WINOX

WINOX HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code : 6838

2018
ANNUAL REPORT

Contents

Corporate Information and Key Dates

BOARD OF DIRECTORS
Yiu Hon Ming (Chairman & Managing Director)
Au Wai Ming# (Deputy Chairman)
Law Wai Ping
Chau Kam Wing Donald (Finance Director)
Li Chin Keung
Yiu Ho Ting
Carson Wen*
Wong Lung Tak Patrick*
Wu Ming Lam*

Non-Executive Director
* Independent Non-Executive Director

AUDIT COMMITTEE
Wong Lung Tak Patrick (Chairman)
Carson Wen
Wu Ming Lam

REMUNERATION COMMITTEE
Wong Lung Tak Patrick (Chairman)
Yiu Hon Ming
Carson Wen
Wu Ming Lam

NOMINATION COMMITTEE
Yiu Hon Ming (Chairman)
Carson Wen
Wong Lung Tak Patrick
Wu Ming Lam

COMPANY SECRETARY
Huen Lai Chun

AUDITORS
Deloitte Touche Tohmatsu

PRINCIPAL BANKER
The Hongkong and Shanghai Banking Corporation Limited

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Units 2 & 3, 1/F., Sunray Industrial Centre
610 Cha Kwo Ling Road, Yau Tong
Kowloon, Hong Kong

Telephone: (852) 23493776
Facsimile: (852) 23493780
Website: http://www.winox.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS
Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INFORMATION OF SHARES

Place of Listing	:	Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange")
Stock Code	:	6838
Board Lot	:	2,000 shares
Financial Year End	:	31 December
Interim dividend	:	HK6 cents per ordinary share
Final dividend	:	HK8.5 cents per ordinary share

KEY DATES

Closure of register of members for AGM	:	15-20 May 2019 (both days included)
Record date for voting at AGM	:	20 May 2019
Annual general meeting	:	20 May 2019
Closure of register of members for final dividend	:	27 May 2019
Record date for final dividend	:	27 May 2019
Final dividend payment date	:	10 June 2019

Financial Highlights

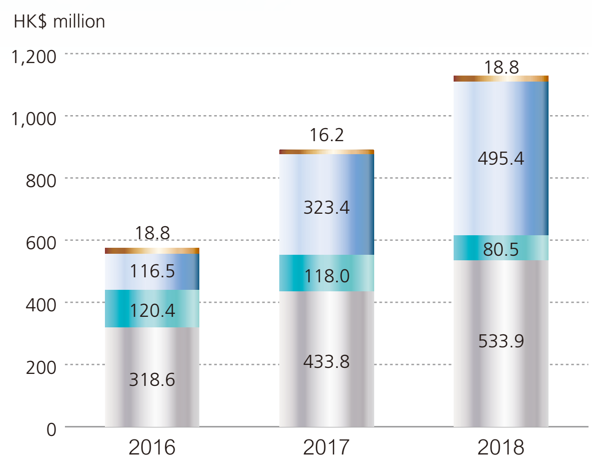
	Year ended 31 December 2018 HK$'000 (audited)	Year ended 31 December 2017 HK$'000 (audited)	Change
RESULTS HIGHLIGHTS			
Revenue	**1,128,653**	891,446	26.6%
Gross profit	**308,694**	256,529	20.3%
Profit for the year	**154,126**	116,435	32.4%
Basic earnings per share (HK cents)	**30.8**	23.3	32.2%
Total dividend per share (HK cents)	**14.5**	11	
– Interim dividend (HK cents)	**6**	4	
– Final dividend (HK cents)	**8.5**	7	

	At 31 December 2018 HK$'000 (audited)	At 31 December 2017 HK$'000 (audited)	Change
BALANCE SHEET HIGHLIGHTS			
Total assets	**940,568**	890,449	5.6%
Total borrowings	**52,250**	74,821	–30.2%
Net assets	**704,395**	650,897	8.2%
Net assets per share (HK$)	**1.41**	1.30	8.5%
Return on equity[1](%)	**21.9%**	17.9%	4 pts
Current ratio	**2.14**	1.93	
Gearing ratio[2]	**0.06**	0.08	

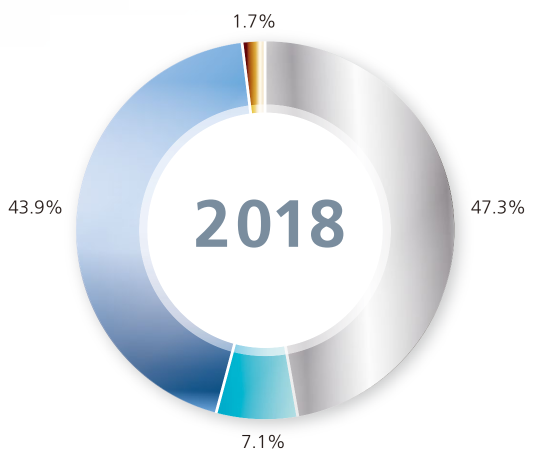
[1] Based on equity attributable to shareholders at year end
[2] Gearing ratio = Total borrowings/Total assets

REVENUE BY PRODUCTS

For the year ended 31 December



REVENUE DISTRIBUTION BY PRODUCTS



watch bracelets | costume jewellery | mobile phone cases and parts | accessories and parts for leather goods

Mission

We strive to satisfy the needs of our clients and provide quality service to the best we could by producing products of the highest quality in timely and competitive manner.

Dear Shareholders,

On behalf of the board ("Board") of directors ("Directors") of Winox Holdings Limited ("Company", together with its subsidiaries, "Group"), I am pleased to present the Group's annual results for the financial year ended 31 December 2018.

FINANCIAL PERFORMANCE

The Group continues to deliver another robust results for 2018. Revenue of the Group for the year ended 31 December 2018 increased to a record level of HK$1,128,653,000 (2017: HK$891,446,000), representing an increase of 26.6% as compared to last year. Profit for the year and basic earnings per share were also increased to a record level of HK$154,126,000 (2017: HK$116,435,000) and HK30.8 cents (2017: HK23.3 cents) respectively, representing an increase of 32.4% and 32.2% as compared to last year respectively.

DIVIDENDS

The Board recommends the payment of a final dividend of HK8.5 cents per ordinary share (2017: HK7 cents), which is subject to the approval of shareholders of the Company ("Shareholders") at the forthcoming annual general meeting. Together with the interim dividend of HK6 cents per ordinary share paid in September 2018, the total dividend for the year ended 31 December 2018 is HK14.5 cents per ordinary share (2017: HK11 cents per ordinary share).

BUSINESS

In 2018, the Group achieved another high growth year in the mobile phone cases and parts segment in which the sales for the year ended 31 December 2018 reached HK$495,437,000, representing a significant increase of 53.2% as compared to last year. As the Group's growth driver, we will continue to invest in this segment to enhance our capability and capacity to cope well with the requirements of the world's smartphone brand owners. Thanks to the strong global economy in the first half of 2018, the demand for Swiss watch has undergone a year of sustained growth leading to our sales of watch bracelets increased by 23.1% as compared to last year. The sales of costume jewellery experienced a decline of 31.8% and sales of accessories and parts for leather goods experienced an increase of 16.1% respectively as compared to last year.

PROSPECTS

Going into 2019, the slowing down of the global economy together with the uncertainties around the US-China trade tensions, Brexit and increasing geopolitical tensions has impacted the consumer sentiment worldwide. However, with our diversified quality products and strong customer base, we believe that there will be steady and increasing demand on precision stainless steel products and we will take advantage of utilizing our strengths and expertise to serve our existing prominent customers and to explore new business opportunities in order to achieve long-term growth.

CORPORATE SUSTAINABILITY

The Group adopts a product diversification model which provides a significant platform for us to broaden our customer base and expand our market share in the industry. The Group utilises its resources strategically to advance its skills and technology so as to enrich our product variety and sophistication. We commit to working closely with our customers to deliver quality and cost-effective products efficiently. This enables us to maintain long-term business relationship with our stakeholders. Our goal is to put continuous efforts to reinforce our operational efficiency so as to achieve long-term business sustainability and drive improvement.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to my fellow Directors, and our clients, staff, suppliers and other stakeholders for their continuous support to the Group.

Yiu Hon Ming
Chairman and Managing Director

Hong Kong, 25 March 2019

Management Discussion and Analysis

The Dongguan Dalang factory

BUSINESS REVIEW

During the year, the demand for luxury goods has been continuously picked up as the economy of the world's major economies has remained strong in the first half of 2018. Winox Holdings Limited (the "Company", together with its subsidiaries, the "Group") recorded a satisfactory growth of 26.6% in revenue for the year ended 31 December 2018 as compared to last year, which was mainly due to the increase in sales of watch bracelets and mobile phone cases and parts of the Group in 2018.

The principal focus of the Group remains on the development and manufacture of premium stainless steel products, and our major business segments are, namely, watch bracelets, mobile phone cases and parts, costume jewellery, and accessories and parts for leather goods.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group's revenue increased by 26.6% to HK$1,128,653,000 (2017: HK$891,446,000) as compared to last year. Revenue attributable to watch bracelets, mobile phone cases and parts, costume jewellery, and accessories and parts for leather goods were 47.3%, 43.9%, 7.1% and 1.7% respectively (2017: 48.7%, 36.3%, 13.2% and 1.8% respectively).

During the year 2018, export value of Swiss made watches continuously improved and achieved an increase of 6.3% as compared to last year. The Group's revenue of watch bracelets reported an increase of 23.1% to HK$533,875,000 (2017: HK$433,849,000) as compared to last year.

During the year 2018, sales of mobile phone cases and parts was HK$495,437,000 (2017: HK$323,393,000), representing a significant increase of 53.2% as compared to last year.

The factory and dormitory buildings at Dongfeng Village, Huzhen, PRC.

Production facilities at the factory at Dongfeng Village, Huzhen, PRC.

Sales of costume jewellery for the year recorded a decline of 31.8% to HK$80,548,000 (2017: HK$118,023,000).

Sales of accessories and parts for leather goods amounted to HK$18,793,000 (2017: HK$16,181,000), representing an increase of 16.1% as compared to last year.

Profit

As a result of the increase in sales for the year, gross profit increased by 20.3% to HK$308,694,000 (2017: HK$256,529,000) as compared to last year. Gross profit margin for the year slightly decreased to 27.4% (2017: 28.8%) mainly due to higher material costs used in mobile phone cases and parts and increased labour costs. Profit for the year increased by 32.4% to HK$154,126,000 (2017: HK$116,435,000) and basic earnings per share for the year increased by 32.2% to HK30.8 cents (2017: HK23.3 cents).

Cost of Sales

Cost of sales included costs of production materials and labour, and manufacturing overhead and other costs. The following table sets forth the breakdown of our cost of sales for the year ended 31 December 2018:

	2018 HK$'000	2017 HK$'000
Direct materials costs	404,451	279,053
Direct labour costs	291,231	241,673
Manufacturing overhead and other costs	124,277	114,191
	819,959	634,917

For the year ended 31 December 2018, direct materials costs and labour costs accounted for about 49.3% and 35.5% (2017: 44.0% and 38.0%) of the total cost of sales, the changes were mainly due to the significant increase in sales of mobile phone cases and parts which has higher materials cost proportion; whereas manufacturing overhead and other costs accounted for about 15.2% (2017: 18.0%) of the total cost of sales.

Other Income

Other income amounted to HK$8,241,000 for the year which remained at the similar level as compared to HK$8,228,000 for last year.

Other Gains and Losses

Other gains for the year amounted to HK$3,556,000 (2017: losses of HK$8,173,000) which was mainly due to the net exchange gain from the depreciation of Renminbi during the year.

Expenses

Selling and distribution costs increased by 15.8% to HK$30,383,000 for the year as compared to HK$26,235,000 for last year which was in line with the increase in revenue.

