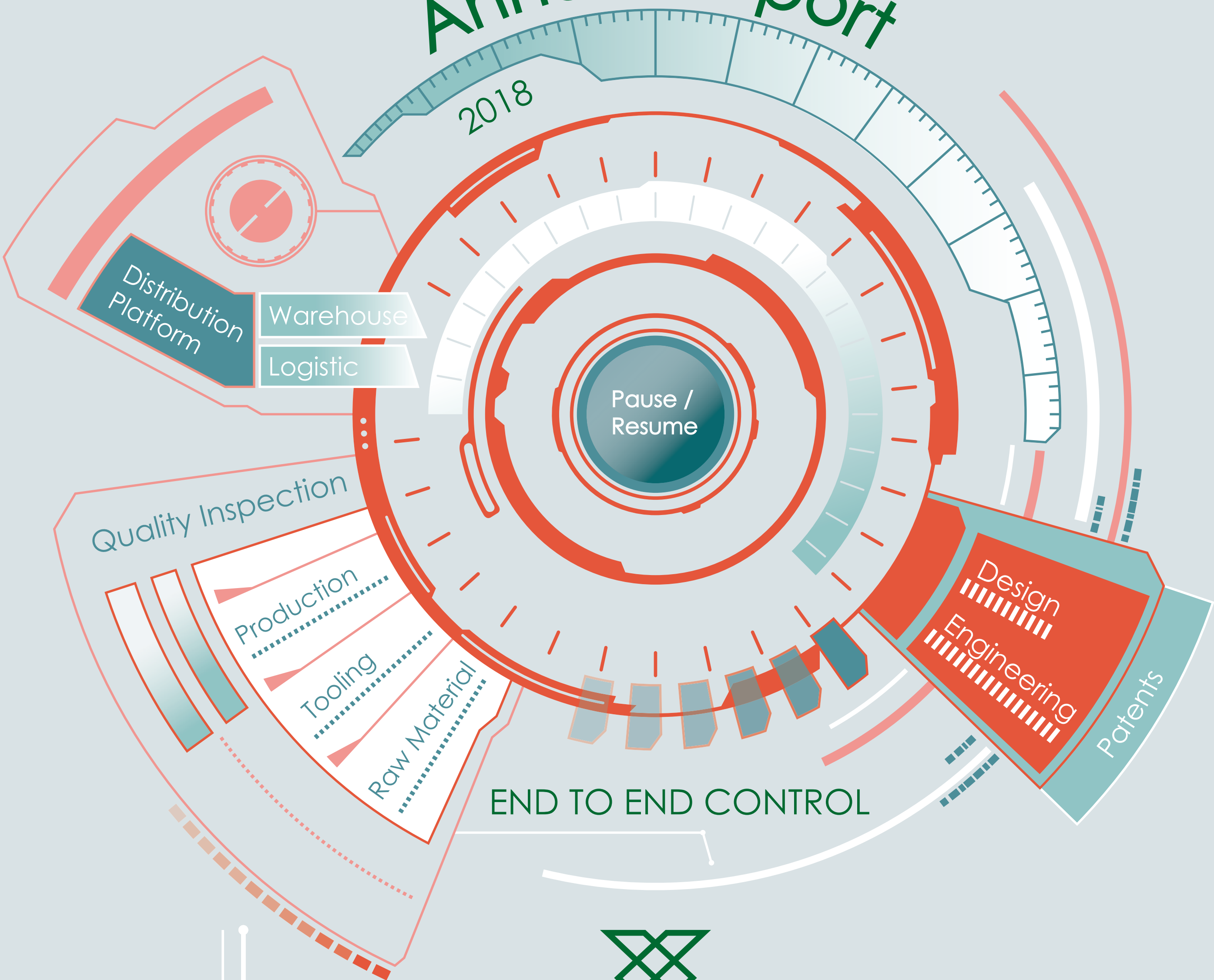
Annual Report

2018



King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

Incorporated in the Cayman Islands with limited liability **Stock Code : 6822**

Table of CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Siu Wah *(Chairman and Chief Executive Officer)*
Ms. Wong Fook Chi
Mr. Wong Ying Wai Dennis
(resigned with effect from 1 August 2018)

Independent Non-Executive Directors

Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie

BOARD COMMITTEES

Audit Committee

Ms. Leung Wai Ling, Wylie *(Chairman)*
Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels

Remuneration Committee

Dr. Lau Kin Tak *(Chairman)*
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie
Mr. Wong Siu Wah
Ms. Wong Fook Chi

Nomination Committee

Mr. Wong Siu Wah *(Chairman)*
Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie

Risk Management Committee

Ms. Wong Fook Chi *(Chairman)*
Dr. Lau Kin Tak
Ms. Leung Wai Ling, Wylie

COMPANY SECRETARY

Mr. Wan Hok Yin, *HKICPA and CPA Australia*
(appointed with effect from 1 September 2018)
Mr. Po Tien Chu, Ronnie *HKICPA*
(resigned with effect from 1 September 2018)

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

12/F., Yardley Commercial Building
3 Connaught Road West
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 6822

WEBSITE

www.kingsflair.com.hk

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of King's Flair International (Holdings) Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

BUSINESS AND FINANCIAL REVIEW

The pace of recovery on the global economic maintained in year 2018 and especially in the United States of America (the "U.S."). However, uncertainties in the market created due to the escalation of trade tension between the U.S. and the People's Republic of China (the "PRC") which shaken the market and posed potential pressure to the supply chain. Moreover, the market competition remained fierce and the price increase in commodities such as crude oil during the year exerted an impact on the profitability of the business.

Facing these challenges, the Group values its long-term relationship with the customers and recognises continuous improvement on the quality of value added service to the customers are the keys to success and its need to diversify its business service. For the Group's ODM service, the Group continues to strengthen customers' trust in the Group's one-stop platform, providing value added services, end-to-end control and supporting the customers' business growth. Our end-to-end control starts with raw material centralization. The Group continues to consolidate existing ODM sales forecast and orders in order to achieve economy of scales through its raw material trading business sector, exert direct control on the quality of raw material sourced and also to engage material innovation in supporting new product design. On the other hand, the Group continues to develop new products with patentable design, catering to mechanical design breakthrough, users' experience enhancement and production streamlining, in order to support its customers' market penetration through product innovation. As a result, the Group's design and R&D capability, supported by 16 members, was reinforced in order to deliver speedy and quality product design service to the customers.

For the Group's wholesale and retail service, the Group insists on distributing only Group' products. Leveraging on the Group's in-house design capability, flexible and agility supply chain capability, real-time quality control and local market knowledge, the Group is able to response to market trend and needs in a speedy manner without compromising quality product and services. The Group extends its end-to-end control through establishing sales and distribution network, penetrating the PRC market, securing multi-channel and expanding other territories in Asia Pacific region such as Taiwan, Thailand, and Japan.

The Group's total revenue increased by approximately 14.7% to approximately HK$1,566.9 million during the year ended 31 December 2018 comparing with approximately HK$1,365.5 million in 2017. The increase was mainly due to the increase in sales in the PRC and the raw materials trading segment and the Group adjusted its marketing strategies to cope with the rapidly changing market condition.

The Group acknowledges the value of branding and marketing service. The Group has made its first step in revamping its corporate presence in its website and social media, allowing easier access to the Group's services worldwide which contributes to its continuous effort in expanding its product portfolio, recruiting talents, and acquiring new customers. The Group will continue to look for potential business opportunity for diversification and the Group has also invested in product assortment and marketing and promotional activities to further enhance brand image and increase its market share.

The Group's profit for the year ended 31 December 2018 was approximately HK$131.9 million which represents a decrease of approximately 13.0% comparing with approximately HK$151.6 million for 2017. The decrease was due to the one-off gain from the disposal of listed equity in year 2017 and the increase in cost of sales resulting from the increase of commodities prices, the continued increase of labour costs and manufacturing overhead in the PRC and the trade tension between the U.S. and the PRC during the year, which off-setting the positive effective from the increase of the Group's revenue. Excluding the one-off gain in 2017, the decrease in the underlying business profit is 1.4%.

A POSITIVE FUTURE AND STRATEGIC INITIATIVES AHEAD

Staying ahead in market trend, design creativity, engineering know-how, premium quality and speedy delivery are the cornerstone of the Group. The Group will continue to invest in design and intellectual property right protection, upgrade its supply chain production capability, train the team's professional operating skillset, and expand the wholesale and retail network in Asia which collaboratively contributes to drive business growth over the long term.

The Group's export market business is highly competitive due to the fierce competition in the kitchenware and household product markets. The Group believes its one-stop service is valuable to its customers in their sales and market differentiation, helping them with protected intellectual property innovation, launching to market in speedy manners, assuring product quality and brand reputation, and securing their company growth. The Group will continue to support and grow with valuable established clients in the U.S., Europe, Australia and Japan with its professional design and engineering services, as well as developing potential new clients from other territories which the Group is exploring.

Diversifying the Group's product portfolio has been one of the main focuses. In addition to the existing category of kitchenware products, the Group fosters new customers from other household product segments such as baby, toddlers, kids tools and gadgets, pets accessories, coffee accessories and glassware help to widen its supply chain capability. Since 2016, the Group has initiated the process of design, development and registration for trademark and patent of products for baby and toddlers markets. The Group has successfully launched the toddler products series during the year 2018 and the Group is optimistic about the prospect of the new product lines.

Same as last year, the Group anticipates that there will be a continuous and strong growth in the PRC market. In order to better capture this growth opportunity, the Group will continue to dedicate substantial resources and effort with existing brand-owners, establish strategic partnership with new brand-owners, continue to engage and expand potential up-and-coming popular sales and distribution channels, invest in localizing the existing product design features and functions for the PRC market while strengthening the brand image and promoting customerization and trendy style. Moreover, the Group will also grasp the opportunity brought by the increase demand in mother and toddlers products by continuing the development and launch of its own toddler products series.

The Group has also been working closely on raw material development and application and will continue to expand its product supply with customized plastic material and enhanced stainless steel grade. Innovation is one of the key components of the Group's success. During the year 2018, the Group has entered into an agreement for the acquisition of four independent, separately operated production lines, each of which consists of standard version of the Nanospider™ eight-electrode solvent optimized 1600 mm width with an upward spinning configuration (the "Equipment") which is a versatile technology easily adapted to a variety of process parameters for the optimization of the specific properties of the produced nanofibers. The Equipment will upgrade the Group's supply chain production capability for the production of components for the Group's existing products portfolio, as well as new products range in future. According to the updates from the vendor of the Equipment, the first nanofiber machine will be delivered at the end of May 2019. The Group has already chosen an appropriate location in Hong Kong to assembly and test run the first nanofiber machine, it is expected the trial production and mass production will commence around August and end of 3rd quarter of 2019, respectively.

The Group will also continue to invest in enhancing the internal information technology infrastructure and system which caters to operation data analysis, market & sales information analysis, inventory controls and forecasts. With 30 years of data stored within the Group existing system, being able to effectively analyze and retrieve these data will further streamline the Group operations flow, increase productivity, enhance internal control, forecasting customers need while providing better tailored service.

In order to implement the above strategies, the Group will need to recruit talents, expand its existing headcounts and form new departments to cater to each project's specialized needs. The Group will also continue investing in human resources training and hardware and software updates to ensure the Group's members are equipped with competitive knowledge, skillset and capability to implement the Group's upcoming mission.

The Group believes that all the above strategies will enable it to increase its revenue source and profitability in future.

ACKNOWLEDGMENT

On behalf of the Board, I would like to thank the Group's global customers for supporting the Group with opportunities to grow, the Group's vendors who continues to strive to improve and achieve the Group's standard and services, and last but not least the exceptional people who live and carry the Group's values, delivering the Group's achievements and milestones.

Wong Siu Wah
Chairman and Chief Executive Officer

25 March 2019

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Siu Wah

Aged 62, founded our Group's business in 1984 and held various positions within our Group. Mr. Wong has been a Director of King's Flair Development Limited ("King's Flair Development"), a major operating subsidiary of our Company which is engaged in design, engineering development and supply of kitchenware and household products since 1989, involving in business planning and development and product engineering. Mr. Wong has over 35 years of business building, operations and management experience within our Group. He was appointed as the Chairman, Chief Executive Officer and Executive Director on 25 June 2012. He is currently responsible for the overall corporate vision setting and strategic planning within our Group. Mr. Wong is an Honorary Life Vice President of the PolyU Foundation and a member of the advisory committee for the Department of Mechanical Engineering of the Hong Kong Polytechnic University. In January 2017, he received the title, University Fellowship, from the Hong Kong Polytechnic University. In December 2018, Mr. Wong was awarded an Honorary Doctor of Business from Swinburne University of Technology in Australia. Mr. Wong is the spouse of Ms. Rebecca Cheng, a controlling shareholder of the Company, and the father of Ms. Wong Fook Chi, Chief Operating Officer and an Executive Director of the Company.

Ms. Wong Fook Chi

Aged 35, joined our Group since 2006. Ms. Wong underwent various job rotations within the Group, ranging from business to human resources, administration and finance roles. She was appointed as an Executive Director on 25 June 2012. With over 12 years of experience in the kitchenware industry gained from the daily operation of our Group, Ms. Wong currently oversees the Company's operation and corporate strategy implementations. Ms. Wong obtained her Bachelor of Science degree from the University of Toronto in Canada in 2006 and her Master of Business Administration degree from the University of Chicago in 2016. Ms. Wong served as an industrial advisor to The Hong Kong Polytechnic University from 2009 to 2012. She was awarded Young Industrialist Award of Hong Kong by the Federation of Hong Kong Industries (FHKI) in 2016. Ms. Wong is the daughter of Mr. Wong Siu Wah, the Chairman, Chief Executive Officer and Executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lau Kin Tak

Aged 50, was appointed as an independent non-executive Director on 22 December 2014. Dr. Lau is currently a Pro-Vice-Chancellor (Research Performance and Development) of Swinburne University of Technology, Australia. Dr. Lau has over 20 years of experience in the mechanical engineering academic field gained from the Hong Kong Polytechnic University and has 3 years of experience as a craft apprentice in the Hong Kong Aircraft Engineering Company Limited which engages in aircraft engineering and maintenance business. Dr. Lau is an International Vice President and a Trustee Board member of the Institution of Mechanical Engineers; a fellow of Engineers Australia; a fellow of the Institution of Materials, Minerals and Mining; a fellow of the Institution of Engineering Designers; a fellow of the Hong Kong Institution of Engineers; a fellow of the Royal Aeronautical Society; a member of European Academy of Sciences and a member of European Academy of Sciences and Arts. In 2001, Dr. Lau was awarded a doctor of philosophy (PhD) by the Hong Kong Polytechnic University. In 1997 and 1996, Dr. Lau obtained a master degree and a bachelor degree, respectively, of engineering in aerospace engineering in the Royal Melbourne Institute of Technology in Australia.

Mr. Anthony Graeme Michaels

Aged 75, was appointed as an independent non-executive Director on 22 December 2014. Mr. Michaels has 36 years of combined industry experience gained from DKSH Australia Pty Ltd. ("DKSH Australia") and its former entities Zyliss Australia Pty Ltd. and United Housewares Pty Ltd. During his service in DKSH Australia, it was a subsidiary of DKSH Holding AG (Ltd) ("DKSH") which was a company listed on the SIX Swiss Exchange, and which primarily engaged in the provision of market expansion services with a focus on Asia. During Mr. Michaels' service, DKSH Australia carried a variety of international brands in lifestyle and luxury categories, including but not limited to Zwilling JA Henckels, Zyliss, Staub, Cole & Mason, Culinare, Microplane, Marcato, Contigo, Tala, Cuisena, Progressive, Jamie Oliver and Metaltex. Mr. Michaels was Managing Director of the Consumer Goods Business Units of DKSH Australia and New Zealand. Mr. Michaels retired from DKSH Australia in July 2012.

Ms. Leung Wai Ling, Wylie

Aged 51, was appointed as an independent non-executive Director on 22 December 2014. Ms. Leung possesses over 15 years of experience in the finance and accounting. Ms. Leung worked as the company secretary of Hong Wei (Asia) Holdings Company Limited (Stock Exchange stock code: 8191) for approximately 3 years; the financial controller of subsidiaries of Casablanca Group Limited (Stock Exchange stock code: 2223) for over 1 year; the financial controller of Guangzhou TWS Electronics Limited for over 4 years; and an auditor at Ernst & Young for over 3 years. Ms. Leung is currently a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Directors. In 1992, Ms. Leung obtained a bachelor degree in business administration from the City University of New York in the U.S.

SENIOR MANAGEMENT

Mr. Chan Hoi Tung, Danny

Aged 50, joined our Group in 2018, is the Senior Marketing Director of our Group. Mr. Chan is responsible for the Group's marketing teams and workflow improvement. He has over 25 years of experience in IT & consumer electronics products distribution management along with many years of experience in management consultancy focusing on corporate structure re-engineering system architecture, data analysis and workflow management. Mr. Chan holds a Master of Business Administration from the University of Ottawa.

Mr. Wong Chi Man, Raymond

Aged 53, joined our Group in 1997 and is the Supply Chain and Logistics Director of our Group. Mr. Wong is primarily responsible for the overall supplier management and oversees the supplies network and production capacity. He is also responsible for the management of the shipping department and the logistic arrangement of our Group. Mr. Wong has over 25 years of experience in quality control and production coordination gained from the business operation of our Group.

Mr. Wong Lok Hey, Adrian

Aged 36, joined our Group in 2008, is the R&D Director of our Group. Mr. Wong is primarily responsible for product design, product engineering development and patent application of our Group. Mr. Wong has over 10 years of kitchenware design and development experience gained from our Group. Prior to joining our Group, Mr. Wong has over 3 years marketing experience in bathware industry. In 2008, Mr. Wong obtained a master degree of science in engineering (mechanical engineering) from the University of Hong Kong and, in 2005, obtained a bachelor degree of engineering in mechanical engineering from the University of Hong Kong.

Mr. Chow Chi Wai, Kevin

Aged 51, joined our Group in 2003, is the Sales and Marketing Director of our Group. Mr. Chow is primarily responsible for the business development and customer relationships of the worldwide (excluding China) business of our Group. Mr. Chow has over 14 years of experience in kitchenware business development gained from the business operation of our Group. Prior to joining our Group, Mr. Chow has over 20 years of experience in marketing and merchandising field.

Mr. Chan Chi Man, Arthur

Aged 36, joined our Group in 2010, is the Quality Assurance Manager of our Group. Mr. Chan is primarily responsible for the management of the quality control of our Group. Mr. Chan has over 8 years of experience in the kitchenware industry gained from the business operation of our Group. Between June 2010 and June 2013, Mr. Chan was a senior merchandiser of Wonder Household. Before joining our Group, Mr. Chan has over 5 years of experience in sales and marketing field. In 2011, Mr. Chan obtained a master degree of science in quality management from the Hong Kong Polytechnic University and, in 2006, obtained a bachelor degree of science (honors) in computer studies from City University of Hong Kong.