Administrative expenses increased by 25.6% to HK$109,007,000 (2017: HK$86,798,000) for the year as compared to last year, the increase was mainly due to the increase in salaries and performance bonus.

During the year, finance costs amounted to HK$2,961,000 (2017: HK$3,489,000), representing a decrease of 15.1% as compared to last year which was mainly due to the repayment of bank loans.

Taxation

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 first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25%. During the year ended 31 December 2018, certain PRC subsidiaries were rewarded the High and New Technology Enterprise certificate and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017. Accordingly, an overprovision for PRC EIT in prior years amounting to HK$5,993,000 was recognised during the year ended 31 December 2018.

Inventories

	2018 HK$'000	2017 HK$'000
Raw materials	**10,070**	10,694
Work in progress	**32,915**	50,631
Finished goods	**31,819**	20,825
	74,804	82,150

As at 31 December 2018, the Group recorded an inventory balance of HK$74,804,000 (31 December 2017: HK$82,150,000), representing a decrease of 8.9% which was mainly due to the decrease in work in progress at the end of the year. The inventory turnover of the Group for year ended 31 December 2018 was 34.9 days as compared to 39.0 days for the year ended 31 December 2017.

Trade Receivables

As at 31 December 2018, trade receivables of the Group amounted to HK$153,243,000 (31 December 2017: HK$140,261,000) and the increase was in line with the increase in revenue. The credit periods granted to our customers were considered on individual basis ranging from 30 days to 90 days. Generally, no credit would be granted to customers which are new, short-term and placing orders in immaterial scale. As most of our customers were internationally renowned brand owners, we considered we were exposed to relatively minimal default risk. The trade receivables turnover of the Group for the year ended 31 December 2018 was 47.5 days (for the year ended 31 December 2017: 46.9 days).

Trade Payables

As at 31 December 2018, the trade payables of the Group amounted to HK$102,206,000 (31 December 2017: HK$99,416,000). The trade payables were primarily related to the purchase of raw materials from suppliers with credit periods ranging from 30 days to 90 days. The trade payables turnover of the Group for the year ended 31 December 2018 was 44.9 days (for the year ended 31 December 2017: 40.9 days).

Liquidity, Indebtedness and Charges on Assets

During the year, the Group maintained a satisfactory liquidity level. As at 31 December 2018, net current assets of the Group was HK$269,788,000 (31 December 2017: HK$222,605,000). Besides, the Group had cash and bank balances of HK$239,478,000 (31 December 2017: HK$200,453,000), of which 39.5% was in Hong Kong dollars, 38.2% was in Renminbi, 20.9% was in United States dollars, and 1.4% was in Swiss Franc and other currencies.

As at 31 December 2018, the Group's outstanding bank borrowings totalled HK$52,250,000 (31 December 2017: HK$74,821,000), which were all in Hong Kong dollars. All of such outstanding bank borrowings were arranged on floating rate basis and contained repayment on demand clause at any time at the discretion of the bank. According to Hong Kong Accounting Standards, the Group had classified the bank borrowings as current liabilities in the consolidated statement of financial position as at 31 December 2018 in accordance with the settlement term. Of the total bank borrowings, according to the repayment schedule, HK$22,571,000 was repayable within one year and the balance of HK$29,679,000 was repayable after one year.

The charged assets included a piece of land in Dongguan where our factory was situated and certain properties constructed thereon, and the deposits for two keyman life insurance policies. The banking facilities to the Company's wholly-owned subsidiaries were also secured by corporate guarantees in favour of the bank from the Company.

As at 31 December 2018, the total unutilised banking facilities available to the Group amounted to HK$30,465,000 (2017: HK$31,988,000).

As at 31 December 2018, the Group's gearing ratio was 0.06 (31 December 2017: 0.08), which was calculated on the basis of outstanding borrowings over total assets of the Group.

Treasury

The Group adopted conservative treasury policies in cash and financial management for the year. Cash was generally placed in short-term deposits. The Group's liquidity and financing requirements were reviewed regularly.

For the year ended 31 December 2018, the Group's sales was mainly denominated in Hong Kong dollars and United States dollars, contributing to 54.1% and 43.0% of the total revenue respectively (2017: 60.9% and 38.5%). The expenses of the Group for the year were mainly denominated in Renminbi. As Hong Kong dollars was pegged with United States dollars, the directors of the Company (the "Directors") considered the Group was exposed to limited risk in this aspect. Despite that, the Group's production plants were located in Mainland China and the labour costs and manufacturing overhead were mainly denominated in Renminbi. The appreciation and depreciation of Renminbi might affect the overall production costs of the Group.

The Group did not use any financial instruments for hedging purposes during the year and the Group did not have any hedging instruments as at 31 December 2018. We would continue to monitor closely the exchange rate risk arising from the Group's existing operations and new investments in future. We would implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Capital Commitments and Significant Investment

Capital expenditure contracted for by the Group but not yet provided in the audited consolidated financial statements of the Company as at 31 December 2018 was HK$24,030,000 (31 December 2017: HK$25,774,000), which was mainly related to the acquisition of property, plant and equipment and prepaid lease payments.

Possible Investment in a New Production Plant

Winox Watch Manufactory (Dongguan) Limited, the Group's subsidiary, is negotiating with the local government in respect of the investing agreement in establishment of a new production plant on a parcel of land (the "Land") located in Xinmalian Village, Dalang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市大朗鎮新馬蓮村) with a total site area of approximately 24,988 square meters (or 37.5 mu), which is adjacent to one of the existing production plants of the Group, subject to the successful bidding of the Land by the Group. Please refer to the announcement of the Company dated 21 September 2018 for details.

Contingent Liabilities

As at 31 December 2018, save for the granting of corporate guarantees by the Company to its wholly-owned subsidiaries as described above, the Group did not have any other significant contingent liabilities.

Employment and Remuneration Policy

As at 31 December 2018, the total number of employees of the Group was 3,594 (2017: 3,482). During the year, staff costs (including Directors' emoluments) amounted to HK$359,449,000 (2017: HK$292,091,000). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to all levels of personnel.

The Company had adopted a share option scheme to incentivise its senior management and employees. As at 31 December 2018, no options had been granted by the Company pursuant to the share option scheme.

OUTLOOK

The uncertainties around the US-China trade tensions, Brexit and increasing geopolitical tensions has weakened the global economic growth in 2019 and impacted the consumer sentiment for luxury goods. Although the US interest rate hike is expecting to come to a halt by some market participants and central banks of major countries are acting to increase the liquidity of the money markets in order to boost the real economy, the outcome is yet to be observed. However, this is the Group's strategy to remain focused on the business segments that we have strengths and expertise. With the extensive experience of our core team and our advanced technology in handling precision stainless steel materials and product design, we are very optimistic on the development of stainless steel product business ahead. We are committed to improving our operation efficiency and will make the best use of our resources to enhance our profitability for the purpose of achieving the sustainable growth of the Group.

Directors, Senior Management and Company Secretary

EXECUTIVE DIRECTORS

YIU HON MING, *Chairman and Managing Director*

Mr. Yiu Hon Ming, aged 60, is the Chairman and Managing Director of the Company. He was appointed as a Director of the Company on 28 January 2010 and is also a director of each of the wholly-owned subsidiaries of the Company. Mr. Yiu is the founder of the Group and has over 30 years of experience in metallic products manufacturing industry. Mr. Yiu is responsible for the overall strategic development of the Group's business as well as the implementation of strategic objectives and business plans for the Group. Besides, he provides leadership to the Board, organises board meetings and facilitates effective coordination among Directors. Mr. Yiu also founded other businesses which include real estate investment and development and jewellery retailing. Mr. Yiu completed a business management course organised by School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in April 2007. Mr. Yiu is the husband of Ms. Law Wai Ping and the father of Ms. Yiu Ho Ting, both are Executive Directors of the Company. He is also a director of each of Ming Fung Investment Limited, the immediate holding company of the Company, and Ming Fung Holdings (Hong Kong) Limited, the ultimate holding company of the Company.

LAW WAI PING

Ms. Law Wai Ping, aged 54, is an Executive Director of the Company. She was appointed as a Director of the Company on 11 March 2011. Ms. Law is also a director of Winox Management Limited, Winox Enterprise Company Limited ("Winox Enterprise"), Super Powerful Limited, Max Surplus Corporation Limited, Winox Ventures Limited, Winox Development Limited, Glorify Land Management Limited, Winox Holdings Limited which was incorporated in the British Virgin Islands, Feng Cai Limited, Prime Yield Developments Limited, Frayda Group Limited, Winox Watch Manufactory (Dongguan) Limited ("Winox Watch") and Huizhou Fengcai Precious Metal Manufacturing Limited, all being the wholly-owned subsidiaries of the Company. Ms. Law has over 20 years of experience in the management of metallic product business and is primarily responsible for the Group's corporate resources management. She also partakes in formulating the development strategies of the Group. Ms. Law is the wife of Mr. Yiu Hon Ming, Chairman and Managing Director of the Company, and mother of Ms. Yiu Ho Ting, Executive Director of the Company. She is also a director of Ming Fung Holdings (Hong Kong) Limited, the ultimate holding company of the Company.

CHAU KAM WING DONALD, *Finance Director*

Mr. Chau Kam Wing, Donald, aged 56, is the Finance Director of the Company. He was appointed as a Director of the Company on 11 March 2011 and is responsible for overseeing the financial management of the Group. Mr. Chau has over 20 years of experience in auditing, taxation and financial management and had been appointed as financial controller of certain listed companies in Hong Kong. Mr. Chau obtained a master's degree in business administration from the University of San Francisco, United States in December 2000. He is also a Fellow Member of The Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Chau is currently an independent non-executive director of China Water Affairs Group Limited, Carpenter Tan Holdings Limited and Ching Lee Holdings Limited, which are listed on the Main Board of the Stock Exchange. Mr. Chau is also an independent non-executive director of Eco-Tek Holdings Limited and Zhejiang Chang'an Renheng Technology Co., Ltd. which are listed on the GEM of the Stock Exchange. Mr. Chau was an independent non-executive director of Zhejiang Shibao Company Limited which is listed on both the Main Board of the Stock Exchange and the SME Board of Shenzhen Stock Exchange, from November 2009 to June 2015.

LI CHIN KEUNG

Mr. Li Chin Keung, aged 50, was appointed as an Executive Director of the Company on 24 March 2015. He has been the general manager of Winox Enterprise and Winox Watch, both being the wholly-owned subsidiaries of the Company, since July 2010, in charge of overall management of the Group. Mr. Li is also the general manager of Winox Management Limited, Bo Luo Ming Fung Kitchen Appliance Manufacturing Limited, Huizhou Fengcai Precious Metal Manufacturing Limited and Shengfeng Precision Manufacturing (Huizhou) Company Limited, all being the wholly-owned subsidiaries of the Company. He is also a director and the general manager of the wholly-owned subsidiary of the Company, Fengda Precision Technology (Dongguan) Company Limited. Mr. Li joined Stelux Industries Limited in 1991 and held various positions during his tenure there including computer programmer, production material control manager, manager of sales department, assistant general manager and assistant manager of logistics department. Mr. Li joined the Group in 1999 and was responsible for the production and administrative work of the Group. He was the deputy general manager of Winox Manufacturing Company Limited for the period from October 1999 to March 2005. Mr. Li took the position of sales manager from April 2005 to December 2007, and was responsible for the European jewellery and related accessories markets and successfully opened up the European leading brand market for the Company. Mr. Li was then transferred to Winox Enterprise as a sales manager from January 2008 to August 2008. During the period from August 2008 and June 2010, Mr. Li was appointed as an assistant general manager of Winox Enterprise. In July 2010, he was promoted to the general manager of Winox Enterprise and Winox Watch. Mr. Li graduated from The Hong Kong Polytechnic University with a Diploma in Industrial and Operations Management in November 1998 and is the holder of a Diploma in Computing Studies (Technical Applications) awarded by the Chai Wan Technical Institute of the Vocational Training Council in September 1991.

YIU HO TING

Ms. Yiu Ho Ting, aged 33, was appointed as an Executive Director of the Company on 24 March 2015. She graduated from the Imperial College London, the United Kingdom and obtained a Master's degree in Mechanical Engineering. Ms. Yiu joined the Group in 2011. Currently, she serves as a manager of human resources and administration department and is mainly responsible for the human resources and internal operations management of the Group. Before joining the Group, she worked in a real estate company for 2 years, in charge of the internal operations management. Ms. Yiu is the daughter of Mr. Yiu Hon Ming, Chairman and General Manager of the Company, and Ms. Law Wai Ping, Executive Director of the Company. Mr. Yiu Hon Ming and Ms. Law Wai Ping are also the controlling shareholders of the Company.

NON-EXECUTIVE DIRECTOR

AU WAI MING, *Deputy Chairman*

Mr. Au Wai Ming, aged 72, is the Deputy Chairman and a Non-Executive Director of the Company. He was appointed as a Non-Executive Director of the Company on 11 March 2011 and re-designated as an Independent Non-Executive Director with effect from 26 March 2019. Mr. Au pursued his studies at Harbin Institute of Engineering (哈爾濱工程學院) and graduated in August 1970. Mr. Au has about 40 years of experience in corporate development and management. He has worked for Guangdong Yuehai Property Group (廣東粵海地產集團) as well as Hutchison Whampoa Properties Limited. He had been an executive director of Guangdong Investment Limited for 10 years and was the former chairman and managing director of Kingway Brewery Holdings Limited, both companies are listed on the Main Board of the Stock Exchange. Mr. Au has extensive experience in property development and management and he has participated in the planning and development of certain well-known property projects such as Guangzhou Riverside Garden, Teem Plaza, Cape Coral and The Riverside. Mr. Au is currently an independent director of Rainbow Department Store Company Limited, the shares of which are listed on the Shenzhen Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CARSON WEN

Mr. Carson Wen, BBS, JP, aged 65, was appointed as an Independent Non-Executive Director of the Company on 24 June 2011. Mr. Wen is a practising solicitor and was Partner and then Of Counsel at the global law firm, Jones Day. Mr. Wen is now Senior Consultant of Siao, Wen and Leung, Solicitors & Notaries. Mr. Wen is also the Founder and Chairman of BOA Financial Group. He was qualified as a solicitor in Hong Kong in May 1980 and has more than 30 years of experience in business, corporate and securities law.

Mr. Wen was a three-term Deputy to the National People's Congress representing Hong Kong. He is also a Justice of the Peace of Hong Kong and holds various public service appointments in Mainland China and Hong Kong. He was awarded a Bronze Bauhinia Star by the Hong Kong SAR Government for his public contributions, in particular in the furthering of economic ties between Hong Kong, Mainland China and the rest of the world. He was a founding and executive committee member of the China Mergers and Acquisitions Association and sits on the board of numerous organisations, including the China Africa Business Council (Hong Kong) and the Pacific Basin Economic Council. He is a member of the Business Advisory Council and the Chairman of the Task Force on Green Business of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

Mr. Wen obtained his bachelor of arts degree from Columbia University in May 1975, where he majored in economics, and a bachelor of arts and master of arts degree from Oxford University in July 1977 and August 1981 respectively, where he studied law. He was Younger Prizeman in law at Balliol College, Oxford in 1977. In 2012, Mr. Wen was appointed as an independent non-executive director of Phoenix New Media Limited (Stock Code: FENG), which is listed on the New York Stock Exchange.

WONG LUNG TAK PATRICK

Professor Patrick Wong Lung Tak, BBS, JP, aged 71, was appointed as an Independent Non-Executive Director of the Company on 24 June 2011. Professor Wong is a Certified Public Accountant (Practising) in Hong Kong, a Chartered Secretary and a Certified Tax Advisor (Hong Kong) and the Managing Practising Director of Patrick Wong CPA Limited. He has over 40 years experience in the accountancy profession. Professor Wong holds a Doctor of Philosophy degree in Business. He was awarded a Badge of Honour by the Queen of England in 1993. He has been appointed a Justice of the Peace in 1998 and was awarded a Bronze Bauhinia Star in 2010 by the Government of the Hong Kong Special Administrative Region. He was appointed Adjunct Professor, School of Accounting and Finance of The Hong Kong Polytechnic University from 2002 to 2013. Professor Wong is currently an independent non-executive director of Galaxy Entertainment Group Limited, CC Land Holdings Limited, Water Oasis Group Limited, Sino Oil and Gas Holdings Limited, BAIC Motor Corporation Limited and Li Bao Ge Group Limited, all of which are companies listed on the Hong Kong Stock Exchange. He was also an independent non-executive director of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd.) from June 2004 to October 2016. He was an independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Co. Limited (formerly known as Guangzhou Pharmaceutical Company Limited) from June 2010 to May 2017. He was also an independent non-executive director of Real Nutriceutical Group Limited (formerly known as Ruinian International Limited) from March 2008 to October 2017. All are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of National Arts Entertainment and Culture Group Limited (formerly known as National Arts Holdings Limited), which is listed on the GEM of the Stock Exchange, from February 2010 to December 2018.

WU MING LAM

Mr. Wu Ming Lam, aged 71, was appointed as an Independent Non-Executive Director of the Company on 24 March 2015. Mr. Wu has more than 30 years of experience in the industry of industrial products manufacturing. Mr. Wu has founded a number of corporations engaging in industrial production and investment business in Hong Kong since 1976. Currently, he serves as a director in Full Tat Company Limited, Cadilac Enterprises Limited, Roysun Development Company Limited, Cearns Co., Limited, Kowloon Spring Factory Limited, and Eastern Rainbow Precision Limited, and is in charge of resources management for those corporations, and participates in the development of company's strategies.

SENIOR MANAGEMENT

CHAN KAI MING, *Head of Factory (Division B)*

Mr. Chan Kai Ming, aged 64, is the Head of Factory (Division B) of Winox Enterprise and Winox Watch and also partakes in the marketing issues of Winox Enterprise. Mr. Chan joined the Stelux Group in 1987 and joined our Group in 1999. Mr. Chan is mainly responsible for the management of our factories in China and the development and production of Swiss brand watch products as well as leading the Company for self innovation. Mr. Chan has over 30 years of experience in metallic products manufacturing industry and is the holder of a bachelor of science degree awarded by The Hong Kong Polytechnic University in November 2009.

COMPANY SECRETARY

HUEN LAI CHUN, *Company Secretary*

Ms. Huen Lai Chun, aged 53, is the company secretary of the Company. She was appointed as the company secretary and authorised representative of the Company on 13 June 2014. Ms. Huen is a fellow of The Association of Chartered Certified Accountants, and an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Huen has over 10 years of experience in handling the secretarial and compliance related matters of listed corporations.

Report of Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of Winox Holdings Limited and its subsidiaries for the year ended 31 December 2018 ("Annual Report").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company which provides corporate management services to its subsidiaries.

The Group is principally engaged in the development and manufacturing of stainless steel products such as watch bracelets, mobile phone cases and parts, costume jewellery, and accessories and parts for leather goods. The activities and particulars of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

There was no significant change in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including an indication of likely future developments in the Group's business, can be found in the Financial Highlights, Chairman's Statement and Management Discussion and Analysis set out on page 3, pages 4 to 5 and pages 6 to 10 of this Annual Report respectively. These discussions form part of this Report of Directors.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Risks relating to the industry

Business of the Group depends substantially on the global economic and market conditions. During periods of slowing economic growth or recession, consumer spending may drop as they are less willing to spend money. As our products are ultimately sold by our ultimate brand owners as part of their products to consumers in the high-end retail market, a drop in consumer spending power in luxury products could lead to a drop in demand for the brand owners' products, and in turn lower the demand of our products and thereby adversely affecting our results of operations and financial condition. To manage and reduce the risk, the Board intends to focus on stainless steel products, target high-end customers, and diversify our product portfolio by extending our product category to mobile phone and accessories for wearable devices, and makes prudent decision on expansion plan.

Risks relating to concentration of customers

The largest and top five customers of the Group accounted for approximately 43.7% and 82.9% of our total revenue for the year ended 31 December 2018 respectively (2017: 44.1% and 86.9% respectively). There is no assurance that our business relationship with our major customers will continue in the future. To reduce the risk, the Group has expanded its customer base for high-end customers in which it has achieved an improvement.

Risks relating to conducting business in the PRC

Our results, financial condition and prospect are to a significant degree subject to the economic, political and legal developments in the PRC, as a substantial part of our assets and business operations are located in the PRC. The economic, political and social conditions, as well as government policies, including taxation policies, of the PRC, could affect our business. To manage the risk, the Board has appointed certain senior management to closely monitor economic, political, legal, institutional and social developments in the PRC, and maintained conservative treasury policy in cash management, such as holding cash in Hong Kong.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event took place subsequent to 31 December 2018.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group attaches great importance to environmental protection and carefully takes various environmental factors into account in the operation and decision-making processes to optimize the use of resources, strictly comply with the applicable environmental regulations and other statutory requirements and reduce waste, as well as actively encourages its stakeholders to protect the environment and contribute to environmental protection.

We have adopted the following principles to minimise the impact on the environment from our operations:

- Comply with all relevant environmental regulations and other statutory requirements;
- Monitor, identify and review the impact from the Group's operations on the environment on a regular basis; and
- Require all staff to address environmental responsibilities, such as implementing green office measures, to enhance their environmental awareness.

The Group has constructed environmental facilities in its factories in the PRC. We have also established a system to monitor waste and sewage generated from production processes, and installed chemical sewage treatment facility to monitor proper disposal of contaminants, and make them fit for recycling to ensure the compliance with relevant environmental regulations and standards in the PRC.

The Group deals with hazardous waste cautiously. In addition to the compliance with statutory environmental requirements on storage of hazardous waste, additional waste disposal measures have been implemented. Such waste has been regularly disposed by qualified hazardous waste management companies recognized by local environmental protection bureau in accordance with environmental requirements in order to reduce adverse environmental impact.

In the meantime, the Group has introduced energy-saving facilities at the PRC's factories, in which energy-efficient lighting is adopted to reduce power consumption. In addition, an incentive system has been employed for use of raw materials to promote waste reduction and conservation of resources.

The Company believes that the environmental systems and facilities of our factories in the PRC have complied with the relevant national and local regulations on environmental protection in the PRC.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The principal activities of the Group during the year were development and manufacturing of stainless steel products such as watch bracelets, costume jewellery, accessories and parts for leather goods, and mobile phone cases and parts. During the year, as far as the Company is aware, there was no material breach of non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Company is of the view that it has been maintaining a good relationship with the following key stakeholders of the Group:

- employees and workers
- major customers
- major suppliers, such as, suppliers for production materials and component parts
- bankers

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 38 of this Annual Report and in the accompanying notes to the consolidated financial statements.

The Board recommends the payment of a final dividend of HK8.5 cents per ordinary share (2017: HK7 cents per ordinary share) for the year ended 31 December 2018 to the Shareholders whose names appear on the register of members of the Company ("Register of Members") on Monday, 27 May 2019. Subject to the approval of the Shareholders at the annual general meeting ("AGM") to be held on Monday, 20 May 2019, the proposed final dividend of approximately HK$42,500,000 in aggregate will be paid on Monday, 10 June 2019. Together with the interim dividend for the year of HK6 cents (2017: 4 cents) per ordinary share paid in September 2018, the total dividend for the year is HK14.5 cents (2017: 11 cents) per ordinary share.