BUSINESS REVIEW

The Group is an integrated one-stop kitchenware and household product solution provider to internationally renowned kitchenware and household product brands. Headquartered in Hong Kong, the Group provides differentiating and customised services from market research, concept creation, product design and development to raw material sourcing, production engineering as well as quality assurance, order tracking and logistics. This comprehensive and bespoke service platform has successfully differentiated the Group among kitchenware and household product solution providers in the industry and gained us the trust from high-end kitchenware and household product brand owners in North America, Europe and Asia.

Core products of the Group include kitchen tools and gadgets, drinkware, bakeware and accessories and food preparation and storage products and accessories. The Group also engages in trading of raw materials.

OPERATIONAL REVIEW

Differentiated services is the key to enhance customer loyalty

With a strong commitment in providing differentiated services and reinforcing its competitive advantages, the Group continued to invest in its product design, development and engineering capabilities in 2018. During 2018, the Group had expanded its design and R&D team which currently consist of a total of 16 members, as compared to 13 members in 2017, who are professional in focusing on market research, data analysis, product design and development, helping our clients in monitoring consumer demands and setting the latest trends in kitchenware and household products as well as collaborating with our customers to derive patentable solutions. These capabilities differentiated us among our peers and fortified our strategic partnership with our customers.

With strong background in industrial designs as well as experiences in manufacturing, the Group's product engineering team, which currently has 8 engineers, provide innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 31 December 2018, the Group engaged a team of over 90 quality assurance professionals stationed at or near the production factories in the PRC. No major quality control issues or complaints were reported in 2018.

International clientele

The Group has an extensive sales network and international clientele. During the year ended 31 December 2018, clients from the U.S. contributed over 72.0% of total revenue. Asia, Europe and Canada contributed 21.1%, 4.9% and 1.8%, respectively, and the Group received orders from over 100 customers.

In addition to maintaining solid partnership with its existing customers, the Group also endeavored to explore new business opportunities. During the year ended 31 December 2018, the Group visited the trade fair in Ambiente Frankfurt, NY Now, International Home + Houseware Show, Hong Kong Houseware Fair and Playtime Tokyo. Via such platforms, the Group was able to reach merchandisers from around the globe and closely track the latest innovation and design trends in the industry.

FUTURE STRATEGY

The Group has set strong foot-holds in the global kitchenware and household product industry, especially in the mid-tier and high-end market. Leveraging on its success and foundation, the Group will continue to seek growth in its existing overseas and the PRC markets. The markets in the U.S. and Europe are expected to remain stable while that of the PRC will continue to grow. However, the trade tension between the U.S. and the PRC, volatility of foreign currencies and commodity prices, may continue to cause some uncertainties in the markets. Same as the Group's strategies in previous years, the Group will continue to enhance its capability in product innovation and better cater for the demand of its customers in 2019, with mid-tier and high-end kitchenware and household product markets will remain the Group's focus. The Group will continue to participate in major trade shows to further broaden its customer base, through which the Group is able to work with local importers and trade agents and expand potential collaborations with well-known U.S. and Europe brand owners and retailers.

The Group will continue to focus on expanding the retail kitchenware and household product assortment and seek for growth in the PRC market. The large population of middle-class consumers in the PRC who are craving for quality and trendy products in pursuit of wellness living and higher standard of living. Furthermore, since the introduction of the two-child policy by the PRC government in 2015, the demand for toddler and children products has been increasing which provides ample business opportunities and incentive to the Group to continue expanding product assortment and dedicating more resources, such as enhancing its e-commerce platform and marketing and promotion activities, to capture the mother and toddler's market and to increase its market share in the PRC. Following the success on launching the toddler and children products in the PRC market, the Group is also exploring other markets such as Japan and the Northern Europe countries. The Group has successfully launched the toddler products series in the PRC, Japan and Denmark during the year 2018 and the Group is optimistic about the prospect of this new product line.

Facing the challenge, the Group will continue to adhere to the differentiation strategy with its strong design and engineering skills and enhance its design capabilities to provide tailor-made services to its customers to increase order levels from existing customers and to attract new customers, with an aim to diversify and expand its customer base to achieve a sustainable revenue growth.

In addition, the Group also engages in raw materials trading business in order to diversify and increase its revenue source. For this business segment, the Group will continue to explore more potential commodities suppliers with high reliability around the world for enriching the raw material intelligence and increasing the varieties of raw materials to enjoy the benefits of economies of scale and synergy efficiency.

Innovation is one of the key components of the Group's success. During the year 2018, the Group has entered into an agreement for the acquisition of four independent, separately operated production lines, each of which consists of standard version of the Nanospider™ eight-electrode solvent optimized 1600 mm width with an upward spinning configuration (the "Equipment") which is a versatile technology easily adapted to a variety of process parameters for the optimization of the specific properties of the produced nanofibers. The Equipment will upgrade the Group's supply chain production capability for the production of components for the Group's existing products portfolio, as well as new products range in future. According to the updates from the vendor of the Equipment, the first production line will be delivered at the end of May 2019. The Group has already identified an appropriate location in Hong Kong to assemble and test run the first production line, it is expected the trial production and mass production will commence around August and end of 3rd quarter of 2019, respectively.

FINANCIAL REVIEW

Revenue

The Group recorded a significant growth in revenue for the year 2018 comparing with year 2017. During 2018, the Group's total revenue was approximately HK$1,566.9 million, representing an increase of approximately 14.7% as compared to approximately HK$1,365.5 million for 2017. The increase was mainly due to the increase in sales in the PRC and the raw materials trading segment and the Group adjusted its sales strategies to cope with the rapidly changing market condition.

Cost of sales

During the year ended 31 December 2018, cost of sales of the Group increased by approximately 19.8% to approximately HK$1,282.2 million as compared to approximately HK$1,070.2 million for the year 2017. Cost of sales as a percentage of revenue increased to 81.8% for the year ended 31 December 2018 as compared to 78.4% for the year 2017. The higher cost of sales of the Group was mainly due to the increase in revenue comparing with year 2017 and the increase in the cost of raw materials consumed by the Group. The cost of raw materials rose as the price of commodities such as crude oil increased. The continued increase in labour costs and manufacturing overhead in the PRC and trade tension between the U.S. and the PRC during the year also contributed to the increase in cost of sales.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 3.6% to approximately HK$284.6 million for year ended 31 December 2018 (2017: HK$295.3 million) and the gross profit margin decreased by approximately 3.4% to approximately 18.2% for the year ended 31 December 2018 (2017: 21.6%). The lower gross profit margin was mainly due to the increase in cost of raw materials as mentioned in the paragraph headed "Cost of sales" above.

Other income and gains, net

During the year ended 31 December 2018, other income decreased by approximately 76.7% to approximately HK$6.6 million (2017: HK$28.3 million) primarily due to the one-off gain on the disposal from listed equity securities in year 2017 which significantly increase the other income of that year.

Distribution expenses

During the year ended 31 December 2018, distribution expenses increased by 34.9% to approximately HK$44.8 million (2017: HK$33.2 million). The increase was mainly due to the Group's dedication of more resources on the PRC retail business to increase its market penetration in the PRC and also the increase in the licensing fee which increased with the sales correspondingly.

Administrative expenses

During the year ended 31 December 2018, the administrative expenses decreased by approximately 15.9% to approximately HK$93.5 million (2017: HK$111.2 million). The decrease was primarily due to the effort of the management in controlling the operating cost and the exchange gain which off set the cost during the year.

Profit for the year

Profit for the year ended 31 December 2018 decreased by approximately 13.0% to approximately HK$131.9 million (2017: HK$151.6 million). The decrease was due to the one-off gain from the disposal of listed equity in year 2017 and the increase in cost of sales resulting from the increase of commodities prices, the continued increase in labour cost and manufacturing overhead in the PRC and trade tension between the U.S. and the PRC during the year, which off-setting the positive effect from the increase of the Group's revenue. Excluding the one-off gain in 2017, the decrease in the underlying business profit is 1.4%.

SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS ON CAPITAL ASSETS

Other than the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income as disclosed in note 24 and 25 respectively to the consolidated financial statements of this annual report, there were no significant investment held as at 31 December 2018.

On 15 October 2018, Nanoshields Technology Limited ("Nanoshields") as purchaser, an indirect wholly-owned subsidiary of the Company, and ELMARCO s.r.o. ("ELMARCO") as vendor, entered into the Equipment Sales Agreement with the vendor in relation to the purchase of equipment, four independent separately operated production lines, at the consideration of approximately EUR6,3 million (or approximately HK$57.2 million as at contract date). The completion is subject to the final acceptance test of the fourth production line or by 1 July 2022, whichever is earlier.

The consideration will be satisfied by the internal resources of the Group without recourse to the net proceeds from the Company's share offer completed in January 2015.

For more details, please refer to the announcements of the Company dated 15 October 2018.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2018, the Group had not made any material acquisition or disposal of subsidiaries and associated companies.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group manages its capital structure with the aim to ensure the Group will be able to continue as a going concern, maximize the return to the shareholders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management reviews the capital structure regularly by considering the risk and benefit associated with each class of capital and adjusts the capital structure as it sees fit and appropriate.

As at 31 December 2018, the Group had cash and bank balances amounted to approximately HK$421.4 million (2017: HK$430.3 million) which were mainly denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HKD"). The Group had bank overdrafts and bank borrowings of approximately HK$35.5 million (2017: HK$12.9 million) and approximately HK$145.2 million (2017: Nil) respectively as at 31 December 2018.

The annual interest rate of the bank overdrafts and bank borrowings during the year ended 31 December 2018 ranged from 3.5% to 4.5% (2017: ranged from 3.0% to 4.0%) and from 1.3% to 4.3% (2017: Nil) respectively.

Gearing ratio

The Group's gearing ratio is calculated as total borrowings, which is the summation of bank overdrafts, bank borrowings and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 31 December 2018 and 2017 were 27.9% and 5.1% respectively. The increase of the gearing ratio was mainly due to the utilisation of bank overdrafts and the raise of bank borrowings during the year.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in USD and incurs cost in HKD and RMB. The Group is exposed to foreign exchange risk with respect mainly to USD and RMB which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of RMB and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any hedging policy.

PLEDGE OF ASSETS

As at 31 December 2018, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$18.8 million (2017: HK$19.6 million), bond classified as financial assets at fair value through profit or loss of approximately HK$7.6 million (2017: HK$7.5 million classified as available-for-sale financial assets) and pledged bank deposits of HK$22.1 million (2017: HK$22.0 million) were pledged to secure general banking facilities granted to the Group.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Company's share offer in January 2015 amounted to approximately HK$219.8 million (after deducting underwriting commissions and all related expenses). Such net proceeds are intended to be or have been applied in accordance with the proposed application as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 December 2014 (the "Prospectus"). As at 31 December 2018, approximately HK$101.8 million of the proceeds raised has been utilised and the unused proceeds were deposited in licensed banks in Hong Kong. In the event that the Directors decided to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The amounts utilised as at 31 December 2018 are as follows:

Purposes of net proceeds as disclosed in the Prospectus	Percentage	As at 31 December 2018 Amount of net proceeds (HK' million)	Amount utilised (HK' million)	Remaining balance (HK' million)
1. To broaden customer base, to expand penetration in existing markets and to penetrate into new markets	5%	11.0	11.0	–
2. To enhance our product design, development and engineering capabilities	22%	48.4	45.4	3.0
3. To establish flagship stores, with one flagship store in Shanghai by end of 2015, and expand our retail sales networks and e-commerce business in the PRC	15%	33.0	17.0	16.0
4. To purchase and renovate office premises	45%	98.9	–	98.9
5. To enhance our information technology infrastructure	3%	6.5	6.4	0.1
6. For working capital and general corporate purposes	10%	22.0	22.0	–
	100%	219.8	101.8	118.0

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities (2017: Nil).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group has capital commitment of approximately HK$42.1 million (2017: approximately HK$0.1 million) for the purchase of and addition to property, plant and equipment.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and has steered its development and protection of the interests of the shareholders of the Company ("Shareholders") in an enlightened and open manner. The Board comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. During the year under review and up to the date of this report, the Company has complied with the CG Code, except for code provision A.2.1, which provides that, among other things, the role of chairman of the board and the chief executive officer of a listed issuer shall be separate and shall not be performed by the same individual.

Mr. Wong Siu Wah is both the chief executive officer and the chairman of the Board of the Company which deviates from code provision A.2.1. The Board considers that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure taking into account the background and experience of the Directors and the number of independent non-executive Directors on the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year and up to the date of this report.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established four Board committees, being the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee (each a "Board Committee" and collectively the "Board Committees"), to oversee different areas of the Company's affairs.

The Board currently comprises two executive Directors, namely Mr. Wong Siu Wah and Ms. Wong Fook Chi and three independent non-executive Directors, namely, Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie.

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 6 to 8 in this annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Stock Exchange's and the Company's website.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance. All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

The attendance of Directors at the Board Meetings, the Board Committees Meetings and Annual General Meeting during the year is set out in the table below:

	Meetings Attended/Held					
Director	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Annual General Meeting
Executive Director						
Mr. Wong Siu Wah	7/7	N/A	2/2	1/1	N/A	1/1
Ms. Wong Fook Chi	7/7	N/A	2/2	N/A	2/2	1/1
Mr. Wong Ying Wai Dennis*	5/5	N/A	N/A	N/A	N/A	1/1
Independent Non-Executive Director						
Dr. Lau Kin Tak	7/7	3/3	2/2	1/1	2/2	1/1
Mr. Anthony Graeme Michaels	7/7	3/3	2/2	1/1	N/A	1/1
Ms. Leung Wai Ling, Wylie	7/7	3/3	2/2	1/1	2/2	1/1

* Mr. Wong Ying Wai Dennis resigned with effect from 1 August 2018.

DIRECTORS' AND OFFICERS' INSURANCE

Appropriate insurance coverage has been arranged in respect of potential legal actions against the Directors and officers of the Company.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

All Directors are provided with regularly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices.

The Directors understand the importance of continuous professional development and are committed to participate in suitable training to develop their knowledge and skills.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors namely, Ms. Leung Wai Ling, Wylie, has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

BOARD COMMITTEES

The Board is supported by four committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and the Risk Management Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference are available on the respective websites of the Stock Exchange and the Company.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

(i) Audit Committee

The Audit Committee was established on 22 December 2014 in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Ms. Leung Wai Ling, Wylie, Dr. Lau Kin Tak and Mr. Anthony Graeme Michaels. Ms. Leung Wai Ling, Wylie, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The principal duties of the Audit Committee are to assist the Board in reviewing, supervising and providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties as assigned by the Board.

The Audit Committee held three meetings in 2018. At the meetings, the Audit Committee has reviewed the interim results for the six months ended 30 June 2018 and the consolidated financial statements of the Group for the year ended 31 December 2017, including the accounting principles and practices adopted by the Group and report prepared by the external auditor covering major findings in the course of the audit. The final results for the year ended 31 December 2018 were reviewed by the Audit Committee in March 2019.

(ii) Remuneration Committee

The Remuneration Committee was established on 22 December 2014. The Remuneration Committee comprises three independent non-executive Directors and two executive Directors, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels, Ms. Leung Wai Ling, Wylie, Mr. Wong Siu Wah and Ms. Wong Fook Chi. Dr. Lau Kin Tak is the chairman of the Remuneration Committee. The Remuneration Committee makes recommendations to the Board on, among other matters, our Company's policy and structure for the remuneration of all Directors and senior management and has been delegated the responsibility to determine on behalf of the Board the specific remuneration packages for all Executive Directors and senior management.

The Remuneration Committee held two meetings during the year to review the Group's remuneration policy for the Directors and senior management for the year ended 31 December 2018.

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements.

(iii) Nomination Committee

The Nomination Committee was established on 22 December 2014. It comprises three independent non-executive Directors and one executive Director, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels, Ms. Leung Wai Ling, Wylie and Mr. Wong Siu Wah. Mr. Wong Siu Wah is the Chairman of the Nomination Committee.

The director nomination policy aims to set out the relevant selection criteria and nomination procedures. In assessing the suitability of a proposed candidate, the following criteria would be considered as reference by the Nomination Committee, including but not limited to:

(a) Character and integrity.

(b) Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.

(c) Any measurable objectives adopted for achieving diversity on the Board.

(d) Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

(e) Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

(f) Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. A circular setting out information as required pursuant to the applicable laws, rules and regulations of the proposed candidates will be sent to the shareholders. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee held one meeting during the year ended 31 December 2018. The principal responsibilities of the Nomination Committee include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also evaluates the Board's performance and makes recommendations for the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

(iv) Risk Management Committee

The Company established a Risk Management Committee pursuant to a resolution of the Directors passed on 22 December 2014. The primary duties of the Risk Management Committee are to review the Company's risk management policies and standards and supervise and monitor the Company's exposure to sanction law risks. The Risk Management Committee currently consisted of Ms. Wong Fook Chi, Dr. Lau Kin Tak and Ms. Leung Wai Ling, Wylie and is currently chaired by Ms. Wong Fook Chi.

The Risk Management Committee held two meetings during the year to identify, evaluate, minimize, manage and monitor business and control risks encountered by the Group for the year ended 31 December 2018.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference in compliance with provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and relevant disclosure in the corporate governance report of the annual report of the Company.

BOARD PROCEEDINGS

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the Chairman or the Company Secretary to include matters in the agenda for regular board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting in favour of the related board resolutions as appropriate.

Minutes of meetings of the Board and Board Committees are kept by the Company Secretary in sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for specific terms not more than three years. Each of the Directors will be subject to retirement and re-election at annual general meeting of the Company ("AGM") in accordance with the Company's articles of association.

In accordance with the Company's articles of association, a person may be appointed as a Director either by the Shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the Shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the AGM, and are eligible for re-election by the Shareholders.

BOARD DIVERSITY POLICY

The Company has adopted a Board diversity policy in accordance with the requirements set out in the code provisions of the CG Code. The Company recognizes the benefits of having a diverse Board, and sees diversity at the Board level is essential in achieving a sustainable and balanced development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, ethnicity, professional experience, skills, knowledge, industry experience and expertise. All Board appointments are based on meritocracy and considered against a variety of criteria, having due regard for the benefits of diversity on the Board.

COMPANY SECRETARY

Mr. Wan Hok Yin, the company secretary of the Company ("Company Secretary"), is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. He also serves as the secretary of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Mr. Wan Hok Yin is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters.

The Company Secretary had duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Group's financial statements which give a true and fair view of the Group's financial position, financial performance and cash flows for the year and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and not aware of any material uncertainties relating to events or conditions that may affect the business of the Group or cast doubts on its ability to continue as going concern.