For the purpose of ascertaining Shareholders' right to attend and vote at the AGM, the Register of Members will be closed from Wednesday, 15 May 2019 to Monday, 20 May 2019, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, ("Branch Share Registrar") for registration not later than 4:30 p.m. on Tuesday, 14 May 2019.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed on Monday, 27 May 2019 on which no transfer of shares of the Company will be registered. In order to be entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar for registration not later than 4:30 p.m. on Friday, 24 May 2019.

RESERVES

As at 31 December 2018, reserves of the Company available for distribution to the Shareholders were approximately HK$280,806,000 (2017: HK$282,626,000). Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity and note 32 to the consolidated financial statements on pages 40 and 81 of this Annual Report respectively. Under the Companies Law of the Cayman Islands (2018 Revised), the share premium account of the Company amounting to approximately HK$213,244,000 (2017: HK$213,244,000) is distributable to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The share premium account of the Company may also be distributed in the form of fully paid bonus shares to be issued to Shareholders.

DIVIDEND POLICY

The Company has adopted a dividend policy of distributing to its Shareholders all funds surplus to the operating needs of the Group as determined by the Board with a target dividend payout ratio in respect of each financial year of not less than 40% of profit attributable to its Shareholders.

The distribution of dividend depends on, among others, the Group's current and future operations, operating results, liquidity position, capital requirements, the interests of the Shareholders, dividends received from the Company's subsidiaries and associate companies, and other factors that the Board considered relevant.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group for the last five financial years is set out on page 84 of this Annual Report.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$174,000 (2017: HK$59,000).

FIXED ASSETS

Details of movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

BORROWINGS

Details of the Group's borrowings as at 31 December 2018 are set out in note 22 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS

The Directors during the year and up to the date of this Annual Report were:

Executive Directors
Mr. Yiu Hon Ming *(Chairman & Managing Director)*
Ms. Law Wai Ping
Mr. Chau Kam Wing Donald *(Finance Director)*
Mr. Li Chin Keung
Ms. Yiu Ho Ting

Non-executive Director
Mr. Au Wai Ming *(Deputy Chairman) (re-designated as Independent Non-Executive Director with effect from 26 March 2019)*

Independent Non-executive Directors
Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

In accordance with article 84 of the Articles of Association of the Company, Mr. Chau Kam Wing Donald, Mr. Au Wai Ming and Professor Wong Lung Tak Patrick shall retire by rotation and, being eligible, have offered themselves for re-election at the AGM.

Mr. Yiu Tat Sing (former name is Yiu Tat Kui) was appointed as an Executive Director of the Company with effect from 26 March 2019. Mr. Yiu Tat Sing is the son of Mr. Yiu Hon Ming and Ms. Law Wai Ping, and the brother of Ms. Yiu Ho Ting. In accordance with article 83(3) of the Articles of Association of the Company, Mr. Yiu Tat Sing shall hold office only until the next following annual general meeting and, being eligible, has offered himself for re-election at the AGM.

Biographical details of Directors, senior management and Company Secretary of the Company are set out on pages 11 to 13 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2018, the Company has three Independent Non-executive Directors, namely, Mr. Carson Wen, Professor Wong Lung Tak Patrick and Mr. Wu Ming Lam, representing one-third of the Board. The Company has received from each of them an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company considers all of them to be independent.

Mr. Au Wai Ming was re-designated from Non-Executive Director to Independent Non-Executive Director with effect from 26 March 2019. Mr. Au, saved for being a Non-Executive Director from 11 March 2011 to 25 March 2019, has met the independence guidelines set out in rule 3.13 of the Listing Rules. The Company has satisfied itself that Mr. Au is independent pursuant to rule 3.13 of the Listing Rules on the basis that he has not been involved in the day-to-day operation and management of the Company and its subsidiaries prior to his re-designation, and he has not been a director of any operating subsidiaries of the Company during the two years immediately prior to his re-designation. Mr. Au has contributed to the Company as a Non-Executive Director by participating in meetings at the Board level. All Board meetings attended by Mr. Au were meetings that were also attended by other Independent Non-executive Directors. During his term of office as a Non-Executive Director, Mr. Au's role and involvement at the Board was the same as the other Independent Non-Executive Directors.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the year are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this Annual Report, to the best knowledge of the Directors, none of the Directors and their respective associates was considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

NON-COMPETITION UNDERTAKING

On 25 June 2011, the controlling shareholders of the Company, Mr. Yiu Hon Ming ("Mr. Yiu") and Ms. Law Wai Ping ("Ms. Law"), who are also Directors, entered into a deed of non-competition undertaking ("NCU Deed") with the Company under which each of Mr. Yiu and Ms. Law has undertaken that he/she will not, and will procure that his/her associates (other than members of the Group) will not:

(a) directly or indirectly whether as principal or agent or through any person, firm, company or organization carry on, participate or be interested or engaged in any business in any form or manner that is, directly or indirectly, in competition with the business of any member of our Group in the PRC, Hong Kong or any part of the world in which any member of our Group may from time to time operate;

(b) directly or indirectly, solicit, interfere with or entice away from any member of our Group any person, firm, company or organization who to, Mr. Yiu's and/or Ms. Law's knowledge, as at the date of the NCU Deed, was or had been or would after the date of the NCU Deed be, a customer, supplier, distributor or management, technical staff or employees (of managerial grade or above) of any member of our Group; and

(c) exploit his/her knowledge or information obtained from our Group to compete, directly or indirectly, with the business carried on by our Group from time to time.

During the year, both Mr. Yiu and Ms. Law have complied with the terms of the NCU Deed. Each of them have provided to the Company a written confirmation in respect of their compliance with the NCU Deed on a half-yearly basis for the year.

The Independent Non-executive Directors have reviewed the status of compliance with the undertakings in the NCU Deed by Mr. Yiu and Ms. Law for the year ended 31 December 2018 and have confirmed that, as far as they can ascertain, Mr. Yiu and Ms. Law have complied with the terms of the NCU Deed for the year ended 31 December 2018.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, or the Company's subsidiaries or holding companies or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, each Director and other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme of the Company as disclosed below, at no time during the year was the Company, or the Company's subsidiaries or holding companies or fellow subsidiaries, a party to any arrangements to enable Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The share option scheme of the Company ("Share Option Scheme") was approved and adopted by the Board on 25 June 2011. No options may be granted under the Share Option Scheme on or after the date of the tenth anniversary of the adoption of the Share Option Scheme, i.e. 24 June 2021.

The purpose of the Share Option Scheme is to provide Directors, officers, employees and consultants of any member of our Group ("Participant(s)") with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. The Share Option Scheme provides the Company with a flexible means to retain, incentivise, reward, remunerate, compensate and/or provide benefits to Participants. The Share Option Scheme is administrated by the Board and the Remuneration Committee of the Company.

No option had been granted under the Share Option Scheme as at the date of this Annual Report. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall be 50,000,000 shares, representing 10 per cent of the Company's total issued share capital as at the date of this Annual Report.

Unless approved by Shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including exercised, cancelled and outstanding options) under the Share Option Scheme in any twelve-month period must not exceed 1 per cent of the shares in issue. Each grant of options to any Director, chief executive or substantial Shareholder, or any of their respective associates shall be subject to prior approval by Independent Non-executive Directors. Where any grant of options to a substantial Shareholder or an Independent Non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the twelve-month period: (a) representing in aggregate over 0.1 per cent of the shares of the Company then in issue; and (b) having an aggregate value in excess of HK$5,000,000, such grant of options shall be subject to prior approval by the Shareholders.

No offer shall be made and no option shall be granted to any Participant in circumstances prohibited by the Listing Rules at a time when the Participant would or might be prohibited from dealing in the shares of the Company by the Listing Rules or by any applicable rules, regulations or law.

The period within which the options must be exercised will be specified by the Company at the time of grant. Such period must expire no later than ten years from the date of grant.

The amount payable upon acceptance of an option is HK$1. At the time of grant of the options, the Company may specify any minimum period for which an option must be held before it can be exercised or any performance targets which must be achieved before the options can be exercised. The Share Option Scheme does not contain any such minimum period and any performance targets.

The subscription price for shares on the exercise of the options shall be no less than the higher of: (a) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

A share to be allotted and issued upon the exercise of an option shall be subject to the provisions of the Articles of Association of the Company for the time being in force and will rank pari passu with the fully paid shares in issue on the date the name of the Participant shall be registered on the Register of Members. Prior to being registered on the Register of Members, the Participant is not entitled to any voting rights, or rights to participate in any dividends or distributions, in respect of the shares to be issued upon the exercise of the option.

During the year ended 31 December 2018, no option was granted or outstanding under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2018, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have under such provisions of the SFO); (ii) recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

(a) The Company

Director	*Note*	Capacity	Total number of ordinary shares interested or deemed to be interested (Long positions)	Approximate percentage of total issued share capital of the Company
Yiu Hon Ming	*1*	Interest in controlled corporation and interest of spouse	331,700,000	66.34%
Law Wai Ping	*2*	Beneficial owner, interest in controlled corporation and interest of spouse	331,700,000	66.34%
Yiu Ho Ting	*3*	Beneficial owner and interest of spouse	5,758,000	1.15%
Li Chin Keung	*4*	Interest of spouse	804,000	0.16%
Au Wai Ming		Beneficial owner	3,776,000	0.76%

Notes:

1. Mr. Yiu Hon Ming ("Mr. Yiu") is legally and beneficially interested in 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company. Mr. Yiu is the husband of Ms. Law Wai Ping ("Ms Law"). By virtue of the SFO, Mr. Yiu is deemed to be interested in the same block of ordinary shares in which Ms. Law is interested.

2. Ms. Law is legally and beneficially interested in 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company. In addition, Ms. Law is directly interested in 1,700,000 shares of the Company. Ms. Law is the wife of Mr. Yiu. By virtue of the SFO, Ms. Law is deemed to be interested in the same block of ordinary shares in which Mr. Yiu is interested.

3. Ms. Yiu Ho Ting ("Ms. Yiu") is directly interested in 4,740,000 shares of the Company. In addition, her husband, Mr. Cheung Justin Chi Yen ("Mr. Cheung"), is directly interested in 1,018,000 shares of the Company. By virtue of the SFO, Ms. Yiu is deemed to be interested in the same block of ordinary shares in which Mr. Cheung is interested.

4. Ms. Cheung Wing Yan ("Ms. Cheung"), wife of Mr. Li Chin Keung ("Mr. Li"), is directly interested in 804,000 shares of the Company. By virtue of the SFO, Mr. Li is deemed to be interested in the same block of ordinary shares in which Ms. Cheung is interested.

(b) Associated Corporations

Director	*Note*	Associated corporation	Capacity	Total number of securities interested in associated corporation (Long positions)	Approximate percentage of total issued share capital of associated corporation
Yiu Hon Ming	*1*	Ming Fung Holdings (Hong Kong) Limited	Beneficial owner	60 ordinary shares	60%
		Ming Fung Investment Limited	Interest in controlled corporation	840 ordinary shares	95.45%
Law Wai Ping	*2*	Ming Fung Holdings (Hong Kong) Limited	Beneficial owner	40 ordinary shares	40%
		Ming Fung Investment Limited	Interest in controlled corporation	840 ordinary shares	95.45%

Notes:

1. Mr. Yiu is legally and beneficially interested in 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company.

2. Ms. Law is legally and beneficially interested in 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have under such provisions of the SFO); (ii) entered in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2018, each of the following persons and entities, other than a Director or chief executive of the Company, had or were deemed to have interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	*Note*	Capacity	Total number of ordinary shares interested or deemed to be interested (Long positions)	Approximate percentage of total issued share capital of the Company
Ming Fung Investment Limited	*1*	Beneficial owner	330,000,000	66%
Ming Fung Holdings (Hong Kong) Limited	*1*	Interest in controlled corporation	330,000,000	66%
Winholme Holdings Limited	*2*	Beneficial owner	42,500,000	8.5%
Tang Wai Fong	*3*	Interest in controlled corporation	42,500,000	8.5%
Chan Kai Ming	*4*	Interest in controlled corporation	42,500,000	8.5%
Leung Wai Yin Edith	*5*	Interest of spouse	42,500,000	8.5%
Webb David Michael	*6*	Beneficial owner and interest in controlled corporation	25,004,000	5%

Notes:

1. Ming Fung Holdings (Hong Kong) Limited is interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited.

2. Mr. Li Chin Keung, an executive Director, is the legal and beneficial owner of approximately 8.82% of the entire issued share capital of Winholme Holdings Limited.