The responsibilities of BDO Limited, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Risk management and internal controls

The Board is responsible for overseeing the internal control system and risk management of the Group and for reviewing its effectiveness and adequacy on an ongoing basis.

In order to safeguard the Group's assets, effectiveness of business operation, ensure the reliability of financial report that the Company employs in its business or releases to the public and ensure compliance with relevant laws and regulations, the Company has established the risk management and internal control system and conducts regular reviews of the effectiveness of the such system through the Audit Committee, executive management, functional departments, external advisers and external auditor. The internal control system and risk management are designed to manage rather than eliminate the risk of to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, in order to comply with the applicable CG Code to the Listing Rules, the Board has retained an external professional consultant to carry out the internal audit functions of the Company, with a view to facilitating adequacy of resources and quality of review to satisfy the Group's internal audit function as required by the Stock Exchange and to assist the Board in performing annual reviews on the effectiveness of the Group's internal control systems for the year ended 31 December 2018. The reviews cover material controls including financial, operational and compliance controls at entity and operational levels. The Audit Committee and the Board have discussed and reviewed the relevant results of the review. The Board had conducted review of the effectiveness of the risk management. The Group will continuously enhance its internal control systems according to findings therein and recommendations made to the Group and risk management.

The Group has established procedures in handling and dissemination of inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

Based on the risk management and internal control systems established and maintained by the Group, the review of the effectiveness of risk management and internal control systems performed by the management, respective Board Committees and the Board, the Board is of the view that the Group has maintained sound and effective risk management and internal control system during the year ended 31 December 2018.

EXTERNAL AUDITOR

BDO Limited has been appointed as the external auditor of the Company for the year ended 31 December 2018. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by BDO Limited and considered that such services have no adverse effect on the independence of the external auditor.

During the year ended 31 December 2018, the remuneration paid and payable to BDO Limited is set out as below:

	2018 HK$'000
Audit service	930
Non-audit services:	
Professional service fees in relation to agreed upon procedures on interim financial information	10
Tax compliance services	147
	1,087

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 31 December 2018.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all its Shareholders an equal opportunity to exercise their rights in an informed manner and allow all Shareholders to engage actively with the Company. Under the Company's articles of association, the Shareholders communication policy and other relevant internal procedures of the Company, the Shareholders of the Company enjoy, among others, the following rights:

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through AGMs and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the Shareholders not less than 20 clear business days before the AGMs and not less than 10 clear business days for all other general meetings. At the general meetings, separate resolutions will be proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and proposals to the Board

The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the principal place of business of the Company in Hong Kong currently situated at 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong or via email to ir@kingsflair.com.hk.

(iii) Convening extraordinary general meetings

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the principal place of business of the Company in Hong Kong currently situated at 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of extraordinary general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules shall be sent to Shareholders at least 10 clear business days prior to the extraordinary general meeting. Poll voting has been adopted for decision-making at Shareholders' meetings to ensure that each share is entitled to one vote. Details of the poll voting procedures will be set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results will be posted on the Company's website on the day of the extraordinary general meeting.

(iv) Procedures for proposing a person for election as a Director

Pursuant to Article 85 of the articles of associations of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice ("Notice") signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such Notice is given of his intention to propose such person for election. If a Shareholder wishes to propose a person other than a Director for election as a Director at a general meeting, the Shareholder shall lodge a Notice signed by himself and the person to be proposed of his willingness to be elected at the principal place of business of the Company in Hong Kong or at the Hong Kong share registrar and transfer office of the Company provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, there was no change in the memorandum and articles of association of the Company.

The Directors of the Company present their annual report together with the audited financial statements of the Group for the year ended 31 December 2018.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 25 June 2012 with limited liability and the issued shares of the Company became listed on the Main Board of the Stock Exchange on 16 January 2015 ("Listing Date").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of its principal subsidiaries are set out in note 43 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

Review of the business

A review of the business of the Group and an analysis of the Group's performance during the year are provided in "Chairman's Statement" on pages 3 to 5 and "Management Discussion and Analysis" on pages 9 to 14 of this annual report.

Principal risks and uncertainties

The Directors of the Group monitor the risks and uncertainties exposed to the Group continuously. Risks and uncertainties including foreign currency risk, credit risk, interest rate risk, price risk, liquidity risk and fair value risk exposed to the Group were described in note 45 to the consolidated financial statements of this annual report.

The Group's profitability and growth is also affected by the uncertainties of the global market environment such as the global growth of gross domestic product, cost of the commodities, fluctuation of foreign currency exchange rate and change in consumer preference and behavior as well. These risks and uncertainties has a potential negative impact on the Group's profitability. The Directors of the Group monitor closely on those factors and will adjust the Group's strategy accordingly.

Future development

The Group's future business development is set out in "Chairman's Statement" on pages 3 to 5 and "Management Discussion and Analysis" on pages 9 to 14 of this annual report.

Key performance indicators

The key performance indicators for the Group comprise total revenue, gross profit, profit for the year and gearing ratio.

The revenue of the Group increased by approximately 14.7% to approximately HK$1,566.9 million in 2018 as compared to that of approximately HK$1,365.5 million for the year 2017.

The gross profit decreased by approximately 3.6% to approximately HK$284.6 million for the year ended 31 December 2018 from approximately HK$295.3 million in year 2017.

The profit for the year decreased by approximately 13.0% to approximately HK$131.9 million compared to approximately HK$151.6 million in year 2017.

The gearing ratio increased from approximately 5.1% in year 2017 to approximately 27.9% in year 2018 representing an increase of 22.8%.

Details of the changes of the Group's performance indicators are shown in "Management Discussion and Analysis" section on pages 9 to 14 of this annual report.

Environmental policies

The Group has an environmental policy in place and the Group commits to contribute to the protection of the environment. The Group has the policy of efficient use of energy in the offices that the staff is required to switch off the light during lunch hour and before leaving office. This helps to minimize the consumption of electrical energy that reduces carbon emission.

Moreover, the Group encourages the use of recycled paper and the recycling of material namely paper, plastic and metal through the collection cabinets located in the offices which minimize the impact on the natural environment. At the same time, this policy also helps to reduce wastage.

The environment, social and governance report as required by the Listing Rules will be issued separately by the Company before 30 June 2019.

Compliance with laws and regulations

The Group recognizes the importance of the compliance with laws and regulations. Hence, the Group has been allocating resources to ensure the compliance with the law and regulation requirement in the location such as the US, the European Region (the "EU") and the PRC in which the Group has business activities or operation.

The safety of the products is always one of the major emphasis of the Group. The Group has been dedicating resources to ensure its products fulfilling the laws and regulations on product safety enforced in different markets. Laws and regulations like Federal Food, Drug and Cosmetic Act in US, the General Product Safety Directive and the Registration, Evaluation, Authorization of Chemicals in EU and the Product Quality Law of the PRC affecting the Group's products were fully observed and complied with by the Group.

The Group sells its products worldwide and the transactions were subject to various tax and surcharges such as customs duties and valued added tax. The Group complied with those regulations and settled all the liabilities in accordance to those regulations.

The Group is also subject to various laws and regulations in Hong Kong where its head office and principal place of business is located. The Directors regularly monitor the Group's operation to ensure compliance with the laws and regulations such as Companies Ordinance, the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance and the Listing Rules.

Company's key relationships with its employees/customers/suppliers

The Group is committed to maintain a good relation with its stakeholders comprising employees, customers and suppliers in order to sustain the growth of the Group as well as the creation of interest of the stakeholders.

Employees

The Group recognizes the importance of human resources which is one of the critical components to the success of the Group. The Group offers competitive remuneration package with high performance incentive to retain elite employees including salaries, medical insurance, discretionary bonuses and other long service rewards to commensurate with the individual's contribution to the Group. The Group values loyalty and employees personal growth. While technical training and supports programs are provided regularly to keep our employees competitive with the market, education sponsorship are also available to selected ones who are, amongst other things, highly self-motivated and support the Group's growth for career enhancement.

Customers

Although the Group has no long term contract with customers, it is able to provide a one stop service for the customer need from raw material selection, design, engineer, supply chain management, and PRC retail services. Instead of finding multiple partners to handle each services separately, the Group enables customer to maintain their product quality and brand consistency from beginning to retail using the Group's one stop service. Through these close ties and long-term business relationship, the Group can understand the requirement of the customers and react quickly and effectively to the need of the customers. This helps to create cohesiveness with the customer and the Group is able to maintain solid and long-term partnership with the existing customers which form a foundation for the growth of the Group.

Suppliers

The Group outsources the entire manufacturing function to production factories in the PRC and those factories are the suppliers of the Group. The Group maintains a supportive and long-term relationship with the suppliers with supports such as careful production planning, technology upgrades, production operations monitoring. In addition, the Group also maintains steady relationship with suppliers of raw materials, both in relation to those procured on behalf of the production factories and those in the Group's raw material trading business.

RESULTS AND APPROPRIATION

The consolidated results of the Group for the year ended 31 December 2018 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 42 to 135 of this annual report.

DIVIDEND POLICY

The Board has approved and adopted the dividend policy (the "Dividend Policy"). The Dividend Policy aims to provide stable and sustainable returns to the shareholders of the Company. In deciding whether to propose a dividend and in determining the dividend amount, the Board would take into account, among others, the following factors:

(i) the financial performance, liquidity position, business condition and strategies of the Group;

(ii) the actual and future operation and demands for liquidity of the Group;

(iii) the expected future expansion plan and working capital requirements of the Group;

(iv) gearing ratio, credit facilities and indebtedness level of the Group;

(v) after-tax profit, retained profits and distributable reserves of the Group;

(vi) the expectation of the Shareholders and investors and industrial practices;

(vii) general market condition;

(viii) the restrictions against declaration of dividends (if any); and

(ix) any other relevant factors which the Board may deem appropriate.

In proposing or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future growth and its shareholding value. Any declaration and payment of dividends by the Company will also be subject to any restrictions under the Companies Laws of the Cayman Islands, the memorandum and articles of association of the Company and any applicable laws, rules, regulations.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors resolved to recommend the payment of a final dividend of HK6.0 cents per share amounting in aggregate to approximately HK$42.0 million. Together with the interim dividend and special dividend of HK7.0 cents per share in total already paid, the total dividend for the year would be HK13.0 cents per share (2017: HK13.0 cents per share), representing an approximately 77.1% dividend ratio. The payment of the proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting ("AGM") to be held on Friday, 28 June 2019 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 10 July 2019. It is expected that the proposed final dividend will be paid on or about Wednesday, 24 July 2019. Notice of AGM will be published and despatched to Shareholders in the manner required by the Listing Rules in due course.

CLOSURES OF REGISTER OF MEMBERS

Annual General Meeting

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 24 June 2019 to Friday, 28 June 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the AGM, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 21 June 2019.

Final Dividend

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Monday, 8 July 2019 to Wednesday, 10 July 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 5 July 2019.

SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 136 of this annual report. The summary does not form part of the audited financial statements.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 45 and in note 38 to the consolidated financial statements, respectively of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2018, distributable reserves of the Company calculated under the laws of Cayman Islands amounted to HK$471,754,000 (2017: HK$471,380,000).

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the year, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies.

CHARITABLE DONATIONS

Total donations made by the Group for charitable and other purposes during the year amounted to HK$1,876,000 (2017: HK$3,282,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively for the year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	45.8%	
Five largest customers in aggregate	74.0%	
The largest supplier		16.6%
Five largest suppliers in aggregate		51.6%

At no time during the year have the Directors, their close associates or any Shareholders of the Company (which to the best knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Mr. Wong Siu Wah *(Chairman and Chief Executive Officer)*
Ms. Wong Fook Chi
Mr. Wong Ying Wai Dennis *(resigned with effect from 1 August 2018)*

Independent non-executive directors
Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie

In accordance with the Company's articles of association, Dr. Lau Kin Tak and Mr. Anthony Graeme Michaels shall retire at the AGM and being eligible, offer themselves for re-election at the forthcoming AGM.

Biographical details of the Directors are set out on pages 6 to 8 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of two years commencing from 22 December 2017, which shall continue thereafter unless terminated by not less than three month's written notice served by either party.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years commencing from 22 December 2017.

In accordance with the Company's articles of association, at every AGM of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. None of the Directors proposed for re-election at the AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as those disclosed in the sub-section headed "Directors' Service Contracts" above and "Connected Transactions and Continuing Connected Transactions" below, none of the Directors, the controlling shareholders of the Company and/or their respective close associates has a significant interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during the year under review.

CONTRACT OF SIGNIFICANCE

During the year under review, save as disclosed in the sub-section headed "Connected Transactions and Continuing Connected Transactions" below, no contract of significance in relation to the Group's business in which the Company, any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2018, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

	Long positions in the shares of the Company					
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage (%)
Wong Siu Wah ("Mr. Wong")	–	–	525,000,000 *(Note)*	–	525,000,000	75%

Note:

The 525,000,000 shares comprise 105,000,000 shares held by First Concord Limited, which is held as to 60% by Mr. Wong and as to 40% by Ms. Cheng Rebecca Hew Hong ("Ms. Cheng") and 420,000,000 Shares held by City Concord Limited, which is 100% held by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the shares held by First Concord Limited and City Concord Limited.

Save as disclosed above, as at 31 December 2018, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year ended 31 December 2018 was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the financial year under review.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, the following persons (not being the directors or chief executive of the Company) who had interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Interests in Shares

Name of substantial shareholder	Capacity/nature of interests	Number of shares held (Note 1)	Approximate percentage of issued share capital (%)
First Concord Limited *(Note 2)*	Beneficial owner	105,000,000(L)	15%
City Concord Limited *(Note 3)*	Beneficial owner	420,000,000(L)	60%
Ms. Cheng Rebecca Hew Hong	Interest of controlled corporation and interest of spouse	525,000,000(L)	75%

Notes:

1. The letter "L" denotes a long position in the Shareholder's interest in the share capital of the Company.

2. First Concord Limited is held as to 60% by Mr. Wong and 40% by Ms. Cheng. Mr. Wong and Ms. Cheng are both deemed to be interested in the 105,000,000 shares held by First Concord Limited.

3. City Concord Limited is wholly and beneficially owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in the 420,000,000 shares held by City Concord Limited. Ms. Cheng is deemed to be interested in the 420,000,000 shares held by City Concord Limited by reason of her being the spouse of Mr. Wong.

Interests in other member(s) of the Group

Name of non-wholly owned subsidiary of the Company	Number of registered substantial shareholders (other than members of the Group)	Percentage of issued share capital (%)
Homespan (HK) Limited	Mr. Christopher Paul Liversey	44%
Manweal Development Limited	Primehill Holdings Limited	32%
寧波家之良品國際貿易有限公司 (Ningbo Homesbrands International Trading Company Limited)	Mr. Lin Zhao	25%

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other person having an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save that Mr. Wong Ying Wai Dennis, an executive director of the Company, resigned with effect from 1 August 2018, since the last published annual report of the Company, there is no change in the Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SHARE OPTION SCHEME

On 22 December 2014, the Company has conditionally adopted a share option scheme (the "Share Option Scheme") for the purposes of recognizing and acknowledging the contributions that eligible participants have made or may make to our Group. The Share Option Scheme became unconditional and commenced on 16 January 2015 (the "Listing Date") and will remain in force for 10 years from such date unless otherwise cancelled or amended.

Eligible participants of the Share Option Scheme include (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date (or 70,000,000 shares of the Company) (the "Limit"). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) refresh the Limit at any time to 10% of the shares in issue as at the date of the approval of the Limit (as refreshed) by the Shareholders in general meeting; or

(ii) grant options beyond the Limit to eligible participants specifically identified by the Board before approval is sought.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised, cancelled or outstanding options) to each grantee within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The exercise period of the options granted is to be determined by the Board, which period may commence from the date of the offer of the options, and ends on a date which is not later than ten years from the date of grant of the options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company non-refundable HK$1 upon acceptance of the grant.

The exercise price of the options is to be determined by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet on the date of grant of option, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of a share.

As at 31 December 2018, no options have been granted, exercised or lapsed under the Share Option Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

LOANS TO OFFICERS

No loans were made to or outstanding from the Company's officers at any time during the year ended, or as at, 31 December 2018.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 24 of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

There is no connected transactions or continuing connected transactions undertaken by the Group during the financial year ended 31 December 2018 which is required to be disclosed pursuant to Chapter 14A of the Listing Rules.

Disclosures in section headed "Related Party Transactions" in note 40 to the consolidated financial statements contain certain continuing connected transactions which are fully exempt from annual review, Shareholders' approval and all disclosure requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 156 employees (2017: 144 employees). Total staff costs (including Directors' emoluments) were approximately HK$50.6 million for the year ended 31 December 2018, as compared to approximately HK$61.4 million for the year ended 31 December 2017.

The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong and state managed retirement benefit schemes for employees in the PRC.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' REMUNERATION AND TOP FIVE HIGHEST PAID PERSONS

Details of Directors' remuneration and the top five highest paid persons are set out respectively in note 11 to the consolidated financial statements of this annual report.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2018, the Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 31 December 2018, none of the Directors or any of their respective close associates has engaged in any business that competes or is likely to compete, directly or indirectly, with the business of the Group or, save as disclosed in the sub-section headed "Connected Transactions and Continuing Connected Transactions" above, have any other conflict of interests with the Group.

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus, the controlling shareholders of the Company (the "Controlling Shareholders"), namely Mr. Wong, Ms. Cheng Hew Hong, Rebecca, City Concord Limited and First Concord Limited, as covenantors entered into a deed of non-competition (the "Deed of Non-competition"), pursuant to which each of the Controlling Shareholders has undertaken to the Company (for the Company and for the benefit of its subsidiaries) that effective upon the completion of initial public offering process of listing (the "Listing"), it/he/she will not, and will procure that its/his/her close associates (as defined under the Listing Rules) will not (a) either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the Company's business in Hong Kong and any other country or jurisdiction to which the Company provides services and/or in which any member of the Group carries on business from time to time (the "Restricted Activity") or (b) either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, or as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise, directly or indirectly, solicit, interfere with or endeavour to entice away from any member in the Group any person, firm, company or organization who to its/his/her knowledge is now or has been a client, supplier or employee of any member in the Group.

Each of the Controlling Shareholders has also undertaken that (a) it/he/she will promptly provide the Company, in writing with any relevant information in respect of any new business opportunity which competes or may compete with the existing and future business of the Group which it/he/she or its/his/her close associates may have knowledge for the Company to assess such new business opportunity, (b) it/he/she will, and will procure its/his/her close associates with material interests to, abstain from voting at all meetings of Directors and holders of Shares on resolutions involving the exercise or non-exercise of the right of the Group to participate in the relevant Restricted Activity, (c) it/he/she will provide all information reasonably required or necessary to the Company for the enforcement of the Deed of Non-competition and (d) it/he/she will make an annual declaration in favour of the Company on whether it/he/she has fully complied with its/his/her obligations under the Deed of Non-competition.