3. Ms. Tang Wai Fong is the legal and beneficial owner of approximately 44.12% of the entire issued share capital of Winholme Holdings Limited.

4. Mr. Chan Kai Ming is the legal and beneficial owner of approximately 35.29% of the entire issued share capital of Winholme Holdings Limited.

5. Ms. Leung Wai Yin Edith is the wife of Mr. Chan Kai Ming. By virtue of the SFO, she is deemed to be interested in the same block of shares in which Mr. Chan Kai Ming is interested.

6. Of the 25,004,000 shares of the Company, 9,479,668 shares of the Company were held directly by Mr. David Michael Webb, while 15,524,332 shares of the Company were held through his wholly-owned company, Preferable Situation Assets Limited.

Save as disclosed above, as at 31 December 2018, the Company has not been notified by any person or entity who had or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 25 to 33 of this Annual Report.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group for the year ended 31 December 2018 are set out in note 29 to the consolidated financial statements. The related party transactions set out in note 29(i) to the consolidated financial statements constituted exempt connected transaction under rule 14A.76(1) of the Listing Rules, and the Company did not have any connected transactions which were subject to the relevant disclosure requirements under Chapter 14A of the Listing Rules for the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest and top five customers of the Group accounted for approximately 43.7% and 82.9% of the total revenue of the Group respectively (2017: 44.1% and 86.9% respectively).

The aggregate purchases during the year attributable to the Group's largest and top five suppliers were approximately 8.9% and 30.1% of the Group's total purchases respectively (2017: 13.8% and 46.0% respectively).

To the best knowledge of the Directors, none of the Directors, their close associates (within the meaning of Part XV of the SFO) or any Shareholder (holding more than 5% of the Company's share capital) had any interest in the five largest customers and/or suppliers of the Group during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the Company's total issued share capital held by the public during the year and up to the date of this Annual Report.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

On 21 June 2013, Winox Enterprise, as borrower, entered into a facilities letter with a financial institution in relation to two term loans, which are interest bearing and secured, at the amounts of HK$40,000,000 (converted to committed loan on 27 December 2013, and is repayable by 12 equal quarterly instalments and was fully repaid in September 2016) and HK$60,000,000 (converted to committed loan on 24 March 2014 for the first 2 years from the loan drawdown date and is repayable by 28 equal quarterly instalments) respectively. During the year ended 31 December 2014, HK$30,000,000 was drawn on 25 June 2014 and HK$30,000,000 was drawn on 25 September 2014 from the latter loan.

On 24 November 2015, Winox Enterprise, as borrower, entered into another facilities letter with the same financial institution in relation to a term loan of up to HK$70,000,000. The loan facility (a) is interest bearing and secured; (b) is repayable by 20 equal quarterly instalments commencing three months after first drawdown; and (c) contains repayment on demand clause at the discretion of the financial institution which was effective after 22 months from the date of the first drawdown. HK$35,000,000 was drawn on 28 December 2015 and HK$35,000,000 was drawn on 15 March 2016.

Pursuant to these facilities letters, the controlling shareholder of the Company, Mr. Yiu Hon Ming and his family are required, at all times, to hold not less than 50% of the issued shares of the Company ("Specific Performance Obligations"). The breach of the Specific Performance Obligations will cause a default in respect of these loan facilities and the financial institution shall have the right to terminate the commitments and declare all outstanding amounts together with interests accrued thereon and all other sums payable under these loan facilities be immediately due and payable.

As at 31 December 2018, the amount of loan outstanding under these loan facilities was approximately HK$52,250,000 and the unutilised facilities available for drawdown amounted to HK$2,000,000.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

INDEPENDENT AUDITOR

During the year, Messrs. Deloitte Touche Tohmatsu was appointed as the independent auditor of the Company. A resolution will be proposed at the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

Yiu Hon Ming
Chairman and Managing Director

Hong Kong, 25 March 2019

Corporate Governance Report

The Company is committed to establishing and maintaining high standard of corporate governance and believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and maximise Shareholders' interests.

Throughout the year ended 31 December 2018, the Company has applied the principles of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules and complied with all the applicable code provisions of the CG Code, save and except for the deviations from code provisions A.2.1 and A.6.7.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yiu Hon Ming is the Chairman and Managing Director (being defined as Chief Executive under the CG Code) of the Company who is responsible for overseeing the overall operations of the Group. Mr. Yiu is the founder of the Group who possesses comprehensive knowledge and experience of the industry and has in-depth understanding of the Group's overall operations. Directors consider this structure is conducive to strong and consistent leadership, and effective and efficient planning and implementation of business decisions and strategies of the Group. The Board meets regularly to discuss major matters affecting the Group's operations and considers this structure does not impair the balance of power and authority between the Board and the management of the Company.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An Independent Non-executive Director was unable to attend the Company's annual general meeting held on 28 May 2018 due to his other business engagement.

The Company has formulated and adopted its corporate governance policy ("CG Policy") and it is the responsibility of the Board to perform the corporate governance duties. The CG Policy outlines certain essential corporate governance principles under the CG Code and intends to provide appropriate guidance on the effective application and promotion of corporate governance principles in the Company. The CG Policy is available on the website of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Model Code applies to Directors, relevant employees and officers who are likely to be in possession of unpublished price-sensitive information of the Company. Having made specific enquiry of all Directors, each of them confirmed that he/she has complied with the required standard set out in the Model Code during the year ended 31 December 2018 and up to the date of this Annual Report.

THE BOARD

The Board guides and monitors the business and affairs of the Company to enhance long-term Shareholders' value. It is also the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

There was in place a directors' and officers' liabilities insurance coverage in respect of legal actions against the Directors and officers of the Company arising from corporate activities during the year.

Board Composition

During the year, the Board consisted of nine Directors (including the Chairman), amongst which five are Executive Directors and four are Non-executive Directors of whom three are independent.

Executive Directors
Mr. Yiu Hon Ming *(Chairman and Managing Director)*
Ms. Law Wai Ping
Mr. Chau Kam Wing Donald *(Finance Director)*
Mr. Li Chin Keung
Ms. Yiu Ho Ting

Non-executive Director
Mr. Au Wai Ming *(Deputy Chairman) (re-designated as Independent Non-Executive Director with effect from 26 March 2019)*

Independent Non-executive Directors
Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

The Board included three Independent Non-executive Directors during the year, representing one-third of the Board.

Professor Wong Lung Tak Patrick, an Independent Non-executive Director, is a practising certified public accountant in Hong Kong who possesses over 40 years of experience in the accountancy profession. He has appropriate accounting and related financial management expertise.

The Board focuses on formulating the Group's overall strategic policy, monitoring performance and providing leadership and control for effective management. The Board has delegated the authority and responsibility for business strategies implementation and day-to-day administration and operations of the Group's business to the Managing Director and senior management.

Major corporate matters that are specifically reserved to the Board include but not limited to:

- formulating the Group's business strategies;
- establishing corporate governance and internal control system; and
- monitoring performance of the management and providing guidance to the management.

Major duties and responsibilities of senior management include but not limited to:

- setting up offices for companies of the Group;
- executing business strategies and initiatives adopted by the Board;
- implementing proper and sufficient internal control systems and risk management procedures; and
- ensuring compliance with relevant statutory requirements and rules and regulations.

Biographical details of Directors, which demonstrate a diversity of skills, expertise, experience and qualifications in the Board, are set out in the section entitled "Directors, Senior Management and Company Secretary" of this Annual Report. Save as disclosed herein, there is no financial, business, family or other material/relevant relationship between Board members.

Non-Executive Directors

The Company has received from each Independent Non-executive Director, namely, Mr. Carson Wen, Professor Wong Lung Tak Patrick and Mr. Wu Ming Lam, an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Board and the Nomination Committee have reviewed the independence of all of them and considered all of them to be independent within the definition of the Listing Rules.

All Non-executive Directors (including Independent Non-executive Directors) were appointed with specific term of 3 years and are subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association of the Company.

Chairman and Managing Director

During the year, the roles of Chairman and Managing Director (being defined as chief executive under the CG Code) were performed by Mr. Yiu Hon Ming, who is responsible for overseeing the overall operations of the Group.

Directors' Commitments and Continuous Professional Development

The Company has received confirmation from each Director that he/she has given sufficient time and attention to the affairs of the Company for the year ended 31 December 2018. Directors have disclosed to the Company the number and nature of offices held in Hong Kong and overseas listed public companies or organisations.

Each newly appointed Director receives an induction on his/her appointment to ensure that he/she has proper understanding of the operations and business of the Group and is fully aware of his/her responsibilities and obligations under the Listing Rules, applicable laws and other relevant statutory requirements. Directors are continually provided with updates on statutory and regulatory developments, and evolution of the business environment so as to facilitate them to discharge their duties.

According to the records maintained by the Company, Directors received continuous professional development with an emphasis on the roles, functions and duties of being a director of a listed company in compliance with code provision A.6.5 of the CG Code during year ended 31 December 2018:

	Corporate governance/ updates on laws, rules & regulations	Accounting/ financial/ management or other professional skills
Executive Directors		
Yiu Hon Ming	✓	✓
Law Wai Ping	✓	✓
Chau Kam Wing Donald	✓	✓
Li Chin Keung	✓	✓
Yiu Ho Ting	✓	✓
Non-executive Director		
Au Wai Ming	✓	✓
Independent Non-executive Directors		
Carson Wen	✓	✓
Wong Lung Tak Patrick	✓	✓
Wu Ming Lam	✓	✓

AUDIT COMMITTEE

The Audit Committee was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the Company's website. The Audit Committee comprises wholly Independent Non-executive Directors.

Members of the Audit Committee

Professor Wong Lung Tak Patrick *(Chairman)*
Mr. Carson Wen
Mr. Wu Ming Lam

Main functions of the Audit Committee are:

- reviewing the accounting policies and practices, and supervising the Company's financial reporting process;
- monitoring the performance of both the internal and external auditors;
- reviewing and examining the effectiveness of risk management and internal control systems;
- considering major investigation findings on risk management and internal control matters; and
- ensuring compliance with applicable statutory accounting and reporting requirements, and legal and regulatory requirements.

The Audit Committee is provided with sufficient resources to discharge its responsibilities. For the year ended 31 December 2018, the Audit Committee held four meetings, among others, to review with external auditor and senior management the interim and annual results of the Group as well as the accounting principles and practices being adopted, internal control and financial reporting matters. Our Finance Director, senior management, internal auditor and external auditor, as appropriate, attended the meetings to respond to any queries raised by the Audit Committee. The Audit Committee also reviewed the external auditor's independence and made recommendations to the Board on the re-appointment of external auditor.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the Company's website. The Remuneration Committee comprised four members, amongst which three are Independent Non-executive Directors and one is Executive Director.

Members of the Remuneration Committee

Professor Wong Lung Tak Patrick *(Chairman)*
Mr. Yiu Hon Ming
Mr. Carson Wen
Mr. Wu Ming Lam

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration packages of Directors and senior management, with reference to their duties, responsibilities and performance, and the results of the Group. No Director will be involved in deciding his/her own remuneration.

For the year ended 31 December 2018, the Remuneration Committee held one meeting to review and approve the 2017 performance bonus proposal of the Company, and discuss the remuneration packages of Directors and senior management of the Company.

Remuneration of Directors and Senior Management

Particulars in relation to 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 10 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 December 2018 is set out below:

	Number of Individuals
HK$1,000,001 – HK$1,500,000	1

NOMINATION COMMITTEE

The Nomination Committee was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the Company's website. The Nomination Committee comprised four members, amongst which three are Independent Non-executive Directors and one is Executive Director.

Members of the Nomination Committee

Mr. Yiu Hon Ming *(Chairman)*
Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

The Nomination Committee, with the aim to build up a strong and diverse Board, is responsible for identifying suitable and qualified individuals, in particular those who can add value to the management through their expertise in relevant strategic business areas, to be Board members, and recommending the Board on relevant matters relating to the appointment and reappointment of Directors, if necessary. Details of the procedure for Shareholders to propose a person for election as a Director are outlined in the "Nomination Policy" which is available on the Company's website.

For the year ended 31 December 2018, the Nomination Committee held one meeting to review the structure, size and composition (including the skills, knowledge and experience) of the Board, assess the independence of Independent Non-executive Directors and make recommendations to the Board on the re-appointment of Directors taking into account their experience and qualifications.

Board Diversity Policy

On 23 August 2013, the Nomination Committee adopted the board diversity policy of the Company which sets out the approach to achieve diversity on the Board. The Board recognises the benefits of board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of the Group's business strategies. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the candidates' merits and contributions to the Board. The Nomination Committee reviews the board diversity policy, as appropriate, to ensure its effectiveness from time to time. The Company considers that the current Board composition is characterised by diversity, whether considered in terms of gender, professional background and skills.

BOARD AND COMMITTEE MEETINGS

During the year ended 31 December 2018, the Board held six meetings. At these meetings, the Board, among others, reviewed and discussed the Group's business updates and strategies. The individual attendance record of each Director at the Board meetings, Board Committee meetings and general meetings during the year is set out below:

	Number of meetings attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General meeting**
Executive Directors					
Yiu Hon Ming	6/6	N/A	1/1	1/1	1/1
Law Wai Ping	5/6	N/A	N/A	N/A	1/1
Chau Kam Wing Donald	6/6	4/4	N/A	N/A	1/1
Li Chin Keung	6/6	N/A	N/A	N/A	1/1
Yiu Ho Ting	5/6	N/A	N/A	N/A	1/1
Non-executive Director					
Au Wai Ming	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Carson Wen	3/6	1/4	1/1	1/1	0/1
Wong Lung Tak Patrick	6/6	4/4	1/1	1/1	1/1
Wu Ming Lam	5/6	3/4	1/1	1/1	1/1

Minutes of the Board and Board Committee meetings are recorded in sufficient details including any matters considered, decisions reached, concerns or queries raised or dissenting views expressed by the Directors in meetings. Draft and final versions of minutes of the Board and Board Committees are sent to all Directors or Board Committee members for comments and records respectively within a reasonable time after meetings.

COMPANY SECRETARY

The Company has engaged an external service provider as its Company Secretary since 12 June 2014. The Finance Director of the Company is the contact person of the external service provider. The biographical detail of the Company Secretary is disclosed in the section entitled "Directors, Senior Management and Company Secretary" of this Annual Report. During the year, the Company Secretary undertook over 15 hours of relevant professional training to update her skills and knowledge.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's risk management framework and the responsibilities of each delegated group within it are as follows:

Board

- Determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;
- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

- Assists the Board to perform its responsibilities of risk management and internal control systems;
- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control;
- Ensures the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions; and
- Considers major investigation findings on risk management and internal control matters, and reports and makes recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- Monitors risks and takes measures to mitigate risks in day-to-day operations;
- Follows up the findings on risk management and internal control matters raised by the internal audit team and takes prompt remedial actions to improve the systems; and
- Provides confirmation to the Board and Audit Committee on the effectiveness of the risk management and internal control systems.

Internal Audit Team

- Reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and
- Reports to the Audit Committee the findings of the reviews and makes recommendations to the Board and management to improve the material system deficiencies or control weaknesses identified.

The Group's internal audit function is performed by an internal audit team. The internal audit team plays an important part in the assessment of the effectiveness of the risk management and internal control systems of the Group and reports directly to the Audit Committee. It conducts internal audit reviews on material internal control systems covering major financial, operational and compliance controls, as well as risk management functions. It reports to the Audit Committee on a quarterly basis and recommends remedial plans to management for any internal control deficiencies identified. It monitors the implementation of its recommendations by the management and reports the outcome to the Audit Committee.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems and considered them to be effective and adequate during the year.

HANDLING INSIDE INFORMATION

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

SHAREHOLDERS' RIGHTS

Shareholders convening an extraordinary general meeting

Pursuant to Article 58 of the Articles of Association of the Company, any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board 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 21 days of such deposit the Board fails to proceed to convene such meeting, Shareholders may hold the extraordinary general meeting, and all reasonable expenses incurred by the Shareholders as a result of the failure of the Board shall be reimbursed to the Shareholders by the Company.

Shareholders' enquiries and proposals

To foster regular and contribute two-way communications amongst the Company, its Shareholders and potential investors, the Company Secretary is designated to respond to enquiries and proposals from Shareholders as well as the public. Shareholders' enquiries and proposals can be made via email at info@winox.com or by phone at (852) 23493776. In addition, the Company is committed to maximising the use of its website (www.winox.com) as a channel to provide updated information in a timely manner and to strengthen the communications with Shareholders and the public. The Company has formulated its shareholders communication policy ("Shareholders Communication Policy") which enables Shareholders to exercise their rights in an informed manner. The Shareholders Communication Policy is available on the Company's website.

Publications of the Company's documents

The following documents of the Company are available on the Company's website for Shareholders' reference:

- List of Directors and their Role and Functions
- Memorandum and Articles of Association
- Terms of Reference of Audit Committee
- Terms of Reference of Nomination Committee
- Terms of Reference of Remuneration Committee
- Corporate Governance Policy
- Nomination Policy
- Shareholders Communication Policy
- Whistle-blowing Policy

INVESTOR RELATIONS

The Company recognises the importance to maintain effective communication with the financial community and other stakeholders in order to achieve a fair valuation on the Company's securities as well as to enhance Shareholders' value. Effective communication process involves the provision of accurate, complete and transparent information of the Company on timely and equal bases. During the year, the Company arranged meetings and interviews with various institutional investors.

AUDITOR'S REMUNERATION

An analysis of the remuneration payable to the Group's independent auditor, Messrs. Deloitte Touche Tohmatsu, to perform audit and non-audit services for the year ended 31 December 2018 is as follows:

Services rendered	**2018** **HK$'000**	2017 HK$'000
Audit service	**1,430**	1,340
Non-audit service	**320**	320

The non-audit services include professional services in relation to the Company's interim results and preliminary results announcements.

OTHER SPECIFIC DISCLOSURES

During the year, there were no changes in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the Company's website.

Directors have acknowledged their responsibility for preparing all information and representations contained in the consolidated financial statements of the Company for the year ended 31 December 2018.

Directors consider that the consolidated financial statements of the Company for the year ended 31 December 2018 have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates, and reasonable, informed and prudent judgments of the Board and management of the Company with an appropriate consideration to materiality.

Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Company for the year ended 31 December 2018 on a going concern basis.

Deloitte. 德勤

To the Shareholders of Winox Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Winox Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 83, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 consolidated 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 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 judgment, 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.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of management judgement and estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As set out in note 19 to the consolidated financial statements, as at 31 December 2018, the Group's trade receivables amounted to HK$153,243,000, which represented approximately 16.3% of total assets of the Group and out of these trade receivables, HK$33,600,000 were past due. As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on individual assessment, after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. As disclosed in note 31 to the consolidated financial statements, the Group has not recognised any impairment of trade receivables as at 31 December 2018 as amounts involved are insignificant.	Our procedures in relation to evaluating the impairment assessment of trade receivables included: • Obtaining an understanding of how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management, including trade receivables aging analysis as at 31 December 2018, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2018, including the assessment of internal credit rating, basis of estimated loss rates applied in individual trade debtors (with reference to historical default rates and forward-looking information); and • Evaluating the disclosures regarding the impairment assessment of trade receivables in note 31 to the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 solely to you, as a body, in accordance with our agreed terms of 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 judgment 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.

- 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.

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

- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

The engagement partner on the audit resulting in the independent auditor's report is Leung Chui Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	**2018 HK$'000**	2017 HK$'000
Revenue	5	**1,128,653**	891,446
Cost of sales		**(819,959)**	(634,917)
Gross profit		**308,694**	256,529
Other income	6	**8,241**	8,228
Other gains and losses	7	**3,556**	(8,173)
Selling and distribution costs		**(30,383)**	(26,235)
Administrative expenses		**(109,007)**	(86,798)
Finance costs	8	**(2,961)**	(3,489)
Profit before taxation	9	**178,140**	140,062
Taxation	11	**(24,014)**	(23,627)
Profit for the year		**154,126**	116,435
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(35,628)**	36,789
Total comprehensive income for the year		**118,498**	153,224
Earnings per share – Basic	12	**HK30.8 cents**	HK23.3 cents

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	**365,955**	349,617
Prepaid lease payments	15	**32,945**	33,083
Deposit for land use right	16	**20,675**	21,781
Deposits paid for acquisition of property, plant and equipment		**10,788**	19,724
Deposit and prepayment for a life insurance policy	17	**4,244**	4,087
		434,607	428,292
Current assets			
Inventories	18	**74,804**	82,150
Trade and other receivables	19	**188,215**	177,649
Taxation recoverable		**3,464**	1,905
Bank balances and cash	20	**239,478**	200,453
		505,961	462,157
Current liabilities			
Trade and other payables	21	**154,062**	143,508
Taxation payable		**29,861**	21,223
Bank borrowings	22	**52,250**	74,821
		236,173	239,552
Net current assets		**269,788**	222,605
Net assets		**704,395**	650,897
Capital and reserves			
Share capital	24	**50,000**	50,000
Reserves		**654,395**	600,897
Total equity		**704,395**	650,897

The consolidated financial statements on pages 38 to 83 were approved and authorised for issue by the Board of Directors on 25 March 2019 and are signed on its behalf by:

YIU HON MING
DIRECTOR

CHAU KAM WING DONALD
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	50,000	213,244	(35,725)	320,154	547,673
Profit for the year	–	–	–	116,435	116,435
Exchange differences on translation of financial statements of foreign operations and other comprehensive income for the year	–	–	36,789	–	36,789
Total comprehensive income for the year	–	–	36,789	116,435	153,224
Dividends paid (note 13)	–	–	–	(50,000)	(50,000)
At 31 December 2017	50,000	213,244	1,064	386,589	650,897
Profit for the year	–	–	–	154,126	154,126
Exchange differences on translation of financial statements of foreign operations and other comprehensive expense for the year	–	–	(35,628)	–	(35,628)
Total comprehensive (expense) income for the year	–	–	(35,628)	154,126	118,498
Dividends paid (note 13)	–	–	–	(65,000)	(65,000)
At 31 December 2018	50,000	213,244	(34,564)	475,715	704,395

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Profit before taxation	**178,140**	140,062
Adjustments for:		
Interest income	**(708)**	(321)
Interest expenses	**2,961**	3,489
Depreciation	**39,092**	34,350
Release of prepaid lease payments	**789**	772
Loss on disposal of property, plant and equipment	**3,143**	2,106
Imputed interest income from deposit and prepayment for a life insurance policy	**(156)**	(151)
Premium charges on a life insurance policy	**325**	325
Operating cash flows before movements in working capital	**223,586**	180,632
Decrease (increase) in inventories	**3,299**	(24,319)
Increase in trade and other receivables	**(27,222)**	(63,065)
Increase in trade and other payables	**21,847**	52,405
Cash generated from operations	**221,510**	145,653
Hong Kong Profits Tax paid	**(8,858)**	(1,846)
The People's Republic of China ("PRC") Enterprise Income Tax ("EIT") paid	**(10,627)**	(4,042)
PRC EIT refunded	**3,005**	28
Net cash from operating activities	**205,030**	139,793
Investing activities		
Purchase of property, plant and equipment	**(59,131)**	(26,795)
Deposits paid for acquisition of property, plant and equipment	**(11,152)**	(19,724)
Acquisition of prepaid lease payments	**(2,277)**	–
Interest received	**708**	321
Proceeds from disposal of property, plant and equipment	**362**	68
Net cash used in investing activities	**(71,490)**	(46,130)
Financing activities		
Dividend paid	**(65,000)**	(50,000)
Repayment of bank borrowings	**(22,571)**	(36,040)
Interest paid	**(2,961)**	(3,489)
Cash used in financing activities	**(90,532)**	(89,529)
Net increase in cash and cash equivalents	**43,008**	4,134
Cash and cash equivalents at beginning of the year	**200,453**	179,247
Effect of foreign exchange rate changes	**(3,983)**	17,072
Cash and cash equivalents at end of the year, representing bank balances and cash	**239,478**	200,453

1. GENERAL

Winox Holdings Limited (the "Company") is a limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Ming Fung Holdings (Hong Kong) Limited, a company with limited liability incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Yiu Hon Ming ("Mr. Yiu"), who is also the Chairman and Managing Director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information and Key Dates" in the annual report. The Company is an investment holding company and the principal activities of its principal subsidiaries are set out in note 33.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") have applied the following new and amendments to HKFRSs and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the sales of stainless steel products which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The Group has performed an assessment on the impact of the adoption of HKFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of retained profits at 1 January 2018 was recognised.