During the year ended 31 December 2018, (i) the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which it/he/she or its/his/her close associates might have knowledge and (ii) each of the Controlling Shareholders had made an annual declaration in favour of the Company that it/he/she had fully complied with its/his/her obligations under the Deed of Non-competition.

In view of the above, no annual review was required to be performed by the independent non-executive Directors with regard to the information provided by the Controlling Shareholders under the Deed of Non-competition and no decision was required to be made by the independent non-executive Directors on whether or not to exercise the Company's rights in respect of the compliance and enforcement of the Deed of Non-competition.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public (as defined in the Listing Rules) as at the date of this annual report.

EVENTS AFTER THE REPORTING DATE

No significant events has taken place subsequent to 31 December 2018 and up to the date of this report.

AUDITOR

The financial statements of the Group for the year ended 31 December 2018 have been audited by BDO Limited. A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board

Wong Siu Wah
Chairman and Chief Executive Officer

Hong Kong, 25 March 2019

INDEPENDENT AUDITOR'S REPORT

Tel: +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF KING'S FLAIR INTERNATIONAL (HOLDINGS) LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

OPINION

We have audited the consolidated financial statements of King's Flair International (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 135, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of trade receivables

(Refer to note 22 and 45.1(b) to the consolidated financial statements and the accounting policies as set out in note 4.11 (ii) to the consolidated financial statements)

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of trade receivables *(Continued)*

Upon the adoption of HKFRS 9 Financial Instruments on 1 January 2018, the impairment assessment of trade receivables is estimated based on an expected credit loss ("ECL") model rather than an incurred loss model. Loss allowance for trade receivables are measured with lifetime ECL which result from all possible default events over the expected life of the trade receivables. Impairment assessment of trade receivables is a subjective area as management requires application of judgement. Judgement is applied in considering the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of trade receivables, adjusted for forward-looking factors specific to the debtors and the economic environment.

As at 31 December 2018, the Group had trade receivables amounting to HK$360,862,000, and the allowance for impairment loss was HK$370,000.

We have identified impairment assessment of trade receivables as a key audit matter due to considerable amount of judgement being required in conducting impairment assessment prepared by management as mentioned in the foregoing paragraph.

Our responses:

Our audit procedures in relation to management's impairment assessment on trade receivables included:

- Obtaining an understanding of how impairment is estimated by the management.
- Assessing the measurement of ECL of trade receivables by obtaining the understanding of approach being adopted by the Group.
- Testing the ageing analysis of the trade receivables, on a sample basis, to the source documents.
- Reviewing the reasonableness of the use of ageing profile, historical settlement pattern, historical default rates, forecast economic conditions and other forward-looking information in the ECL model.
- Checking the accuracy and the relevance of the input data being used in the ECL model.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lui Chi Kin
Practising Certificate Number P06162
Hong Kong, 25 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7	**1,566,864**	1,365,514
Cost of sales		**(1,282,245)**	(1,070,216)
Gross profit		**284,619**	295,298
Other income and gains, net	8	**6,646**	28,267
Distribution expenses		**(44,814)**	(33,169)
Administrative expenses		**(93,549)**	(111,176)
Share of result of an associate		**5,715**	–
Finance costs	10	**(952)**	(205)
Profit before income tax	9	**157,665**	179,015
Income tax expenses	12	**(25,719)**	(27,397)
Profit for the year		**131,946**	151,618
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		**–**	10,832
Release upon disposal of available-for-sale financial assets		**–**	(17,758)
Exchange difference arising on translation of foreign operations		**(127)**	(24)
Other comprehensive income for the year		**(127)**	(6,950)
Total comprehensive income for the year		**131,819**	144,668
Profit for the year attributable to:			
Owners of the Company		**118,003**	143,552
Non-controlling interests		**13,943**	8,066
		131,946	151,618
Total comprehensive income attributable to:			
Owners of the Company		**117,962**	136,703
Non-controlling interests		**13,857**	7,965
		131,819	144,668
Earnings per share:	13	**HK cents**	HK cents
– Basic		**16.9**	20.5
– Diluted		**16.9**	20.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**38,079**	40,137
Prepaid land lease payments	16	**1,623**	1,737
Other asset	17	**172**	172
Loan receivable	18	**–**	13,337
Interests in associates	19	**8,713**	2,998
Intangible asset	20	**–**	4,807
Deposits paid for property, plant and equipment	23	**23,904**	–
Financial assets at fair value through other comprehensive income	25	**3,450**	–
Deferred tax assets	36	**6**	50
		75,947	63,238
Current assets			
Inventories	21	**64,851**	40,327
Trade receivables	22	**360,862**	236,004
Derivative financial instrument	18	**–**	1,011
Prepayments, deposits and other receivables	23	**79,414**	59,698
Financial assets at fair value through profit or loss	24	**53,053**	–
Available-for-sale financial assets	24	**–**	10,682
Amounts due from associates	19	**492**	–
Prepaid tax		**9,866**	171
Pledged bank deposits	26	**22,083**	21,999
Cash and bank balances	27	**421,415**	430,278
		1,012,036	800,170
Current liabilities			
Trade and bills payables	28	**120,754**	83,152
Deposits received, other payables and accruals	29	**58,893**	73,501
Contract liabilities	30	**7,562**	–
Bank overdrafts	31	**35,453**	12,876
Bank borrowings	32	**145,233**	–
Loans from non-controlling interests	33	**13,087**	19,063
Amount due to a related company	34	**–**	2,998
Amount due to an associate	35	**1,980**	–
Provision for tax		**5,158**	4,506
		388,120	196,096
Net current assets		**623,916**	604,074
Total assets less current liabilities		**699,863**	667,312

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Loans from non-controlling interests	*33*	**–**	1,920
Deferred tax liabilities	*36*	**4,936**	5,879
		4,936	7,799
Net assets		**694,927**	659,513
EQUITY			
Equity attributable to owners of the Company			
Share capital	*37*	**7,000**	7,000
Reserves	*38*	**669,696**	648,139
		676,696	655,139
Non-controlling interests		**18,231**	4,374
Total equity		**694,927**	659,513

The consolidated financial statements on pages 42 to 135 were approved and authorised for issue by the board of directors on 25 March 2019 and are signed on its behalf by:

Wong Siu Wah
Director

Wong Fook Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Equity attributable to owners of the Company										
	Share capital HK$'000	Share premium* HK$'000	Merger reserve* HK$'000	Revaluation reserve* HK$'000	Exchange reserve* HK$'000	Statutory reserve* HK$'000	Other reserve* HK$'000	Retained profits* HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
At 1 January 2017	7,000	215,385	(4,231)	7,959	2,204	–	2,867	371,252	602,436	(3,591)	598,845
2016 final dividend *(note 14)*	–	–	–	–	–	–	–	(42,000)	(42,000)	–	(42,000)
2017 interim dividend *(note 14)*	–	–	–	–	–	–	–	(31,500)	(31,500)	–	(31,500)
2017 special dividend *(note 14)*	–	–	–	–	–	–	–	(10,500)	(10,500)	–	(10,500)
Transactions with owners	–	–	–	–	–	–	–	(84,000)	(84,000)	–	(84,000)
Profit for the year	–	–	–	–	–	–	–	143,552	143,552	8,066	151,618
Other comprehensive income											
– Change in fair value of available-for-sale financial assets	–	–	–	10,832	–	–	–	–	10,832	–	10,832
– Release upon disposal of available-for-sale financial assets	–	–	–	(17,758)	–	–	–	–	(17,758)	–	(17,758)
– Exchange difference arising on translation of foreign operations	–	–	–	–	77	–	–	–	77	(101)	(24)
Total comprehensive income for the year	–	–	–	(6,926)	77	–	–	143,552	136,703	7,965	144,668
Transfer to statutory reserve	–	–	–	–	–	980	–	(980)	–	–	–
At 31 December 2017, as previously stated	**7,000**	**215,385**	**(4,231)**	**1,033**	**2,281**	**980**	**2,867**	**429,824**	**655,139**	**4,374**	**659,513**
Adoption of HKFRS 9 (note 2(b))	**-**	**-**	**-**	**(1,033)**	**-**	**-**	**-**	**2,628**	**1,595**	**-**	**1,595**
At 1 January 2018 (Restated)	**7,000**	**215,385**	**(4,231)**	**-**	**2,281**	**980**	**2,867**	**432,452**	**656,734**	**4,374**	**661,108**
2017 final dividend *(note 14)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(49,000)**	**(49,000)**	**-**	**(49,000)**
2018 interim dividend *(note 14)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(38,500)**	**(38,500)**	**-**	**(38,500)**
2018 special dividend *(note 14)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,500)**	**(10,500)**	**-**	**(10,500)**
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(98,000)**	**(98,000)**	**-**	**(98,000)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**118,003**	**118,003**	**13,943**	**131,946**
Other comprehensive income											
– Exchange difference arising on translation of foreign operations	**-**	**-**	**-**	**-**	**(41)**	**-**	**-**	**-**	**(41)**	**(86)**	**(127)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(41)**	**-**	**-**	**118,003**	**117,962**	**13,857**	**131,819**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**1,765**	**-**	**(1,765)**	**-**	**-**	**-**
At 31 December 2018	**7,000**	**215,385**	**(4,231)**	**-**	**2,240**	**2,745**	**2,867**	**450,690**	**676,696**	**18,231**	**694,927**

* The aggregate balances of these reserve accounts of HK$669,696,000 (2017: HK$648,139,000) are included as reserves as at 31 December 2018 in the consolidation statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before income tax		**157,665**	179,015
Adjustments for:			
Amortisation of prepaid land lease payments	9	**54**	54
Amortisation of intangible asset	9	**4,807**	4,806
Depreciation of property, plant and equipment	9	**4,985**	5,178
Dividend income from listed equity securities	8	**(136)**	(815)
Gain on disposal of available-for-sale financial assets	8	**–**	(17,758)
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	8	**3,656**	(1,341)
(Gain)/loss on disposal of property, plant and equipment	8,9	**(200)**	31
Written-off of property, plant and equipment	9	**5**	–
Fair value change on derivative financial instrument	9	**–**	1,556
Provision for inventories	9	**–**	37
Impairment of trade receivables	9	**287**	–
Impairment of amount due from an associate	9	**–**	470
Share of result of an associate	19	**(5,715)**	–
Bank interest income	8	**(5,092)**	(2,834)
Interest income from loan receivable	8	**–**	(344)
Interest income from unlisted bond	8	**(164)**	(60)
Interest expenses	10	**952**	205
Operating profit before working capital changes		**161,104**	168,200
Increase in inventories		**(25,078)**	(19,010)
Increase in trade receivables		**(125,306)**	(19,342)
Increase in prepayments, deposits and other receivables		**(22,864)**	(23,675)
Increase in balances with associates		**1,488**	(119)
Increase/(decrease) in trade and bills payables		**37,997**	(6,822)
(Decrease)/increase in deposits received, other payables and accruals		**(14,532)**	16,356
Increase in contract liabilities		**7,562**	–
Cash generated from operations		**20,371**	115,588
Income taxes paid		**(35,661)**	(22,293)
Net cash (used in)/generated from operating activities		**(15,290)**	93,295
Cash flows from investing activities			
Deposits paid for purchase of property, plant and equipment		**(23,904)**	–
Purchase of property, plant and equipment		**(2,987)**	(1,669)
Purchase of available-for-sale financial assets		**–**	(7,780)
Purchase of financial assets at fair value through profit or loss		**(30,001)**	(7,859)
Purchase of financial asset at fair value through other comprehensive income		**(3,450)**	–
Proceeds from disposal of property, plant and equipment		**200**	–
Proceeds from disposal of available-for-sale financial assets		**–**	40,092
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	9,200
Dividend received from listed equity securities		**136**	815
Payments for subscription of a promissory note	18	**–**	(15,560)
Bank interest received		**5,092**	2,834
Interest received from unlisted bond		**164**	60
(Increase)/decrease in pledged bank deposits		**(84)**	7,721
Net cash (used in)/generated from investing activities		**(54,834)**	27,854

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Proceeds from bank borrowings	*48*	**185,233**	–
Repayment of loans from non-controlling interests	*48*	**(7,485)**	(4,655)
Repayment of bank borrowings	*48*	**(40,000)**	–
Dividend paid to shareholders of the Company	*48*	**(98,000)**	(84,000)
Interest paid		**(952)**	(205)
Net cash generated from/(used in) financing activities		**38,796**	(88,860)
Net (decrease)/increase in cash and cash equivalents		**(31,328)**	32,289
Cash and cash equivalents at beginning of year		**417,402**	383,984
Effect on foreign exchange rate changes		**(112)**	1,129
Cash and cash equivalents at the end of year		**385,962**	417,402
Analysis of cash and cash equivalents			
Cash and bank balances	*27*	**421,415**	430,278
Bank overdrafts	*31*	**(35,453)**	(12,876)
Cash and cash equivalents at the end of year		**385,962**	417,402

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 43 to the consolidated financial statements. The Company and its subsidiaries' (collectively referred to as the "Group") principal places of business are Hong Kong and the People's Republic of China (the "PRC"). There were no significant changes in the Group's operations during the year.

As at 31 December 2018 and up to the date of authorisation of these financial statements, in the opinion of the directors, the Company's ultimate holding company is City Concord Limited, a company incorporated in the British Virgin Islands ("BVI").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2018

In current year, the Group has applied for the first time the following new/revised HKFRSs and amendments issued by HKICPA which is relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2018:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Save as disclosed in the note 2(b), the application of the other new and revised HKFRSs in the current year has no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the consolidated financial statements and also discloses the new accounting policies that have been effective from 1 January 2018, where they are different to those applied in prior years.

(A) HKFRS 9 Financial Instruments – Impact of adoption

As explained below, the Group has applied the transitional provision in HKFRS 9 such that was generally adopted without restating comparative information. The adjustments arising from the new impairment rules, re-classifications and re-measurement of certain financial assets are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening balance in the consolidated statement of financial position on 1 January 2018.

The following table shows the adjustments, re-classifications and re-measurement of the Group recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided. The adjustments, re-classifications and re-measurement of the Group's financial assets are explained in more detail below.

	As at 31 December 2017 HK$'000 (as previously stated)	Effect of adoption of HKFRS 9 HK$'000	As at 1 January 2018 HK$'000 (restated)
Loan receivable	13,337	(13,337)	–
Derivative financial instrument	1,011	(1,011)	–
Available-for-sale financial assets	10,682	(10,682)	–
Financial assets at fair value through profit or loss	–	26,708	26,708
Trade receivables	236,004	(83)	235,921
Total		1,595	
Reserves	648,139	1,595	649,734
Total equity	659,513	1,595	661,108

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(A) HKFRS 9 Financial Instruments – Impact of adoption *(Continued)*

Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following table summarises the original classification and measurement categories under HKAS 39 and the new classification and measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 HK$000	Carrying amount as at 1 January 2018 under HKFRS 9 HK$000
Listed equity securities	Available-for-sale financial assets	Fair value through profit or loss	3,168	3,168
Unlisted bond	Available-for-sale financial assets	Fair value through profit or loss	7,514	7,514
Debt component of a promissory note	Loan and receivables	Fair value through profit or loss	13,337	*Note*
Conversion option of a promissory note	Derivate financial instrument	Fair value through profit or loss	1,011	*Note*
Trade receivables	Loan and receivables	At amostised cost	236,004	235,921
Other deposits and other receivables	Loan and receivables	At amostised cost	12,243	12,243
Pledged bank deposits	Loan and receivables	At amostised cost	21,999	21,999
Cash and bank balances	Loan and receivables	At amostised cost	430,278	430,278

Note:

Upon the adoption of HKFRS 9, the host contract and the embedded derivative, which were classified as loan receivable and derivate financial instrument respectively previously, are re-classified as financial assets at fair value through profit or loss as a whole and were re-measured at fair value of HK$16,026,000 as at 1 January 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(A) HKFRS 9 Financial Instruments – Impact of adoption *(Continued)*

Classification and measurement of financial instruments (Continued)

The following tables summarised the impact of the re-classifications and re-measurement of certain financial assets and the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves and retained profits as of 1 January 2018.

The impacts on the Group's financial assets are as follows:

Financial assets	*Notes*	Trade receivables HK$'000	Available-for-sale financial asets HK$'000	Loan receivable HK$'000	Derivative financial instrument HK$'000	Financial assets at fair value through profit or loss HK$'000
Closing balance as at 31 December 2017 (as previously stated)		236,004	10,682	13,337	1,011	–
Reclassification from available-for-sale financial assets to financial assets at fair value through profit or loss	*(i)*	–	(10,682)	–	–	10,682
Reclassification and re-measurement of loan receivable and derivative financial instrument at fair value	*(ii)*	–	–	(13,337)	(1,011)	16,026*
Effect of increase in expected credit loss ("ECL")	*(iii)*	(83)	–	–	–	–
Opening balance as at 1 January 2018 (restated)		235,921	–	–	–	26,708

* The fair value gains on re-measurement of loan receivable and derivative financial instrument at fair value through profit or loss amounting to HK$1,678,000 were credited to retained profits of the Group on 1 January 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(A) HKFRS 9 Financial Instruments – Impact of adoption *(Continued)*

Classification and measurement of financial instruments (Continued)
The impacts on the Group's equity are as follows:

	Notes	Revaluation reserve HK$'000	Retained profits HK$'000
Closing balance as at 31 December 2017 (as previously stated)		1,033	429,824
Transfer of revaluation reserve to opening retained profits as a result of reclassification of financial assets	*(i)*	(1,033)	1,033
Effect of re-measurement of loan receivable and derivative financial instrument at fair value	*(ii)*	–	1,678
Effect of increase in ECL	*(iii)*	–	(83)
		(1,033)	2,628
Opening balance as at 1 January 2018 (restated)		–	432,452

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(A) HKFRS 9 Financial Instruments – Impact of adoption *(Continued)*

Classification and measurement of financial instruments (Continued)
Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income; or (iii) financial assets at fair value through profit or loss. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at financial assets at fair value through profit or loss:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and it has not been designated as at financial assets at fair value through profit or loss:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(A) HKFRS 9 Financial Instruments – Impact of adoption *(Continued)*

Classification and measurement of financial instruments (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or fair value through other comprehensive income as described above are classified as financial assets at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income at financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

At fair value through profit or loss	Financial assets at fair value through profit or loss is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
At amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on de-recognition is recognised in profit or loss.
At fair value through other comprehensive income (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not re-classified to profit or loss.

Notes:

(i) Transfer of revaluation reserve to opening retained profits as a result of re-classification of financial assets

As at 1 January 2018, listed equity securities of HK$3,168,000 and unlisted bond of HK$7,514,000 that were previously classified as available-for-sale financial assets under HKAS 39 have been designated as financial assets at fair value through profit or loss under HKFRS 9. As a result, the revaluation reserve of available-for-sale financial assets amounting to HK$1,033,000 was re-classified to retained profits on 1 January 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(A) HKFRS 9 Financial Instruments – Impact of adoption *(Continued)*

Classification and measurement of financial instruments (Continued)
Notes: (Continued)

(ii) *Effect of re-measurement of loan receivable and derivative financial instrument at fair value*
Loan receivable of HK$13,337,000 was stated at amortised cost in prior years and its embedded derivative of HK$1,011,000 was stated at fair value as a derivative financial instrument as at 31 December 2017. Under HKFRS 9, embedded derivative is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is classified and measured at fair value as a whole. As a result, these balances had been re-measured and stated at fair value of HK$16,026,000 and were also re-classified as financial assets at fair value through profit or loss as at 1 January 2018.

The fair value gains on re-measurement of loan receivable and derivative financial instrument at fair value through profit or loss amounting to HK$1,678,000 were credited to retained profits of the Group on 1 January 2018.

(iii) *Impairment of financial assets – effect of increase in ECL*
The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECL model". HKFRS 9 requires the Group to recognise ECL for trade receivables and other financial assets earlier than HKAS 39.

Under HKFRS 9, the loss allowances are measured on either of the following basis: (1) 12 months ECL: this is the ECL that result from possible default events within the 12 months after the end of the reporting period; and (2) lifetime ECL: this is the ECL that result from all possible default events over the expected life of a financial instrument.

Measurement of ECL
ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(A) HKFRS 9 Financial Instruments – Impact of adoption *(Continued)*

Classification and measurement of financial instruments (Continued)
Notes: (Continued)

(iii) Impairment of financial assets – effect of increase in ECL (Continued)

Measurement of ECL *(Continued)*
For other debt financial assets, ECL is based on the 12-months ECL. The 12-months ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 1 year past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECL
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(A) HKFRS 9 Financial Instruments – Impact of adoption *(Continued)*

Classification and measurement of financial instruments (Continued)
Notes: (Continued)

(iii) Impairment of financial assets – effect of increase in ECL (Continued)

Impact of the ECL model – Impairment of trade receivables
As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECL which recognises a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowances as at 1 January 2018 determined for trade receivables were as follows:

	Neither past due nor impaired	Past due 60 days or less	Past due more than 60 days but less than 1 year	Past due more than 1 year but less than 2 year	Total
As at 1 January 2018					
Gross carrying amount of trade receivables (HK$'000)	107,373	116,979	11,268	384	236,004
Expected loss rate (%)	0.00%	0.02%	0.34%	6.63%	
Loss allowance (HK$'000)	–	20	38	25	83

The increase in loss allowances for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$83,000. The loss allowances further increased by HK$287,000 for trade receivables during the year ended 31 December 2018.

Impact of the ECL model – Impairment of other financial assets
Other financial assets at amortised cost of the Group includes other deposits and other receivables, amounts due from associates, pledged bank deposits and cash and bank balances. Since there is no increase in credit risk, the loss allowance recognised during the year was therefore limited to 12-months ECL. Management considers the probability of default is low on other receivables since the counterparties are in good credit quality and no historical default is noted. Besides, management considers the probability of default is low on pledged bank deposits and bank balances since they are placed at the financial institutions with good credit rating. The Group's management has assessed and concluded the impact of ECL of other financial assets at amostised cost is insignificant as at 1 January 2018 and 31 December 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(B) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained profits as of 1 January 2018 and the comparatives will not be restated.

Revenue for sales of kitchenware and household products and raw materials are recognised at point in time as when there is evidence that the control of the goods has been transferred to the customer, the customer has adequate control over the products and the Group has no unfulfilled obligations that affect customer accepting the goods.

Customers obtain control of the kitchenware and household products and raw materials when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the kitchenware and household products and raw materials. There is generally only one performance obligation. Invoices are usually payable within 0 to 60 days. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

Some of the Group's contracts with customers from the sales of kitchenware and household products provide customers a right of return (a right to exchange for another product). These rights of return do not allow the returned goods to be refund in cash. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. In the comparative period, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made. The Group's management assessed and considered the impact on the right of return is insignificant in the current period. Some of the Group's contracts with customers from the sales of kitchenware and household products and raw materials provide customers a right of return (a right to exchange for the same product due to faulty products). These rights of return do not allow the returned goods to be refund in cash. The Group's obligation to replace faulty products is recognised as a provision (details set out in note 4.21). HKFRS 15 did not result in significant impact on the Group's accounting policy regarding to the right of return in this regard.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(B) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption *(Continued)*

Some of the Group's contracts with customers from the sales of kitchenware and household products provide customers a volume rebate if the customer purchases more than certain volume of kitchenware and household products in a calendar year. The volume rebates give rise to variable consideration. The Group apply the expected value method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected value to be paid for the customer's volume-based rebate. In the comparative period, the Group estimated the expected volume rebates using the probability-weighted amount of rebates approach and recognised as a reduction of revenue as the sales were recognised. As at 31 December 2017, the provision of sales rebate of HK$28,489,000 was recognised as accruals under "Deposits received, other payables and accruals". Upon adoption of HKFRS 15, the said amount was reclassified from accruals to refund liabilities which continued to be presented under "Deposits received, other payables and accruals".

Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset. No contract asset is recognised upon transition and at the end of the reporting period.

Upon the adoption of HKFRS 15, contract liabilities represented the advance from customers received in relation to the trading of kitchenware and household products. As at 1 January 2018, such amounts were reclassified from trade deposits received presented under "Deposits received, other payables and accruals" to "Contract liabilities".

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(B) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption *(Continued)*

Following adjustments were made to the amounts presented in the consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount as at 31 December 2017 under HKAS 18 HK$'000	Reclassification HK$'000	Carrying amount as at 1 January 2018 under HKFRS 15 HK$'000
Deposits received, other payables and accruals			
— Trade deposits received	1,696	(1,696)	–
— Accruals	70,839	(28,489)	42,350
— Others payables	966	–	966
— Refund liabilities	–	28,489	28,489
	73,501		71,805
Contract liabilities	–	1,696	1,696

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(B) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption *(Continued)*

The amount by each financial statements line items affected for the year end 31 December 2018 and as at 31 December 2018 by the adoption of HKFRS 15 as compared to HKAS 18 that previously in effect is as follows:

	Without adoption of HKFRS 15 HK$'000	Reclassifications under HKFRS 15 HK$'000	As reported HK$'000
As at 31 December 2018			
As extracted from the consolidated statement of financial position:			
Deposits received, other payables and accruals			
– Trade deposits received	7,562	(7,562)	–
– Accruals	58,863	(37,800)	21,063
– Other payables	30	–	30
– Refund liabilities	–	37,800	37,800
	66,455	(7,562)	58,893
Contract liabilities	–	7,562	7,562
For the year ended 31 December 2018			
As extracted from the consolidated statement of cash flows:			
Operating profit before working capital changes:			
Decrease in deposits received, other payables and accruals	(6,970)	(7,562)	(14,532)
Increase in contract liabilities	–	7,562	7,562

(C) Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Summary of the impact of changes in accounting policies *(Continued)*

(D) HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(c) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group for the year ended 31 December 2018. The Group's current intention is to apply those changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

3 Effective for annual periods beginning on or after 1 January 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(c) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 39(a) to the financial statements, total operating lease commitment of the Group in respect of land and buildings and plant and machineries as at 31 December 2018 amounted to HK$12,873,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a liability (for the payment obligation) in the consolidated statement of financial position.

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(c) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments to HKAS 12 clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments to HKAS 23 clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to HKFRS 3 – Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(c) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investor's interests in the joint venture or associate.

Save as disclosed in the foregoing paragraphs about the impact of HKFRS 16 to the Group's consolidated financial statements, the directors of the Company have also performed an assessment on other new standards, amendments and interpretations, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for those financial assets stated at fair value, which are measured at fair value as explained in the accounting policies set out in note 4.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

(c) Functional and presentation currency

The consolidated financial statements is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non – controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity.

Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interest in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Intangible asset

An intangible asset acquired separately is recognised initially at cost. Intangible asset with indefinite useful life is carried at cost less any accumulated impairment losses.

Intangible asset identified on business combination are capitalised at fair value at the date of acquisition and are stated at cost less accumulated amortisation and any accumulated impairment losses. Customer relationships is amortised on a straight-line basis from the date of acquisition over their estimated useful lives of 5 years. The amortisation is charged to profit or loss. Both the estimated useful lives and method of amortisation are reviewed and adjusted if appropriate, annually.

4.5 Research and development activities

Cost associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are capitalised provided they meet the following recognition requirement:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the product and use or sell it;

(iii) the Group's ability to use or sell the product is demonstrated;

(iv) the product will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the product can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are capitalised. Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. Amortisation expense is recognised in profit or loss and included in cost of sales.

All other development costs are expensed as incurred.

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Property, plant and equipment *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, at the following rates per annum:

Leasehold land and buildings	4% or over the lease term, whichever is shorter
Leasehold improvement	20% or over the terms of the leases of properties, whichever is shorter
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles and yacht	10-20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4.7 Prepaid land leases payments

Upfront payments made to acquire land for own use under operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over the term of the lease as an expense except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

4.8 Impairment of non-financial assets

The Group's prepaid land lease payments, property, plant and equipment, other asset, intangible asset, deposits paid for property, plant and equipment, interests in subsidiaries and interests in associates are subject to impairment testing.

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax asset, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

4.9 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

4.10 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of capital are deducted from capital (net of any related income tax benefit) to the extend they are incremental costs directly attributable to the equity transaction.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on de-recognition is recognised in profit or loss.

Fair value through profit or loss: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(i) Financial assets *(Continued)*

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not re-classified to profit or loss. All other equity instruments are classified as fair value through profit or loss, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables and financial assets measured at amortised cost. The ECL are measured on either of the following bases: (1) 12 months ECL: this is the ECL that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECL: this is the ECL that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-months ECL. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 1 year past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables other payables and accruals, bank overdrafts, bank borrowings, loans from non-controlling interests and amount due to an associate are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial Instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets of the Group are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently re-measured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(ii) Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(iii) Financial liabilities

The Group's financial liabilities include trade payables, other payables and accruals, loans from non-controlling interests, bank overdraft and amount due to a related company.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 4.20).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade payables, other payables and accruals, loans from non-controlling interests and amount due to a related company

These are recognised initially at their fair value, net of directly attributable transaction costs incurred and subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Foreign currency

Transactions entered into by the Group in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are re-classified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are re-classified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

4.14 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of merchandises is calculated using the weighted average method while cost of raw materials is calculated using the first-in-first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of consolidated statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.16 Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Revenue recognition (accounting policies applied from 1 January 2018) *(Continued)*

(i) Trading of kitchenware and household products

Customers obtain control of the kitchenware and household products when the goods are delivered to and have been accepted by the customers. Revenue is thus recognised upon when the customers accepted the kitchenware and household products. There is generally only one performance obligation.

Some of the Group's contracts with customers from the sales of kitchenware and household products provide customers a right of return (a right to exchange for another product). These rights of return do not allow the returned goods to be refund in cash. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. Some of the Group's contracts with customers from the sales of kitchenware and household products provide customers a right of return (a right to exchange for the same product due to faulty products). These rights of return do not allow the returned goods to be refund in cash. The Group's obligation to replace faulty products is recognised as a provision (details in note 4.21).

Some of the Group's contracts with customers from the sales of kitchenware and household products provide customers a volume rebate if the customer purchases more than certain volume of kitchenware and household products in a calendar year. The volume rebates give rise to variable consideration. The Group apply the expected value method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected value to be paid for the customer's volume-based rebated. Any expected volume rebate provision is recognised as refund liabilities.

(ii) Trading of raw materials

Customers obtain control of the raw materials when the goods are delivered to and have been accepted by the customers. Revenue is thus recognised upon when the customers accepted the raw materials. There is generally only one performance obligation.

Some of the Group's contracts with customers from the sales of raw materials provide customers a right of return (a right to exchange for the same products due to faulty products). These rights of return do not allow the returned goods to be refund in cash. The Group's obligation to replace faulty products is recognised as a provision (details in note 4.21).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Revenue recognition (accounting policies applied from 1 January 2018) *(Continued)*

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(iv) Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

4.17 Revenue recognition (accounting policies applied until 31 December 2017)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

(a) from the sales of goods and raw materials, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken as the time when the goods are delivered and the customers has accepted the goods;

(b) service income is recognised in the period when the respective services are rendered;

(c) interest income is recognised on a time-proportion basis using the effective interest method; and

(d) dividend income is recognised when the right to receive dividend payment is established.

4.18 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Accounting for income tax *(Continued)*

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

Defined contribution plans

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant regulations in the PRC, the subsidiaries of the Group operating in the PRC are required to participate in central pension schemes operated by the respective local municipal governments, whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the scheme to fund their retirement benefits. Contributions under the scheme are charged to profit or loss as they become payable in accordance with the rules and regulations in the PRC.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.21 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.22 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) the entity of any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.23 Segment Reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial statements reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 Segment Reporting *(Continued)*

The measurement policies the Group uses for reporting segment results are the same as those used in its financial statements prepared under HKFRSs, except that share of result of associates, unallocated corporate income and expenses which are not directly attributable of any operating segment, are not included in arriving at the operating result of the reporting segment.

Segment assets include all non-current assets and current assets but interest in associates, prepaid tax and deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Segment liabilities exclude provision for tax, deferred tax liabilities and corporate liabilities, which are not directly attributable to the business activities of any operating segment.

4.24 Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate, whilst those relating to the purchase of property, plant and equipment are included as deferred income liability in the statement of financial position and are recognised in profit or loss on straight-line method over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other income and gains, net" in the consolidated statement of comprehensive income.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or nonstrategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(ii) Net realisable value of inventory

Inventory is stated at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution and selling expenses. Management reassesses the estimations at each reporting date to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Impairment assessment of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

At each reporting date, the historical observed default rates would be reassessed and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in note 45.1(b) to the financial statements.

(iv) Impairment assessment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(v) Provision for tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(vi) Fair value measurement

Certain of the assets included in the Group's consolidated financial statements require measurement at, or disclosure of, fair value.

The fair value measurements of the Group's financial assets are based on market observable inputs or unobservable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the financial assets through profit or loss (note 24), financial assets through other comprehensive income (note 25) at fair values, derivative financial instrument (note 18) and available-for sale financial asset (note 24) at fair values.

For more detailed information in relation to the fair value measurement of the financial assets above, please refer to note 45.1(f) to notes to the financial statements.

(vii) Determining method to estimate variable consideration

Certain contracts for the sale of kitchenware products include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of kitchenware products with volume rebates. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract.

6. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation to the Group's business components and review of the components' performance. There are two (2017: two) business components in the internal reporting to the executive directors, which are (i) trading of kitchenware and household products and (ii) trading of raw materials.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Revenue from external customers	**1,412,451**	1,264,197	**154,413**	101,317	**1,566,864**	1,365,514
Segment results	**149,633**	177,485	**6,212**	7,900	**155,845**	185,385
Share of result of an associate					**5,715**	–
Unallocated income					**2,700**	1,714
Unallocated expenses					**(6,595)**	(8,084)
Profit before income tax					**157,665**	179,015

6. SEGMENT INFORMATION *(Continued)*

(i) Operating segment information *(Continued)*

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**790,788**	581,750	**97,378**	66,720	**888,166**	648,470
Prepaid tax					**9,866**	171
Deferred tax asset					**6**	50
Interests in associates					**8,713**	2,998*
Unallocated corporate assets#					**181,232**	211,719
Consolidated total assets					**1,087,983**	863,408
Segment liabilities	**377,650**	189,552	**2,745**	492	**380,395**	190,044
Provision for tax					**5,158**	4,506
Deferred tax liabilities					**4,936**	5,879
Unallocated corporate liabilities					**2,567**	3,466
Consolidated total liabilities					**393,056**	203,895

* The interests in associates had been included in unallocated corporate assets in previous year. The comparative figure of interests in associates has been separately presented to conform to the current year's presentation.

Unallocated corporate assets mainly comprised cash and bank balances which held as general working capital of the Group which are not directly attributable to any operating segment.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:						
Interest income	**2,633**	1,641	**2**	3	**2,635**	1,644
Interest expenses	**(952)**	(205)	**–**	–	**(952)**	(205)
Depreciation of property, plant and equipment	**(4,935)**	(5,121)	**–**	–	**(4,935)**	(5,121)
Amortisation of intangible asset	**(4,807)**	(4,806)	**–**	–	**(4,807)**	(4,806)
Provision for inventories	**–**	–	**–**	(37)	**–**	(37)
Impairment of trade receivables	**(213)**	–	**(74)**	–	**(287)**	–
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	**(3,656)**	1,341	**–**	–	**(3,656)**	1,341
Gain on disposal of available-for-sale financial assets	**–**	17,758	**–**	–	**–**	17,758
Additions to non-current segment assets	**26,891**	1,657	**–**	–	**26,891**	1,657

6. SEGMENT INFORMATION *(Continued)*

(ii) Disaggregated revenue and geographical segment information

The management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal place of operations. The Group's revenue from external customers, recognised at point in time, is divided into the following geographical areas:

	Notes	**2018 HK$'000**	2017 HK$'000
United States		**1,128,565**	1,041,266
Europe	*(a)*	**77,117**	58,484
Asia	*(b)*	**330,567**	225,007
Canada		**27,905**	40,123
Other locations	*(c)*	**2,710**	634
		1,566,864	1,365,514

Notes:

(a) Principally included United Kingdom, Switzerland, France and Germany

(b) Principally included Hong Kong, Japan and the PRC

(c) Principally included Australia

The geographical location of customers is based on the location of customers. For intangible asset, the geographical location is based on the entities' areas of operation. The geographical location of other non-current assets is based on the physical location of the assets. As at 31 December 2018 and 2017, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

(iii) Information about major customers

An analysis of revenue from customers with whom transactions have exceeded 10% of the Group's revenue for the year was as follows:

	2018 HK$'000	2017 HK$'000
Company A	**718,265**	704,253
Company B	**208,990**	156,743

As at 31 December 2018, 74% (2017: 68%) of the Group's trade receivables were due from the abovementioned two major customers.