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

(a) *Classification and measurement*

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. There is no change in classification and measurement on the Group's financial assets.

(b) *Impairment under ECL model*

The Group has applied the HKFRS 9 simplified approach to measure ECL using a lifetime ECL for trade receivables. To measure the ECL, the Group assessed individually for trade debtors.

ECL for other financial assets at amortised cost, including bank balances and other receivables, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model was not significantly different to that under HKAS 39 based on the counterparties' past repayment history and forward looking information.

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 "Leases" *(Continued)*

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$7,627,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

The principal accounting policies are set out below.

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial assets or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) *(Continued)*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for trade debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Continued)*

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generated unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generated unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generated unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generated unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other year and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

Borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to retirement benefits plans and government-managed retirement benefits schemes are charged as an expense when employees have rendered service, entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition from sales of products with no alternative use at a point in time

Under HKFRS 15, control of the asset is transferred over time when the Group's performance 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. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. After considering the contract terms and the relevant local laws that apply to those relevant contracts, the management of the Group do not expect the Group has an enforceable right to payment performance completed to date. Accordingly, the related revenue is recognised at a point in time.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, is described below.

Impairment assessment of trade receivables

The management of the Group estimates the amount of lifetime ECL of trade receivables based on individual assessment, after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At every reporting date, the default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables is disclosed in note 31.

As at 31 December 2018, the carrying amount of trade receivables is HK$153,243,000 (2017: HK$140,261,000) (net of allowance for impairment loss of nil (2017: nil)).

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION

Operating segments

The Group's operating activities are attributable to a single reporting segment focusing on manufacture and trading of stainless steel products. Information reported to the members of executive directors of the Company, being the chief operating decision makers (the "CODM"), for the purposes of resources allocation and assessment of performance focuses on revenue analysis by products, including watch bracelets, mobile phone cases and parts, costume jewellery, and accessories and parts for leather goods, and by geographic locations of customers, including Switzerland, Taiwan, PRC, Liechtenstein and other European countries, Hong Kong and other countries. However, other than revenue analysis, no operating results and other discrete financial information is available. In addition, the CODM reviews the results of the Group as a whole to make decisions. Accordingly, no segment information is presented other than entity wide disclosures.

Revenue from major products

Revenue by products are as follows:

	2018 **HK$'000**	2017 HK$'000
Watch bracelets	**533,875**	433,849
Mobile phone cases and parts	**495,437**	323,393
Costume jewellery	**80,548**	118,023
Accessories and parts for leather goods	**18,793**	16,181
	1,128,653	891,446

The revenue of the Group from manufacture and trading of stainless steel products is recognised when the goods are passed to the customers, which is the point of time when the customers have the ability to direct the use of the goods and obtain substantially all of the remaining benefits of the goods.

Geographical information

Revenue from external customers based on locations of customers attributed to the Group by geographical areas is as follows:

	2018 **HK$'000**	2017 HK$'000
Switzerland	**508,595**	413,438
Taiwan	**291,268**	225,546
PRC	**161,192**	71,734
Liechtenstein and other European countries	**90,804**	122,165
Hong Kong	**76,008**	52,721
Other countries	**786**	5,842
	1,128,653	891,446

Information about the Group's non-current assets (excluding deposit and prepayment for a life insurance policy) is presented based on the location of the assets.

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

	2018 HK$'000	2017 HK$'000
Hong Kong	**2,136**	7,565
PRC	**428,227**	416,640
	430,363	424,205

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2018 HK$'000	2017 HK$'000
Customer A[1]	**493,421**	393,374
Customer B[2]	**290,480**	225,379
Customer C[3]	**N/A***	104,922

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Notes:

1 Revenue from sales of watch bracelets.

2 Revenue from sales of mobile phone cases and parts.

3 Revenue from sales of costume jewellery.

6. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Bank interest income	**708**	321
Gain from sales of scrap materials	**2,400**	1,106
Government grants recognised in respect of export incentive payments/research expenses	**2,820**	4,173
Imputed interest income from deposit and prepayment for a life insurance policy	**156**	151
Management and administrative service fee received (note 29(i))	**252**	252
Others	**1,905**	2,225
	8,241	8,228

For the year ended 31 December 2018

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Loss on disposal of property, plant and equipment	(3,143)	(2,106)
Net foreign exchange gain (loss)	6,699	(6,067)
	3,556	(8,173)

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interests on bank borrowings	2,961	3,489

9. PROFIT BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 10)	6,512	4,552
Other staff costs	327,987	268,585
Other staff's retirement benefits schemes contributions	24,950	18,954
Total staff costs	359,449	292,091
Less: Capitalised in inventories	(291,227)	(241,673)
	68,222	50,418
Auditor's remuneration	1,430	1,340
Cost of inventories recognised as expenses (including staff costs and depreciation capitalised in inventories)	797,190	616,665
Depreciation of property, plant and equipment	39,092	34,350
Less: Capitalised in inventories	(27,640)	(22,108)
	11,452	12,242
Release of prepaid lease payments	789	772
Premium charges on a life insurance policy	325	325
Operating lease rentals in respect of rented premises	1,933	1,698

For the year ended 31 December 2018

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments of directors and chief executive during the year are as follow:

	2018					2017				
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors										
Mr. Yiu	–	606	1,060	18	1,684	–	602	150	18	770
Ms. Law Wai Ping	–	606	180	18	804	–	602	60	18	680
Mr. Chau Kam Wing Donald	–	840	–	18	858	–	840	–	18	858
Mr. Li Chin Keung	–	838	1,060	18	1,916	–	849	150	18	1,017
Ms. Yiu Ho Ting	–	478	30	22	530	–	478	10	19	507
Non-executive director										
Mr. Au Wai Ming	180	–	–	–	180	180	–	–	–	180
Independent non-executive directors										
Mr. Carson Wen	180	–	–	–	180	180	–	–	–	180
Professor Wong Lung Tak Patrick	180	–	–	–	180	180	–	–	–	180
Mr. Wu Ming Lam	180	–	–	–	180	180	–	–	–	180
Total emoluments	720	3,368	2,330	94	6,512	720	3,371	370	91	4,552

Mr. Yiu is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive director and independent non-executive directors shown above were for their services to the directors of the Company.

The discretionary bonus is determined by reference to the individual performance of the directors and approved by the remuneration committee of the Company.

For the year ended 31 December 2018

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals included 2 (2017: 4) directors of the Company for the year ended 31 December 2018. Details of whose emoluments are included in above. The emoluments of the remaining highest paid individual during the year are as follows:

	2018 HK$'000	2017 HK$'000
Employees		
– salaries and other benefits	**1,741**	521
– discretionary bonus	**1,770**	100
– retirement benefits schemes contributions	**49**	18
	3,560	639

The emoluments of the employees were within the following band:

	Number of employee	
	2018	2017
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	**3**	–

During the year, no emoluments were paid by the Group to the directors, the chief executive or the five highest paid individuals (including directors, the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the chief executive have waived any emoluments during the year.

11. TAXATION

	2018 HK$'000	2017 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	**17,286**	15,297
Overprovision in prior years	**(90)**	(72)
	17,196	15,225
PRC EIT		
Current year	**12,811**	9,376
Overprovision in prior years	**(5,993)**	(974)
	6,818	8,402
	24,014	23,627

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11. TAXATION *(Continued)*

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 first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

For the year ended 31 December 2017, Hong Kong Profits Tax was calculated at a single flat rate of 16.5% of the estimated assessable profits.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. During the year ended 31 December 2018, certain PRC subsidiaries were rewarded the High and New Technology Enterprise certificate and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017. Accordingly, an overprovision for PRC EIT in prior years amounting to HK$5,993,000 was recognised during the year ended 31 December 2018.

Taxation for the year is reconciled to profit before taxation as follows:

	2018 HK$'000	2017 HK$'000
Profit before taxation	**178,140**	140,062
Tax charge at Hong Kong Profits Tax rate at 16.5% (2017: 16.5%)	**29,393**	23,110
Tax effect of income not taxable for tax purposes	**(1,813)**	(1,803)
Tax effect of expenses not deductible for tax purposes	**331**	148
Tax effect of tax losses not recognised	**473**	425
Tax effect of tax concession	**(3,554)**	–
Tax effect of different tax rates applied to subsidiaries in the PRC	**6,908**	3,391
Utilisation of tax losses previously not recognised	**(1,408)**	(598)
Overprovision in prior years	**(6,083)**	(1,046)
Others	**(233)**	–
Taxation for the year	**24,014**	23,627

For the year ended 31 December 2018

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2018 HK$'000	2017 HK$'000
Earnings for the purposes of calculating basic earnings per share (profit for the year attributable to owners of the Company)	154,126	116,435

	Number of shares '000	 '000
Number of shares for the purpose of calculating basic earnings per share	500,000	500,000

No dilutive earnings per share is presented as there were no potential dilutive shares in both years.

13. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Dividends recognised as distribution during the year:		
2017 final dividend – HK7 cents per ordinary share	35,000	–
2018 interim dividend – HK6 cents per ordinary share	30,000	–
2016 final dividend – HK3 cents per ordinary share	–	15,000
2016 special dividend – HK3 cents per ordinary share	–	15,000
2017 interim dividend – HK4 cents per ordinary share	–	20,000
	65,000	50,000

On 25 March 2019, a final dividend of HK8.5 cents (2017: a final dividend of HK7 cents) per ordinary share in respect of the year ended 31 December 2018, totalling HK$42,500,000 (2017: HK$35,000,000), has been proposed by the board of directors of the Company. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2017	145,728	296,112	48,800	36,760	4,589	9,352	541,341
Currency realignment	10,832	18,156	2,411	2,751	286	421	34,857
Additions	–	32,382	3,765	–	–	2,359	38,506
Reclassification	–	2,261	–	7,593	–	(9,854)	–
Disposals	–	(4,904)	(184)	–	(400)	–	(5,488)
At 31 December 2017	156,560	344,007	54,792	47,104	4,475	2,278	609,216
Currency realignment	(7,963)	(15,845)	(2,066)	(2,406)	(218)	(491)	(28,989)
Additions	–	54,482	7,154	–	1,274	15,095	78,005
Reclassification	–	–	–	5,025	–	(5,025)	–
Disposals	–	(8,120)	(1,695)	–	–	–	(9,815)
At 31 December 2018	148,597	374,524	58,185	49,723	5,531	11,857	648,417
DEPRECIATION							
At 1 January 2017	24,697	152,170	34,484	4,018	2,414	–	217,783
Currency realignment	2,029	7,073	1,449	90	139	–	10,780
Provided for the year	4,828	22,906	5,170	1,104	342	–	34,350
Eliminated on disposals	–	(2,799)	(155)	–	(360)	–	(3,314)
At 31 December 2017	31,554	179,350	40,948	5,212	2,535	–	259,599
Currency realignment	(1,793)	(6,540)	(1,327)	(144)	(115)	–	(9,919)
Provided for the year	4,733	27,292	5,102	1,441	524	–	39,092
Eliminated on disposals	–	(4,859)	(1,451)	–	–	–	(6,310)
At 31 December 2018	34,494	195,243	43,272	6,509	2,944	–	282,462
CARRYING VALUES							
At 31 December 2018	114,103	179,281	14,913	43,214	2,587	11,857	365,955
At 31 December 2017	125,006	164,657	13,844	41,892	1,940	2,278	349,617

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14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The buildings are situated in PRC.