7. REVENUE

The Group is principally engaged in trading of kitchenware and household products and raw materials. Revenue from sales of kitchenware and household products and raw materials are recognised at point in time when there is evidence that the control of goods has been transferred to the customer, the customer has adequate control over the goods and the Group has no unfulfilled obligations that affect customer accepting the goods. Revenue recognised during the year is as follows:

	2018 **HK$'000**	2017 HK$'000
Revenue from contracts with customers		
– Sales of kitchenware and household products	**1,412,451**	1,264,197
– Sales of raw materials	**154,413**	101,317
	1,566,864	1,365,514

8. OTHER INCOME AND GAINS, NET

	2018 **HK$'000**	2017 HK$'000
Bank interest income	**5,092**	2,834
Interest income from loan receivable	**–**	344
Interest income from unlisted bond	**164**	60
Dividend income from listed equity securities	**136**	815
Management and handling services	**–**	119
Recharge from customers	**2,911**	4,116
Government grants	**1,654**	–
Gain on disposal of available-for-sale financial assets	**–**	17,758
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	**(3,656)**	1,341
Gain on disposal of property, plant and equipment	**200**	–
Others	**145**	880
	6,646	28,267

9. PROFIT BEFORE INCOME TAX

	2018 HK$'000	2017 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**1,053**	981
Cost of inventories sold recognised as expense, including	**1,282,245**	1,070,216
– Provision for inventories	**–**	37
Impairment of amount due from an associate	**–**	470
Impairment of trade receivables	**287**	–
Depreciation of property, plant and equipment*	**4,985**	5,178
Amortisation of intangible asset*	**4,807**	4,806
Amortisation of prepaid land lease payments*	**54**	54
(Gain)/Loss on disposal of property, plant and equipment	**(200)**	31
Write-off of property, plant and equipment	**5**	–
Fair value change on derivative financial instrument	**–**	1,556
Research expenses	**1,941**	2,062
Operating lease rentals in respect of land and buildings and equipment	**5,294**	4,439
Employee benefit expenses (including directors' remuneration as disclosed in note 11.1)		
Wages, salaries and other benefits	**39,283**	39,448
Discretionary bonuses	**8,061**	19,568
Contributions to defined contribution schemes	**3,210**	2,400
	50,554	61,416
Exchange (gain)/loss, net	**(5,922)**	1,782

* Depreciation and amortisation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK$54,000 (2017: HK$64,000) and administrative expenses of approximately HK$9,792,000 (2017: HK$9,974,000) for the year ended 31 December 2018.

10. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	**314**	–
Bank overdrafts	**638**	205
	952	205

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

11.1 Directors' emoluments

Directors' emoluments are disclosed as follows:

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000 *(note (iv))*	Discretionary bonuses HK$'000	Contributions to defined contribution scheme HK$'000	Total HK$'000
Year ended 31 December 2018					
Executive directors					
Mr. Wong Siu Wah ("Mr. Wong") #	–	5,040	4,000	18	9,058
Ms. Wong Fook Chi#	–	465	400	18	883
Mr. Wong Ying Wai Dennis *(note (i))*	–	401	417	11	829
Independent non-executive directors					
Dr. Lau Kin Tak	171	–	–	–	171
Mr. Anthony Graeme Michaels	171	–	–	–	171
Ms. Leung Wai Ling, Wylie	171	–	–	–	171
	513	5,906	4,817	47	11,283
Year ended 31 December 2017					
Executive directors					
Mr. Wong#	–	5,040	8,000	18	13,058
Ms. Wong Fook Chi#	–	420	564	18	1,002
Mr. Wong Ying Wai Dennis	–	624	439	18	1,081
Independent non-executive directors					
Dr. Lau Kin Tak	162	–	–	–	162
Mr. Anthony Graeme Michaels	162	–	–	–	162
Ms. Leung Wai Ling, Wylie	162	–	–	–	162
	486	6,084	9,003	54	15,627

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

11.1 Directors' emoluments *(Continued)*

Notes:

(i) Resigned with effect from 1 August 2018.

(ii) No directors waived any emoluments during the year ended 31 December 2018 (2017: Nil).

(iii) No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2018 and 2017.

(iv) Being "Salaries, allowances and benefits in kind" paid or payable to the executive directors of the Company in connection with the management of the affairs of the Company and its subsidiaries.

Save as disclosed in the above table, the Group also provided a quarter to the executive directors, Mr. Wong and Ms. Wong Fook Chi. The carrying amount of the Group's leasehold property which was used by the executive directors as a quarter as at 31 December 2018 was HK$10,152,000 (2017: HK$10,635,000).

11.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 included three (2017: three) directors, whose emoluments were reflected in the tables presented in note 11.1 above. The emoluments payable to the remaining two (2017: two) individuals for the year are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries and allowance	**854**	1,018
Discretionary bonuses	**860**	1,083
Contributions to defined contribution scheme	**36**	36
	1,750	2,137

The remuneration paid to each of the above non-director individuals for the year fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands:		
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$2,000,000	**–**	2

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

11.3 Senior management emolument bands

The remuneration paid to each of the senior management (other than the directors as disclosed in note 11.1 above) for the years ended 31 December 2018 and 2017 fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands:		
Nil to HK$1,000,000	**5**	3
HK$1,000,001 to HK$2,000,000	**–**	2

12. INCOME TAX EXPENSES

	2018 HK$'000	2017 HK$'000
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	**20,479**	27,277
– Income tax outside Hong Kong	**6,276**	2,243
	26,755	29,520
(Over)/Under provision in prior years		
– Hong Kong profits tax	**(137)**	(711)
– Income tax outside Hong Kong	**–**	27
	(137)	(684)
Deferred tax *(note 36)*		
– Credit for the year	**(899)**	(1,439)
Income tax expenses	**25,719**	27,397

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the profits tax rate for the first HK$2 million of assessable profits of a subsidiary in Hong Kong will be taxed at 8.25% and the assessable profits above HK$2 million will continue to be subject to the rate of 16.5% for the year ended 31 December 2018. The profits of other subsidiaries in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate 16.5%. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2017.

Enterprise income tax ("EIT") for the year was calculated at 25% (2017: 25%) of the estimated assessable profits arising from the PRC. Tax losses were utilised to offset against the assessable profit generated by some of the Group's PRC subsidiaries for the years ended 31 December 2018 and 2017. The income tax for other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

12. INCOME TAX EXPENSES *(Continued)*

A reconciliation of the income tax expenses and accounting profits at applicable tax rates is as follows:

	2018 HK$'000	2017 HK$'000
Profit before income tax	**157,665**	179,015
Tax at applicable tax rate of 16.5% (2017: 16.5%)	**26,015**	29,537
Tax effect in different tax rates of subsidiaries operating in other jurisdictions	**2,972**	1,666
Tax effect on application of two-tiered profit tax rates regime	**(165)**	–
Tax effect on non-taxable income	**(1,731)**	(3,515)
Tax effect of non-deductible expenses	**1,307**	603
Tax effect of tax losses not recognised	**371**	712
Tax effect of utilisation of prior years' tax losses	**(2,973)**	(2,520)
Tax effect of fair value change on available-for-sale financial assets which was subject to Hong Kong profits tax	**–**	1,831
Over provision in respect of prior years	**(137)**	(684)
Tax effect of share of result of an associate	**(943)**	–
Others	**1,003**	(233)
Income tax expenses	**25,719**	27,397

13. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year of HK$118,003,000 (2017: HK$143,552,000) and the weighted average of 700,000,000 (2017: 700,000,000) ordinary shares in issue during the year.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2018 and 2017, and hence the diluted earnings per share is the same as basic earnings per share.

14. DIVIDENDS

Dividends to equity shareholders attributable to the year:

	2018 HK$'000	2017 HK$'000
Interim dividend paid in respect of current year of HK5.5 cents (2017: HK4.5 cents) per share	**38,500**	31,500
Special dividend paid in respect of current year of HK1.5 cents (2017: HK1.5 cents) per share	**10,500**	10,500
Final dividend paid in respect of the prior year of HK7.0 cents (2017: HK6.0 cents) per share	**49,000**	42,000
	98,000	84,000

At the board meeting held on 25 March 2019, the board of directors resolved to recommend a final dividend of HK6.0 cents (2017: HK7.0 cents) per ordinary share. The proposed dividend have not been recognised as a dividend payable as at 31 December 2018, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2019.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and yacht HK$'000	Total HK$'000
At 1 January 2017						
Cost	33,888	1,949	11	9,151	25,672	70,671
Accumulated depreciation	(13,513)	(1,641)	(11)	(5,330)	(6,560)	(27,055)
Net carrying amount	20,375	308	–	3,821	19,112	43,616
Year ended 31 December 2017						
Opening net carrying amount	20,375	308	–	3,821	19,112	43,616
Additions	–	857	–	812	–	1,669
Depreciation	(784)	(359)	–	(1,499)	(2,536)	(5,178)
Disposal	–	–	–	(31)	–	(31)
Exchange realignment	–	18	–	41	2	61
Closing net carrying amount	19,591	824	–	3,144	16,578	40,137
At 31 December 2017 and 1 January 2018						
Cost	**33,888**	**2,884**	**11**	**9,820**	**25,039**	**71,642**
Accumulated depreciation	**(14,297)**	**(2,060)**	**(11)**	**(6,676)**	**(8,461)**	**(31,505)**
Net carrying amount	**19,591**	**824**	**–**	**3,144**	**16,578**	**40,137**
Year ended 31 December 2018						
Opening net carrying amount	**19,591**	**824**	**–**	**3,144**	**16,578**	**40,137**
Additions	**–**	**–**	**–**	**2,132**	**855**	**2,987**
Depreciation	**(787)**	**(181)**	**–**	**(1,477)**	**(2,540)**	**(4,985)**
Written-off	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Exchange realignment	**–**	**–**	**–**	**(40)**	**(15)**	**(55)**
Closing net carrying amount	**18,804**	**643**	**–**	**3,754**	**14,878**	**38,079**
At 31 December 2018						
Cost	**33,888**	**2,845**	**11**	**11,780**	**24,928**	**73,452**
Accumulated depreciation	**(15,084)**	**(2,202)**	**(11)**	**(8,026)**	**(10,050)**	**(35,373)**
Net carrying amount	**18,804**	**643**	**–**	**3,754**	**14,878**	**38,079**

At 31 December 2018, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$18,804,000 (2017: HK$19,591,000) were pledged to secure general banking facilities granted to the Group (note 47).

16. PREPAID LAND LEASE PAYMENTS

	2018 HK$'000	2017 HK$'000
At beginning of the year		
Cost	**2,661**	2,513
Accumulated amortisation	**(924)**	(821)
Net carrying amount	**1,737**	1,692
For the year ended		
Opening net carrying amount	**1,737**	1,692
Amortisation	**(54)**	(54)
Exchange realignment	**(60)**	99
Closing net carrying amount	**1,623**	1,737
At end of the year		
Cost	**2,566**	2,661
Accumulated amortisation	**(943)**	(924)
Net carrying amount	**1,623**	1,737

17. OTHER ASSET

	2018 HK$'000	2017 HK$'000
Club membership, at cost	**172**	172

18. LOAN RECEIVABLE AND DERIVATIVE FINANCIAL INSTRUMENT

As at 31 December 2018, there was one (2017: one) secured promissory note (the "Note") with gross principal amount of US$2,000,000 equivalent to HK$15,560,000 (2017: US$2,000,000 equivalent to HK$15,560,000) due from an independent third party (the "Issuer"). The loan under the Note is interest-bearing at rate of 4% per annum or 10% per annum under an event of default. The principal of the loan was repayable on 15 June 2019, being twenty-four months from the issue date (the "Maturity Date"). Pursuant to the terms of the Note, the Group has the right to convert the outstanding loan amount and accrued interest to 51% of all shares outstanding post-conversion of the Issuer in the Group's sole discretion. The conversion right is exercisable at any time after one year of the issue date of the Note and prior to the Maturity Date of the Note. The outstanding principal and the interest receivable from the Note was secured by all the assets of the Issuer.

As as 31 December 2017, the Note contained debt component and conversion option. The debt component of the Note was measured at amortised cost and recognised as loan receivable and conversion option of the Note was measured at fair value and recognised as derivative financial instrument with reference to the valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent valuer.

The fair value of the conversion option of the Note as at 31 December 2017 was determined by using binominal model with reference to the valuation performed by LCH (Asia-Pacific) Surveyors Limited with the following key parameters:

	At 31 December 2017
Fair value of shares	US$1,840,000
Risk free interest rate	1.80%
Time to maturity	1.5 years
Expected volatility	31%
Expected dividend yield	0%
Discount rate	8.01%
Conversion period	Commences one year after the purchase date until maturity

Upon the adoption of HKFRS 9 on 1 January 2018, derivative financial instrument and loan receivable were no longer separately accounted for. The Note was reclassified as financial assets through profit or loss as a whole as at 1 January 2018 and re-measured at fair value through profit or loss as defined in note 2(b)(A)(ii).

As at 31 December 2018, the fair value of the Note is estimated to be US$2,070,000 (approximately HK$16,105,000) (note 24(c)). The fair value gain of approximately HK$79,000 is recognised in consolidated statement of comprehensive income as other income and gains, net for the year ended 31 December 2018. As the repayment date of the Note is within twelve months from the reporting date, the financial assets at fair value through profit or loss is classified under current assets.

18. LOAN RECEIVABLE AND DERIVATIVE FINANCIAL INSTRUMENT *(Continued)*

The fair value of the Note as at 31 December 2018 is determined by using binominal model by LCH (Asia-Pacific) Surveyors Limited with the following key parameters:

	At 31 December 2018
Fair value of shares	US$940,000
Risk free interest rate	2.45%
Time to maturity	0.5 year
Expected volatility	43%
Expected dividend yield	0%
Discount rate	10.2%
Conversion period	Commences one year after the purchase date until maturity

19. INTERESTS IN ASSOCIATES

The carrying amounts of the interests in associates are analysed as follow:

	2018 HK$'000	2017 HK$'000
Share of net assets	**5,980**	265
Goodwill	**2,733**	2,733
	8,713	2,998

The carrying amounts of amounts due from associates are analysed as follows:

	2018 HK$'000	2017 HK$'000
Amounts due from associates	**962**	470
Less: provision for impairment loss	**(470)**	(470)
	492	–

19. INTERESTS IN ASSOCIATES *(Continued)*

The movement of the impairment loss for amounts due from associates during the year are as follow:

	2018 HK$'000	2017 HK$'000
At the beginning of the year	**470**	–
Impairment loss during the year	**–**	470
At the end of the year	**470**	470

Amounts due from associates are unsecured, interest-free and repayable on demand (note 40.2). The associates have financial year-end date of 31 December.

Details of the principal associate as at 31 December 2018 and 31 December 2017 is as follow:

Company name	Place of incorporation	Percentage of ownership interests 2018	Percentage of ownership interests 2017	Principal activity
Ignite Hong Kong, Limited ("Ignite HK") *(note)*	Hong Kong	50%	50%	Licensing of trademarks for kitchenware products in Hong Kong

Note:

Ignite HK was incorporated in Hong Kong with limited liability on 1 March 2005. On 27 December 2017, the Group entered into a sale and purchase agreement with King's Flair (Group) Development Limited (a company wholly-owned by the Company's director, Mr. Wong and the controlling shareholders of the Company, Mr. Wong and Ms. Cheng Hew Hong, Rebecca) to acquire 50% of the equity shares of Ignite HK at consideration of HK$2,998,000 (the "Acquisition"). The Acquisition was completed on 27 December 2017 and Ignite HK became an associate of the Group since then. The Acquisition was fully exempted from annual review, shareholders' approval and all disclosure requirements under the Listing Rules.

19. INTERESTS IN ASSOCIATES *(Continued)*

(i) Summarised financial information of material associate, adjusted for any difference in accounting policies as follows:

Ignite HK

	2018 HK$'000	2017 HK$'000
As at 31 December		
Current assets	**13,016**	2,019
Current liabilities	**–**	(434)
Net assets	**13,016**	1,585
Group's share of the result of the associate	**5,715**	–
Year ended 31 December		
Revenue	**12,178**	5,710
Profit for the year	**11,431**	4,758
Total comprehensive income	**11,431**	4,758

Summarised financial information for individually immaterial associates as follows:

	2018 HK$'000	2017 HK$'000
Year ended 31 December		
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**–**	–
Aggregate amount of the Group's share of unrecognised loss of those associates:		
– Loss for the year	**(95)**	(3)
Total comprehensive income	**(95)**	(3)

The amounts of share of unrecognised loss from the individually immaterial associates as at 31 December 2018 are HK$1,744,000 (2017: HK$1,649,000).

The Group has not incurred any contingent liabilities or other commitments relating to its interests in associates.

For the year ended 31 December 2018

20. INTANGIBLE ASSET

	Customer relationships HK$'000
At 1 January 2017	
Cost	24,031
Accumulated amortisation	(14,418)
Net carrying amount	9,613
Year ended 31 December 2017	
Opening net carry amount	9,613
Amortisation	(4,806)
Closing net carrying amount	4,807
At 31 December 2017 and 1 January 2018	
Cost	24,031
Accumulated amortisation	(19,224)
Net carrying amount	4,807
Year ended 31 December 2018	
Opening net carrying amount	**4,807**
Amortisation	**(4,807)**
Closing net carrying amount	**–**
At 31 December 2018	
Cost	**24,031**
Accumulated amortisation	**(24,031)**
Net carrying amount	**–**

Intangible asset represent the customer relationships acquired by the Group in connection with the acquisition of a subsidiary, Wonder Household Limited, completed in 2013.

21. INVENTORIES

	2018 HK$'000	2017 HK$'000
Merchandises, at cost	**25,610**	15,422
Raw materials	**39,241**	24,905
	64,851	40,327

22. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**361,232**	236,004
Less: impairment loss allowance	**(370)**	–
	360,862	236,004

The Group's trading terms with customers are mainly on credit. The credit terms are generally 0 to 90 days from the invoice date.

At 31 December 2018, the Group assigned and discounted part of its trade debts to a bank for financing purpose. In the event of default by the relevant debtors, the Group is obliged to pay the bank for the amount discounted in default. Interest is charged on the discounted debts ranged from 3.3% to 4.3% (2017: Nil) per annum on the proceeds received from the bank until the date the debtors settled the discounted invoice in full. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

At 31 December 2018, the amount of trade debts assigned to the bank was HK$242,898,000 (2017: Nil), of which HK$83,860,000 (2017: Nil) was discounted for financing purpose. The discounting arrangement do not meet the requirements under HKFRS 9 for de-recognition of financial assets as the Group substantially retains the risks and rewards of ownership of the discounted debts. At 31 December 2018, trade receivables of HK$242,898,000 continue to be recognised in the Group's consolidated statement of financial position. The proceeds of the discounting arrangement are included in borrowings as asset-backed financing until the trade receivables are collected or the Group settles any losses suffered by the bank. At 31 December 2018, the asset-backed financing liability amounted to HK$82,233,000 (2017: Nil) (note 32). The carrying amount of the assets and associated liabilities under the discounting arrangement approximate to their fair value as at 31 December 2018.

22. TRADE RECEIVABLES *(Continued)*

The directors of the Company considered the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. An ageing analysis of the Group's trade receivables (net of impairment allowance) as at the reporting date, based on the invoices dates, is as follows:

	2018 HK$'000	2017 HK$'000
0–30 days	188,698	117,081
31–60 days	80,484	85,979
61–90 days	69,659	21,335
Over 90 days	22,021	11,609
	360,862	236,004

The Group does not hold any collateral or other credit enhancements over the trade receivables.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 45.1(b).

23. DEPOSITS PAID FOR PROPERTY, PLANT AND EQUIPMENT/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Non-current assets:		
Deposits paid for property, plant and equipment	23,904	–
Current assets:		
Trade deposits paid to suppliers *(note (a))*	56,193	37,252
Other deposits	2,344	1,610
Prepayments *(note (b))*	14,667	10,203
Other receivables *(note (c))*	6,210	10,633
	79,414	59,698

23. DEPOSITS PAID FOR PROPERTY, PLANT AND EQUIPMENT/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) The Group's trade deposits represented the purchase deposits paid to various independent third parties for supply of trading goods.

(b) As at 31 December 2017, HK$845,000 included in prepayment was an amount due from an associate, Ignite HK which was unsecured, interest-free and repayable on demand.

Name of related company	Amount outstanding At 1 January 2018 HK$'000	Amount outstanding At 31 December 2018 HK$'000	Maximum amount outstanding during the year end 31 December 2018 HK$'000
Ignite HK *(note 40.2)*	**845**	**–**	**845**

(c) Other receivables mainly represent receivables arising from recharge from customers and suppliers relating to certain mould costs, freight and transportation charges and packing costs and were unsecured, interest-free and repayable on demand. The directors of the Company considered that other receivables that were neither past due nor impaired as at each reporting date under review are of good credit quality.

The directors of the Company considered the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
Financial assets at fair value through profit or loss:		
Listed equity securities in Hong Kong, at fair value *(note (a))*	**29,378**	–
Unlisted bond in Hong Kong, at fair value *(note (b))*	**7,570**	–
Unlisted secured promissory note in US, at fair value *(note (c))*	**16,105**	–
	53,053	–
Available-for-sale financial assets:		
Listed equity securities in Hong Kong, at fair value *(note (a))*	**–**	3,168
Unlisted bond in Hong Kong, at fair value *(note (b))*	**–**	7,514
	–	10,682

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Notes:

(a) The fair values of the Group's investment in listed equity securities have been determined by reference to their quoted market prices at the reporting date.

(b) The fair values of the Group's unlisted bond is determined based on the quoted price from relevant financial institutions at the reporting date. As at 31 December 2018, the unlisted bond amounted to HK$7,570,000 (2017: HK$7,514,000) was pledged to a bank to secure the general banking facilities granted to the Group (note 47).

(c) The fair value of the Group's promissory note is determined by the directors of the Company with reference to the valuation performed by LCH (Asia-Pacific) Surveyors Limited (note 18).

The listed equity securities and unlisted bond were reclassified from available-for-sale financial assets of HK$10,682,000 as at 1 January 2018 to financial assets at fair value through profit or loss after the adoption of HKFRS 9 as defined in note 2(b)(A).

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 **HK$'000**	2017 HK$'000
Unlisted equity securities in Hong Kong, at fair value	**3,450**	–

The fair value of the Group's 11.5% investment in unlisted equity securities at the reporting date is estimated by the directors of the Company with reference to the valuation performed by Royson Valuation Advisory Limited, an independent valuer, with income approach by discounting five years period cash flow with the following key parameters:

Revenue growth rate	Range from 5% to 141%
Terminal growth rate	3%
Post-tax discount rate	20.5%
Discount for lack of control	10%
Discount for lack of marketability	35%

26. PLEDGED BANK DEPOSITS

	2018 HK$'000	2017 HK$'000
Pledged bank deposits, denominated in – HK$ and US dollars ("US$")	**22,083**	21,999

Pledged bank deposits have been pledged to certain banks as securities for general banking facilities granted to the Group (note 47).

Pledged bank deposits are deposited with creditworthy banks and carry fixed interest rates which ranged from 0.05% to 2.00% (2017: 0.32% to 1.35%) per annum. The directors of the Company considered that the fair value of the pledged bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

27. CASH AND BANK BALANCES

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**421,415**	430,278

As at 31 December 2018, the Group has cash and bank balances denominated in Renminbi ("RMB") amounted to approximately HK$39,360,000 (2017: HK$22,781,000), which are deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates.

The bank balances are deposited with creditworthy banks. The directors of the Company considered that the fair values of the cash and bank balances are not materially different from their carrying amount because of the short maturity period on their inception.

28. TRADE AND BILLS PAYABLES

Trade and bills payables normally have a credit period of 0 to 90 days from the invoice date.

	2018 **HK$'000**	2017 HK$'000
Trade payables	**118,212**	83,152
Bills payables *(note)*	**2,542**	–
	120,754	83,152

Note: At 31 December 2018, bills payables of HK$2,542,000 were secured by the pledge of the Group's leasehold land and buildings, pledged bank deposits and the corporate guarantee provided by the Company (note 47).

An ageing analysis of the Group's trade and bills payables as at the reporting date, based on the invoices dates, is as follows:

	2018 **HK$'000**	2017 HK$'000
0–90 days	**112,602**	81,346
91–180 days	**6,997**	1,252
181–365 days	**600**	151
Over 365 days	**555**	403
	120,754	83,152

The directors of the Company considered the carrying amounts of trade and bills payables approximate to their fair values.

29. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	2018 **HK$'000**	2017 HK$'000
Trade deposits received *(note (a))*	**–**	1,696
Accruals *(note (b))*	**21,063**	70,839
Refund liabilities *(note (b))*	**37,800**	–
Other payables	**30**	966
	58,893	73,501

Notes:

(a) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of HKFRS 15, amounts previously included as "Trade deposit received" under "Deposits received, other payables and accruals" have been reclassified to "Contract liabilities" (note 30) (see note 2(b)(B)).

(b) Accruals mainly represented provision for discretionary bonus and sales rebate as at 31 December 2017. The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of HKFRS 15, sales rebate provision previously included as "Accruals" has been reclassified to "Refund liabilities" under "Deposits received, other payables and accruals" (see note 2(b)(B)). As at 31 December 2018, "Refund liabilities" represented provision for sales rebate.

The directors of the Company considered the carrying amounts of deposits received, other payables and accruals approximate to their fair values.

30. CONTRACT LIABILITIES

	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Contract liabilities arising from:			
Sale of goods	**7,562**	**1,696**	–

For sales of kitchenware and household products, the deposits received by the Group on products remains as contract liabilities until such time as the production completed to date outweighs the amount received.

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$7,562,000. This amount represents revenue expected to be recognised in the future. The Group will recognise the expected revenue when the performance obligation is completed, which is expected to occur within one year.

Movement of the contract liabilities is as follows:

	2018 HK$'000
Balance as at 1 January	**1,696**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,696)**
Increase in contract liabilities as a result of billing in advance of revenue recognition	**7,562**
Balance as at 31 December	**7,562**

31. BANK OVERDRAFTS

	2018 HK$'000	2017 HK$'000
Bank overdrafts	**35,453**	12,876

The interest rates of the above bank overdrafts ranged mainly from 3.5% to 4.5% (2017: 3.0% to 4.0%) per annum. At 31 December 2018, bank overdrafts was secured by the pledge of leasehold land and buildings, pledged bank deposits and the corporate guarantee provided by the Company (note 47).

32. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank revolving loans *(note (i) to (iii))*	**63,000**	–
Asset-backed financing *(note (iv))*	**82,233**	–
	145,233	–

Notes:

(i) All of the revolving loans are repayable on demand (with demand clause) or within one year.

(ii) The revolving loans were secured/guaranteed by the followings:

- pledge of unlisted bond of HK$7,570,000 (2017: HK$7,514,000) (note 24);
- pledged bank deposits of HK$22,083,000 (2017: HK$21,999,000) (note 26); and
- unlimited corporate guarantee provided by the Company.

(iii) The effective interest rates, from date of commencement of interests become chargeable, on the Group's bank revolving loans ranged from 1.3% to 3.1% (2017: Nil) per annum.

(iv) The asset-backed financing represents the proceeds obtained from discounting arrangements which do not meet the de-recognition requirements under HKFRS 9. The corresponding financial assets are included in trade receivables (note 22).

At 31 December, total bank borrowings were scheduled to repay as follows:

	2018 HK$'000	2017 HK$'000
On demand or within one year	**145,233**	–

The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

32. BANK BORROWINGS *(Continued)*

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 45.1(e). As at 31 December 2018, none of the covenants relating to drawn down facilities had been breached (2017: None).

33. LOANS FROM NON-CONTROLLING INTERESTS

As at 31 December 2017, loans from non-controlling interests of approximately RMB2,400,000 (equivalent to HK$2,836,000), RMB3,935,000 (equivalent to HK$4,649,000), RMB9,800,000 (equivalent to HK$11,578,000) and HK$1,920,000 are unsecured, interest-free and repayable on 24 April 2018, 6 November 2018, 31 December 2018 and 31 May 2019 respectively.

During the year ended 31 December 2018, the loan from non-controlling interest of approximately RMB2,400,000 (equivalent to HK$2,836,000) and RMB3,935,000 (equivalent to HK$4,649,000) were repaid while the repayment terms of loans from non-controlling interests of approximately RMB9,800,000 (equivalent to HK$11,167,000) was renewed and this loan is repayable on 31 December 2019.

As at 31 December 2018, loans from non-controlling interests of approximately RMB9,800,000 (equivalent to HK$11,167,000) and HK$1,920,000 are unsecured, interest-free and repayable on 31 December 2019 and 31 May 2019 respectively.

The directors of the Company considered the carrying amounts of loans from non-controlling interests approximately to their fair values.

34. AMOUNT DUE TO A RELATED COMPANY

As at 31 December 2017, the amount due to a related company represented the consideration payable relating to the acquisition of an associate (note 19) of HK$2,998,000. This balance have been fully settled during the year ended 31 December 2018.

35. AMOUNT DUE TO AN ASSOCIATE

The amount due is unsecured, interest-free and repayable on demand.

36. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements as follows:

	Accelerated tax depreciation HK$'000	Fair value adjustment on intangible asset upon business combination HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2017	(5,682)	(1,586)	–	(7,268)
Credited to profit or loss *(note 12)*	600	793	46	1,439
At 31 December 2017 and 1 January 2018	(5,082)	(793)	46	(5,829)
Credited/(charged) to profit or loss *(note 12)*	150	793	(44)	899
At 31 December 2018	**(4,932)**	**–**	**2**	**(4,930)**

The amounts recognised in the consolidated statement of financial position are as follows:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**6**	50
Deferred tax liabilities	**(4,936)**	(5,879)

Deferred tax assets of HK$2,000 (2017: HK$46,000) was recognised in respect of unused tax losses of HK$16,000 (2017: HK$281,000) as it is considered probable that taxable profits will be available against which the tax losses can be utilised. The other estimated unused tax losses carried forward not recognised in the consolidated financial statements due to unpredictability of future profit streams are as follows:

	2018 HK$'000	2017 HK$'000
Estimated unused tax losses	**14,261**	28,701

36. DEFERRED TAX *(Continued)*

Deferred tax assets have not been recognised in respect of these losses as they have arisen in group companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The PRC estimated unused tax losses can only be carried forward for a maximum period of five years from the reporting date and the Hong Kong estimated unused tax losses can be carried forward indefinitely. The expiry of estimated unused tax losses for which no deferred tax assets have been recognised is as follows:

	2018 HK$'000	2017 HK$'000
Estimated unused tax losses will expire at various dates within five years from the reporting date	**–**	12,544
Estimated unused tax losses can be carried forward indefinitely	**14,261**	16,157
	14,261	28,701

Deferred tax liabilities have not been established for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries in the PRC made after 1 January 2008 because the Company controls the dividend policy of these subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future. Such unremitted earnings totalled approximately HK$21,988,000 as at 31 December 2018 (2017: HK$7,021,000).

37. SHARE CAPITAL

	2018 Number of shares ('000)	**2018 HK$'000**	2017 Number of shares ('000)	2017 HK$'000
Authorised:				
Shares of HK$0.01 each				
At 1 January and 31 December	**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:				
Shares of HK$0.01 each				
At 1 January and 31 December	**700,000**	**7,000**	700,000	7,000

38. RESERVES

Group

Details of the movements on the Group's reserves for the years ended 31 December 2018 and 2017 are presented in the consolidated statement of changes in equity on page 45.

Merger reserve

The merger reserve of the Group arose as a result of a group reorganisation completed in December 2014 and represented the difference between the consideration under the reorganisation and the nominal value of the share capital of the subsidiaries then acquired.

Statutory reserve

The statutory reserve represents amounts appropriated from the profits after tax of a subsidiary of the Company established in the PRC to comply with the PRC laws and regulations.

Company

	Share premium* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	467,891	4,192	472,083
2016 final dividend *(note 14)*	–	(42,000)	(42,000)
2017 interim dividend *(note 14)*	–	(31,500)	(31,500)
2017 special dividend *(note 14)*	–	(10,500)	(10,500)
Transactions with owners	–	(84,000)	(84,000)
Total comprehensive income for the year	–	83,297	83,297
At 31 December 2017 and 1 January 2018	**467,891**	**3,489**	**471,380**
2017 final dividend *(note 14)*	**–**	**(49,000)**	**(49,000)**
2018 interim dividend *(note 14)*	**–**	**(38,500)**	**(38,500)**
2018 special dividend *(note 14)*	**–**	**(10,500)**	**(10,500)**
Transactions with owners	**–**	**(98,000)**	**(98,000)**
Total comprehensive income for the year	**–**	**98,374**	**98,374**
At 31 December 2018	**467,891**	**3,863**	**471,754**

* The share premium account of the Company arises on shares issued at premium. Under the Companies Law of the Cayman Islands, the share premium account is distributable to owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

39. OPERATING LEASE COMMITMENTS

At each reporting date, the Group's total future minimum rental payable under non-cancellable operating lease in respect of land and buildings and plant and machineries are as follows:

(a) Operating lease commitments

	2018 HK$'000	2017 HK$'000
Land and buildings		
Within one year	**5,869**	2,710
In the second to fifth years	**6,903**	3,346
	12,772	6,056
Plant and machineries		
Within one year	**71**	80
In the second to fifth years	**30**	93
	101	173
Total		
Within one year	**5,940**	2,790
In the second to fifth years	**6,933**	3,439
	12,873	6,229

The leases run for an initial period of one year to five years (2017: one year to five years).

As at reporting date, none of these lease arrangements include contingent rentals.

(b) Capital commitments

	2018 HK$'000	2017 HK$'000
Capital expenditures contracted but not provided for in the consolidated financial statements in respect of:		
– purchase of and addition to property, plant and equipment	**42,104**	80

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group also had the following significant transactions with related parties during the year:

40.1 Significant transactions with related parties

Nature of transaction	Name of related company/party	*Notes*	2018 HK$'000	2017 HK$'000
Licensing fee	Ignite HK	*(a),(b)*	**12,178**	2,861
Management fee income	Grand Venture	*(b)*	**–**	119
Rental expenses	Mr. Wong	*(c)*	**840**	840

Notes:

(a) A related company of which Mr. Wong was a director and Mr. Wong and Ms. Cheng, the Company's controlling shareholders, were together interested in 50% of its shareholding. Since the completion of the acquisition of 50% equity shares of Ignite HK on 27 December 2017, Ignite HK becomes an associate of the Group (note 19).

(b) An associate of the Group.

(c) During the years ended 31 December 2018 and 2017, the Group had paid rental expenses relating to premises which are owned by Mr. Wong.

(d) All transactions as shown above were made on the Group's normal course of business and were made with reference to the terms negotiated between the relevant parties.

40.2 Outstanding balances with related parties

Details of the Group's balances with the related parties have been set out in notes 19, 23, 34 and 35 to the financial statements.

40.3 Compensation of key management personnel

The directors are of the opinion that the key management personnel were all directors of the Company, details of whose emoluments are set out in note 11.1.

41. CONTINGENT LIABILITIES

At the reporting date, the Group does not have any significant contingent liabilities.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		**252,506**	252,506
Current assets			
Prepayments		**243**	267
Amounts due from subsidiaries		**72,253**	33,868
Cash and bank balances		**153,786**	191,760
		226,282	225,895
Current liabilities			
Other payables and accruals		**34**	21
Net current assets		**226,248**	225,874
Net assets		**478,754**	478,380
EQUITY			
Share capital	*37*	**7,000**	7,000
Reserves	*38*	**471,754**	471,380
Total equity		**478,754**	478,380

Approved and authorised for issue by the board of directors on 25 March 2019 and signed on its behalf by:

Wong Siu Wah
Director

Wong Fook Chi
Director

43. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2018 and 31 December 2017 are as follows:

Company name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital 2018	2017	Effective interest held by the Company 2018 Directly	2018 Indirectly	2017 Directly	2017 Indirectly	Principal activity and place of operation
Lion Power Development Limited	Incorporated in the BVI, limited liability company	**US$1,000**	US$1,000	**100%**	**-**	100%	–	Investment holding, Hong Kong
Wealth Wise Investments Limited	Incorporated in the BVI, limited liability company	**US$1,000**	US$1,000	**100%**	**-**	100%	–	Investment holding, Hong Kong
King's Flair Development Limited	Incorporated in Hong Kong, limited liability company	**HK$1,000,000**	HK$1,000,000	**-**	**100%**	–	100%	Trading of kitchenware products, Hong Kong
Aegis Global Resources (HK) Limited	Incorporated in Hong Kong, limited liability company	**HK$10,000**	HK$10,000	**-**	**100%**	–	100%	Trading of kitchenware products, Hong Kong
Homespan (HK) Limited	Incorporated in Hong Kong, limited liability company	**HK$10,000**	HK$10,000	**-**	**51%**	–	51%	Trading of kitchenware products, Hong Kong
Manweal Development Limited	Incorporated in Hong Kong, limited liability company	**HK$5,500,000**	HK$5,500,000	**-**	**68%**	–	68%	Trading of kitchenware products, Hong Kong
Ningbo Homesbrands International Trading Company Limited* (寧波家之良品國際貿易有限公司)	Incorporated in the PRC, sino-foreign equity joint venture	**RMB10,000,000**	RMB10,000,000	**-**	**51%**	–	51%	Retail and distribution of kitchenware products, the PRC
Youxiang (Shanghai) Commercial & Trade Company Limited* (悠享（上海）商貿有限公司)	Incorporated in the PRC, wholly-owned foreign enterprise	**RMB1,000,000**	RMB1,000,000	**-**	**51%**	–	51%	Retail, wholesale and distribution of kitchenware products, the PRC
Wonder Household Limited	Incorporated in Hong Kong, limited liability company	**HK$10,000**	HK$10,000	**-**	**100%**	–	100%	Trading of kitchenware products, Hong Kong
Gloxis Development Limited	Incorporated in Hong Kong, limited liability company	**HK$100,000**	HK$100,000	**-**	**100%**	–	100%	Trading of kitchenware products, Hong Kong
King's Flair Resources Limited	Incorporated in Hong Kong, limited liability company	**HK$1**	HK$1	**-**	**100%**	–	100%	Trading of raw materials, Hong Kong

* The English name of the subsidiaries established in the PRC represents management's best effort at translating the Chinese name of such subsidiaries for identification purpose only as no English name has been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at any time during the year and at the end of the year.

44. NON-CONTROLLING INTERESTS

Ningbo Homesbrands International Trading Company Limited ("HBI") and Youxiang (Shanghai) Commercial & Trade Company Limited ("Youxiang"), a 51% owned subsidiaries of the Company, have material non-controlling interests (the "NCI"). Except the above mentioned, the NCI of all other subsidiaries of the Group that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of HBI before intra-group eliminations, is presented below:

	2018 **HK$'000**	2017 HK$'000
For the year ended 31 December		
Revenue	**90,199**	63,921
Profit for the year	**11,452**	10,073
Total comprehensive income	**11,452**	10,073
Profit allocated to NCI	**5,612**	4,936
For the year ended 31 December		
Cash flows generated from operating activities	**5,078**	7,498
Cash flows used in investing activities	**(648)**	(49)
Cash flows used in financing activities	**(7,219)**	(1,111)
Net cash (outflow)/inflow	**(2,789)**	6,338

	2018 **HK$'000**	2017 HK$'000
As at 31 December		
Current assets	**64,535**	55,111
Non-current assets	**1,781**	1,378
Current liabilities	**(35,027)**	(36,652)
Net assets	**31,289**	19,837
Accumulated non-controlling interests	**15,332**	9,720

44. NON-CONTROLLING INTERESTS *(Continued)*

Summarised financial information in relation to the NCI of Youxiang before intra-group eliminations, is presented below:

	2018 HK$'000	2017 HK$'000
For the year ended 31 December		
Revenue	72,105	37,724
Profit for the year	16,650	7,391
Total comprehensive income	16,650	7,391
Profit allocated to NCI	8,159	3,622
For the year ended 31 December		
Cash flows generated from operating activities	14,020	7,968
Cash flows used in investing activities	(747)	(8)
Net cash inflow	13,273	7,960

	2018 HK$'000	2017 HK$'000
As at 31 December		
Current assets	33,412	13,862
Non-current assets	755	138
Current liabilities	(28,267)	(24,750)
Net assets/(liabilities)	5,900	(10,750)
Accumulated non-controlling interests	2,891	(5,268)

45. FINANCIAL RISK MANAGEMENT

45.1 Financial risk factors

The Group is exposed to a variety of financial risks in the normal course of business. The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate strategies to manage the Group's exposure to market risks, (specifically to foreign currency risk, interest rate risk, price risk and fair value risk), credit risk and liquidity risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes.

The most significant financial risks to which the Group is exposed are described below. A summary of the Group's financial assets and liabilities by category is shown in note 45.2.

(a) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group mainly operates and invests in Hong Kong and the PRC with most of the transactions denominated and settled in HK$, US$ and RMB respectively. For subsidiaries in PRC, no foreign currency risk has been identified for the financial assets and financial liabilities denominated in RMB, being the functional currency of the subsidiaries in the PRC to which these transactions relate. As US$ is pegged to HK$, the Group does not expect any significant movement in the HK$/US$ exchange rate. For the Group's operations in Hong Kong, no sensitivity analysis in respect of the Group's sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US$ is disclosed as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates as at the reporting dates.

Foreign currency risk arises from the Group's financial assets and liabilities, which were denominated in RMB other than the functional currency of the members of the Group at the end of each reporting period are as follows:

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**7,012**	2,105
Other deposits and other receivables	**25,134**	388
Cash and bank balances	**39,360**	2,840
Trade and bills payables	**(49,450)**	(20,619)
Deposits received, other payables and accruals	**(3,751)**	(392)
Overall net exposure	**18,305**	(15,678)

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.1 Financial risk factors *(Continued)*

(a) Foreign currency risk *(Continued)*

The following table indicates the approximate effect on the profit for the year in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the end of each reporting period. The appreciation and depreciation of 5% (2017: 5%) in HK$ exchange rate against RMB represents management's assessment of a reasonably possible change in currency exchange rate over the reporting periods.

	Increase/(Decrease) in profit for the year	
	2018	2017
	HK$'000	HK$'000
RMB to HK$		
Appreciation by 5% (2017: 5%)	**764**	(655)
Depreciation by 5% (2017: 5%)	**(764)**	655

The measures to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Group's bank balances are held in major reputable financial institutions in Hong Kong, the PRC and Taiwan, which management believes are of high credit quality.

The Group has policies in place to ensure that service rendered and sales of goods are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally customers are granted credit terms ranging from 0 to 90 days. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

The Group has concentration of credit risk with respect to trade receivables. As at 31 December 2018, the Group's trade receivables due from 2 (2017: 2) customers, of approximately HK$265,387,000 (2017: HK$161,149,000) represented 74% (2017: 68%) of trade receivables.

These customers are in good settlement records and reputation. The management believes that the credit risk on the amount due is minimal.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables as at 31 December 2018:

	Expected loss rate (%)	Gross carrying amount (HK$'000)	Loss allowance (HK$'000)	Net carrying amount (HK$'000)
Neither past due nor impaired	0.00%	246,733	–	246,733
Past due 60 days or less	0.02%	95,639	(16)	95,623
Past due more than 60 days but less than 1 year	0.34%	16,224	(55)	16,169
Past due more than 1 year but less than 2 years	7.31%	2,521	(184)	2,337
Credit impaired for specific debtor	100.00%	115	(115)	–
		361,232	(370)	360,862

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4.12 (ii)). At 31 December 2017, none of the trade receivables was determined to be impaired. The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired as follows:

	2017 HK$'000
Neither past due nor impaired	107,373
Past due 60 days or less	116,979
Past due more than 60 days but less than 1 year	11,268
Past due more than 1 year but less than 2 years	384
	236,004

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 HK$'000
Balance at 31 December under HKAS 39	–
Impact of initial application of HKFRS 9 *(note 2(b)(A)(iii))*	83
Adjusted balance at 1 January (restated)	83
Impairment losses recognised during the year	287
Balance at 31 December	370

Other financial assets at amortised cost of the Group includes other deposits and other receivables, amounts due from associates, pledged bank deposits and cash and bank balances. Since there is no increase in credit risk, the loss allowance recognised during the year was therefore limited to 12-months ECL. Management considers the probability of default is low on other receivables since the counterparties are in good credit quality and no historical default noted. Besides, management considers the probability of default is low on pledged bank deposits and bank balances since they are placed at the financial institutions with good credit rating. The Group concluded that impact of ECL on other financial assets is insignificant as at 31 December 2018.

The measures to manage credit risk are considered to be effective.

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group fair value interest rate risk.

Other than pledged bank deposits (note 26), cash and bank balances (note 27), bills payables (note 28), bank overdrafts (note 31) and bank borrowings (note 32), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk.

At 31 December 2018, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit for the year (through the impact on the Group's cash and bank balances, bank overdrafts, bank borrowings and bills payables which are subject to floating interest rate) by approximately HK$1,601,000 (2017: HK$1,743,000). No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.1 Financial risk factors *(Continued)*

(c) Interest rate risk *(Continued)*

The measures to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

(d) Price risk

The Group is exposed to price risk through its investments in equity/debt instruments which are classified as financial assets at fair value through profit or loss and at fair value through other comprehensive income for the year ended 31 December 2018 and classified as at available-for-sale financial assets for the year ended 31 December 2017. The directors manage this exposure by maintaining a portfolio of investments with different risk and return profiles and followed by the Group since prior years and are considered to be effective.

Sensitivity analysis

The following table demonstrates the sensitivity as if quoted prices had increased/(decreased) by 10% change in the fair values of the equity/debt investments, with all other variables held constant, after any impact of tax for each reporting date. For the purpose of this analysis, for the financial assets at fair value through other comprehensive income and the available-for-sale financial assets, the impact is deemed to be on the revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of comprehensive income.

	Effect on percentage change: Increase/(decrease) by 10% in price		
	Carrying amount HK$'000	Increase/ (decrease) in profit for the year HK$'000	Increase/ (decrease) in revaluation reserve HK$'000
At 31 December 2018			
Financial assets at fair value through profit or loss			
– Listed equity securities, at fair value	**29,378**	**2,453/(2,453)**	**–**
– Unlisted bond, at fair value	**7,570**	**632/(632)**	**–**
Financial assets at fair value through other comprehensive income			
– Unlisted equity securities, at fair value	**3,450**	**–**	**345/(345)**
At 31 December 2017			
Available-for-sale financial assets			
– Listed equity securities, at fair value	3,168	–	317/(317)
– Unlisted bond, at fair value	7,514	–	751/(751)

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.1 Financial risk factors *(Continued)*

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings, also regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In addition, banking facilities have been put in place for contingency purposes.

The Group's liquidity position is monitored on a daily basis by the management.

The following table summarises the remaining contractual maturities at the reporting dates of the Group's financial liabilities, which are based on contractual undiscounted payments.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay (That is if the lenders were to invoke their unconditional rights to call the loans with immediate effect).

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year HK$'000
At 31 December 2018				
Trade and bills payables	**120,754**	**120,754**	**120,754**	**–**
Other payables and accruals	**58,893**	**58,893**	**58,893**	**–**
Bank borrowings	**145,233**	**145,233**	**145,233**	**–**
Bank overdrafts	**35,453**	**35,453**	**35,453**	**–**
Loans from non-controlling interests	**13,087**	**13,087**	**13,087**	**–**
Amount due to an associate	**1,980**	**1,980**	**1,980**	**–**
	375,400	**375,400**	**375,400**	**–**
At 31 December 2017				
Trade and bills payables	83,152	83,152	83,152	–
Other payables and accruals	71,805	71,805	71,805	–
Bank overdrafts	12,876	12,876	12,876	–
Loans from non-controlling interests	20,983	20,983	19,063	1,920
Amount due to a related company	2,998	2,998	2,998	–
	191,814	191,814	189,894	1,920

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.1 Financial risk factors *(Continued)*

(f) Fair value risk

The fair values of the financial assets and liabilities are not materially different from their carrying amounts because of the immediate or the short term maturity of those financial instruments. The following table presents assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these assets. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value as at 31 December 2018 and 31 December 2017 in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000 (note (a))	Level 2 HK$'000 (note (b))	Level 3 HK$'000 (note (c))	Total HK$'000
At 31 December 2018				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	**29,378**	**–**	**–**	**29,378**
– Unlisted bond, at fair value	**–**	**7,570**	**–**	**7,570**
– Unlisted secured promissory note, at fair value	**–**	**–**	**16,105**	**16,105**
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	**–**	**–**	**3,450**	**3,450**
As at 31 December 2017				
Derivative financial instrument				
– Conversion option, at fair value	–	–	1,011	1,011
Available-for-sale financial assets				
– Listed equity securities, at fair value	3,168	–	–	3,168
– Unlisted bond, at fair value	–	7,514	–	7,514

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.1 Financial risk factors *(Continued)*

(f) Fair value risk *(Continued)*

Notes:

(a) The listed equity securities at fair values are denominated in HK$. Fair values have been determined by reference to their quoted market prices at the reporting date.

(b) The unlisted bond at fair values are denominated in USD and the fair values is determined based on the quoted prices from the relevant financial institution.

(c) The Group's promissory note and unlisted equity securities at fair value are denominated in USD and their fair values are determined by using valuation technique of binomial model and income approach, which include significant inputs that are not based on observable market data (note 18, 24(c) and 25).

The movements in fair value measurements in Level 3 during the year are as follows:

	2018 HK$'000	2017 HK$'000
Financial assets at fair value through profit or loss/ Derivative financial instrument		
Balance as at 31 December 2017	**1,011**	–
Re-classification and re-measurement of promissory note	**15,015**	–
Balance as at 1 January 2018 (restated)	**16,026**	–
Initial recognition *(note 18)*	**–**	2,567
Fair value change	**79**	(1,556)
At end of the year	**16,105**	1,011

	2018 HK$'000	2017 HK$'000
Financial assets at fair value though other comprehensive income — unlisted equity securities		
At beginning of the year	**–**	–
Initial recognition	**3,450**	–
Fair value change	**–**	–
At end of the year	**3,450**	–

The fair value of the promissory note and unlisted equity securities are Level 3 recurring fair value measurement. During the year ended 31 December 2018, there have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.1 Financial risk factors *(Continued)*

(f) Fair value risk (Continued)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Valuation technique	Significant unobservable inputs	Value of input	Relationship of unobservable inputs to fair value
31 December 2018				
Unlisted secured promissory note, at fair value	Binomial model and income approach	Expected volatility	**43%**	The higher the expected volatility, the higher the fair value
		Discount rate	**10.2%**	The higher the discount rate, the lower the fair value
Unlisted equity securities, at fair value	Income approach	Revenue growth rate	**Ranging from 5% to 141%**	The higher the revenue and terminal growth rate, the higher the fair value
		Terminal growth rate	**3%**	
		Post-tax discount rate	**20.50%**	The higher the post-tax discount rate, discount for lack of control and for lack of marketability, the lower the fair value
		Discount for lack of control	**10%**	
		Discount for lack of marketability	**35%**	
31 December 2017				
Derivative financial instrument Conversion option, at fair value	Binomial model	Risk free interest rate	1.80%	The higher risk free interest rate and expected volatility, the higher the fair value
		Expected volatility	31%	
		Discount rate	8.01%	The higher the discount rate, the lower the fair value

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.2 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at each reporting dates are also analysed into the following categories. See notes 4.11 and 4.12 for explanations about how the category of financial instruments affects their subsequent measurement.

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**53,053**	–
Financial assets at fair value through other comprehensive income	**3,450**	–
Available-for-sale financial assets	**–**	10,682
Derivative financial instrument	**–**	1,011
Financial assets at amortised cost/Loans and receivables		
– Loan receivable	**–**	13,337
– Trade receivables	**360,862**	236,004
– Other deposits and other receivables	**8,554**	12,243
– Amounts due from associates	**492**	–
– Pledged bank deposits	**22,083**	21,999
– Cash and bank balances	**421,415**	430,278
	869,909	725,554
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and bills payables	**120,754**	83,152
– Other payables and accruals	**58,893**	71,805
– Bank overdrafts	**35,453**	12,876
– Bank borrowings	**145,233**	–
– Loans from non-controlling interests	**13,087**	20,983
– Amount due to a related company	**–**	2,998
– Amount due to an associate	**1,980**	–
	375,400	191,814

46. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern; and

(ii) to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The directors of the Company also balance its overall capital structure through the payment of dividends or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

The Group sets the amount of equity in proportion to its overall financing structure. The equity-to-overall financing ratios at the end of the reporting periods were as follows:

	2018 HK$'000	2017 HK$'000
Total equity	**694,927**	659,513
Overall financing		
Bank overdrafts	**35,453**	12,876
Bank borrowings	**145,233**	–
Loans from non-controlling interests	**13,087**	20,983
	193,773	33,859
Equity-to-overall financing ratio	**3.6:1**	19.5:1

47. CREDIT FACILITIES

As at 31 December 2018, the Group has obtained banking facilities, including revolving loans, factoring, bills payables and bank overdrafts, of totalling HK$186,200,000 (2017: HK$219,000,000) and US$16,000,000 (2017: US$16,000,000), of which HK$100,994,000 (2017: HK$12,876,000) and US$10,570,000 (2017: Nil) has been utilised by the Group. As at 31 December 2018, the Group has unutilised banking facilities of approximately HK$85,206,000 (2017: HK$206,124,000) and US$5,430,000 (2017: US$16,000,000) available for draw down.

As at 31 December 2018, the Group's banking facilities were secured/guaranteed by the following:

(a) pledge of leasehold land and building with an aggregate carrying amount of HK$18,804,000 (2017: HK$19,591,000) (note 15);

(b) pledge of unlisted bond of HK$7,570,000 (2017: HK$7,514,000) (note 24);

(c) pledged bank deposits of HK$22,083,000 (2017: HK$21,999,000) (note 26); and

(d) unlimited corporate guarantee provided by the Company.

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings (note 32) HK$'000	Loans from non-controlling interests (note 33) HK$'000	Dividend payable (note 14) HK$'000	Total HK$'000
At 1 January 2017	–	24,326	–	24,326
Financing cash outflows:				
Repayment of loans from non-controlling interests	–	(4,655)	–	(4,655)
Dividend paid	–	–	(84,000)	(84,000)
Other changes:				
Dividend declared/approved	–	–	84,000	84,000
Exchange adjustments	–	1,312	–	1,312
At 31 December 2017 and 1 January 2018	**–**	**20,983**	**–**	**20,983**
Financing cash inflow/(outflows):				
Proceeds from bank borrowings	**185,233**	**–**	**–**	**185,233**
Repayment of bank borrowings	**(40,000)**	**–**	**–**	**(40,000)**
Repayment of loans from non-controlling interests	**–**	**(7,485)**	**–**	**(7,485)**
Dividend paid	**–**	**–**	**(98,000)**	**(98,000)**
Interest paid	**(314)**	**–**	**–**	**(314)**
Other changes:				
Dividend declared/approved	**–**	**–**	**98,000**	**98,000**
Interest expenses	**314**	**–**	**–**	**314**
Exchange adjustments	**–**	**(411)**	**–**	**(411)**
At 31 December 2018	**145,233**	**13,087**	**–**	**158,320**

FINANCIAL SUMMARY

A summary of the published financial results and of the assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2018 and the last four financial years is set out below. The summary does not form part of the audited consolidated financial statements.

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial results					
Revenue	**1,566,864**	1,365,514	1,365,000	1,394,635	1,359,459
Profit before income tax	**157,665**	179,015	161,652	194,107	116,650
Income tax expenses	**(25,719)**	(27,397)	(27,601)	(32,031)	(23,496)
Profit for the year	**131,946**	151,618	134,051	162,076	93,154
Profit/(loss) attributable to:					
Owners of the Company	**118,003**	143,552	133,844	163,545	95,146
Non-controlling interest	**13,943**	8,066	207	(1,469)	(1,992)
	131,946	151,618	134,051	162,076	93,154

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Non-current assets	**75,947**	63,238	55,097	63,344	55,108
Current assets	**1,012,036**	800,170	724,950	659,646	377,711
Current liabilities	**388,120**	196,096	162,992	141,384	165,831
Net current assets	**623,916**	604,074	561,958	518,262	211,880
Non-current liabilities	**4,936**	7,799	18,210	24,873	20,042
Net assets	**694,927**	659,513	598,845	556,733	246,946