At 31 December 2018, the Group has pledged certain of its buildings of HK$36,473,000 (2017: HK$40,374,000) to a bank to secure the credit facilities granted to the Group.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	Over the shorter of the lease terms, or 3% – 5%
Plant and machinery	10% – 25%
Furniture, fixtures and equipment	10% – 20%
Leasehold improvements	3.3% – 20%
Motor vehicles	10% – 20%

15. PREPAID LEASE PAYMENTS

	2018 HK$'000	2017 HK$'000
Land use rights situated in PRC		
At 1 January	**33,883**	32,321
Currency realignment	**(1,667)**	2,334
Additions	**2,277**	–
Released to profit or loss	**(789)**	(772)
At 31 December	**33,704**	33,883
Analysed for reporting purposes as:		
Non-current assets	**32,945**	33,083
Current assets (included in trade and other receivables)	**759**	800
	33,704	33,883

At 31 December 2018, the Group has pledged certain of its land use rights of HK$5,626,000 (2017: HK$6,101,000) to a bank to secure the credit facilities granted to the Group.

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16. DEPOSIT FOR LAND USE RIGHT

In prior years, a deposit of RMB18,158,000 (equivalent to HK$20,675,000) (2017: RMB18,158,000 (equivalent to HK$21,781,000)) was paid for land use right as the Group intended to establish a new production plant at Boluo County, Huizhou, PRC ("Huzhen Site"). The requisite construction land quota in respect of the Huzhen Site has not been granted and the development of production premises at Huzhen Site is postponed. At 31 December 2018, the transaction has not been completed. The directors of the Company considered it is in the interest of the Group to acquire more land for production use in order to cater for the long-term development plan of the Group. Accordingly, it is the Group's intention to continue to negotiate with the local government authorities for the grant of the construction land quota and approval.

17. DEPOSIT AND PREPAYMENT FOR A LIFE INSURANCE POLICY

In September 2010, a subsidiary of the Company entered into a life insurance policy (the "Policy") to insure Mr. Yiu. Under the Policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is US$4,000,000 (equivalent to HK$31,000,000). At the inception of the Policy, the Group paid an upfront payment of US$800,000 (equivalent to HK$6,200,000). The Group will receive cash refund based on the net nominal account value of the Policy at the date of withdrawal. The Group will also receive an interest at interest rates guaranteed by the insurer.

At the date of initial recognition, the directors of the Company expected that the Policy would be terminated at 7th anniversary from date of inception, which is 2017, and there would be a specified surrender charge of US$97,560 (equivalent to HK$756,000) in accordance with the Policy. The directors of the Company reassessed the expected life of the Policy as a result of a new bank borrowing granted in 2016 and expected that the Policy will be terminated at 11th anniversary from date of inception, which is 2021, and there will be an expected surrender charge of US$54,200 (equivalent to HK$420,000). The directors of the Company considered that the financial impact of the option to terminate the policy was not significant.

The Policy exposes the insurer to significant insurance risk. The gross premium paid at inception of the Policy consists of a deposit placed element and a prepayment for life insurance element. These two elements are recognised on the consolidated statement of financial position at the aggregate of the amount of gross premium paid plus interest earned, and after deducting the annual cost of insurance, other applicable charges as well as the amortisation of the expected surrender charge at the end of the life of the Policy.

The effective interest rate of the deposit is 4.75% (2017: 4.75%) per annum which is determined on initial recognition by discounting the estimated future cash receipts over the expected life of the Policy of 11 years (2017: 11 years).

At 31 December 2018 and 2017, the Policy was pledged to a bank to secure general banking facilities granted to the Group.

18. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**10,070**	10,694
Work in progress	**32,915**	50,631
Finished goods	**31,819**	20,825
	74,804	82,150

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19. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	153,243	140,261
Prepayments and deposits	7,206	6,571
Prepaid lease payments	759	800
Value added tax recoverable	24,967	27,036
Others	2,040	2,981
	188,215	177,649

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 90 days by the customers from date of issuance. A longer credit period may be granted to large or long-established customers with good payment history. The following is an aging analysis of trade receivables at the end of each reporting period based on the invoice date, which approximated the respective revenue recognition dates.

	2018 HK$'000	2017 HK$'000
0 to 30 days	83,903	89,738
31 to 60 days	52,346	44,328
61 to 90 days	16,510	5,875
Over 90 days	484	320
	153,243	140,261

Before the application of HKFRS 9 on 1 January 2018, in determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. The trade receivables that are past due but not impaired at the end of the reporting period were either subsequently settled or had no historical default of payments and the directors of the Company believe that no impairment is required.

At 31 December 2018, included in the Group's trade receivable balances are trade receivables of HK$33,600,000 which are past due at the end of the reporting period. None of them has been past due 90 days or more. The Group does not hold any collateral over these balances.

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19. TRADE AND OTHER RECEIVABLES *(Continued)*

At 31 December 2017, included in the Group's trade receivable balances are trade receivables of HK$17,430,000 which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging analysis of trade receivables which are past due but not impaired is as follows:

	2017 HK$'000
Overdue:	
Within 60 days	17,413
61 to 90 days	17
	17,430

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 31.

Included in trade and other receivables are the following amounts denominated in currencies other than functional currencies of the relevant group entities:

	2018 HK$'000	2017 HK$'000
United States dollars ("US$")	**4,854**	3,544
Swiss Franc ("CHF")	**–**	360

20. BANK BALANCES AND CASH

The bank balances carry interest at the prevailing market rate of about 0.01% to 1.189% (2017: 0.01% to 0.30%) per annum at 31 December 2018.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currencies of the relevant group entities to which they relate:

	2018 HK$'000	2017 HK$'000
Renminbi ("RMB")	**16,983**	18,155
US$	**13,183**	29,968
CHF	**2,881**	2,590

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21. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	102,206	99,416
Payroll and welfare payable	34,261	20,967
Other tax payables	1,628	5,636
Commissions and other payables to intermediary agents	8,976	9,664
Payables for acquisition of property, plant and equipment	2,998	3,676
Others	3,993	4,149
	154,062	143,508

The Group normally receives credit terms of 30 to 90 days from its suppliers. The following is an aging analysis of trade payables at the end of the reporting period based on invoice date:

	2018 HK$'000	2017 HK$'000
0 to 30 days	34,201	36,707
31 to 60 days	41,474	41,521
61 to 90 days	23,502	17,772
Over 90 days	3,029	3,416
	102,206	99,416

Included in trade and other payables are the following amounts denominated in currencies other than functional currencies of the relevant group entities:

	2018 HK$'000	2017 HK$'000
RMB	3	3
CHF	43	38
US$	1,945	2,452

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22. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank borrowings:		
Secured	**52,250**	31,071
Unsecured	**–**	43,750
	52,250	74,821
Carrying amount of bank borrowings that contains a repayment on demand clause (shown under current liabilities) but repayable (Note):		
Within one year	**22,571**	22,571
More than one year but not exceeding two years	**22,571**	22,571
More than two years but not exceeding five years	**7,108**	29,679
Amount due within one year	**52,250**	74,821

Note: The amounts due are based on the scheduled repayment dates set out in loan agreements.

The bank borrowings at 31 December 2018 carried variable interests at 3.25% over 1-month Hong Kong Interbank Offered Rate ("HIBOR") and the bank borrowings at 31 December 2017 carried variable interests at 3.25% over 1-month HIBOR.

At 31 December 2018, the range of effective interest rates on the variable rate bank borrowings are 4.26% to 4.43% (2017: 4.04% to 4.11%) per annum.

At 31 December 2018, the Group has pledged its buildings, land use rights and deposit and prepayment for a life insurance policy with an aggregated carrying value of HK$46,343,000 (2017: HK$50,888,000) to secure general banking facilities granted to the Group. Details of these pledged assets are disclosed in the respective notes.

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23. DEFERRED TAXATION

At 31 December 2018, the Group had unused tax losses of HK$20,289,000 (2017: HK$26,530,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. The unrecognised tax losses of HK$20,289,000 may be carried forward indefinitely (2017: HK$17,424,000 may be carried forward indefinitely and HK$9,106,000 will expire up to 2022).

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in respect of temporary differences attributable to retained profits of subsidiaries in PRC amounting to HK$315,830,000 (2017: HK$245,805,000) at 31 December 2018, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

24. SHARE CAPITAL

	2018 & 2017 HK$'000
Authorised: 4,000,000,000 ordinary shares of HK$0.1 each	400,000
Issued and fully paid: 500,000,000 ordinary shares of HK$0.1 each	50,000

There was no change in the Company's authorised, issued and fully paid share capital in both years.

25. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**693**	492
In the second to fifth year inclusive	**827**	817
After five years	**6,107**	6,173
	7,627	7,482

Operating lease payments mainly represent rentals for certain of its office properties and staff quarters. Leases are negotiated and rentals are fixed for lease terms ranging from 1 year to 50 years.

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26. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and prepaid lease payments	24,030	25,774

27. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each employee makes monthly mandatory contributions of 5% of relevant payroll costs with monthly cap of HK$1,500 to the scheme.

The employees of the Group's subsidiaries in PRC are members of a state-managed retirement benefits plan operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions.

No forfeited contributions are available to reduce the contribution payable in future years.

28. SHARE OPTION SCHEME

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to a resolution passed on 25 June 2011. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants, including directors, officers, employees and consultants of any member of the Group, to (i) encourage them to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole, (ii) retain, incentivise, reward, remunerate, compensate and/or provide benefits to eligible participants.

The directors of the Company may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall be 50,000,000 shares, representing 10 per cent of the Company's total issued share capital as at the time dealings in the shares of the Company first commence on the Stock Exchange.

The Share Option Scheme will remain in force for a period of ten years from its adoption date.

The amount payable upon acceptance of an option is HK$1. The subscription price for shares on the exercise of the options shall be no less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

During the years ended 31 December 2018 and 2017, no options were granted or outstanding under the Share Option Scheme.

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29. RELATED PARTY TRANSACTIONS

(i) In addition to transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions during the year:

	2018 HK$'000	2017 HK$'000
Management and administrative service fee received from Ming Fung (Holdings) Limited, a company controlled by Mr. Yiu	252	252
Rental expenses fee paid to Mr. Yiu	762	723

(ii) Remuneration paid for key management personnel, who are the directors and the chief executive of the Company, is disclosed in note 10.

The remuneration of key management personnel is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank loans.

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31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets at amortised costs	394,761	N/A
Loans and receivables (including cash and cash equivalents)	N/A	343,695
Financial liabilities		
Amortised cost	200,907	208,729

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually. Before application of HKFRS 9, the Group performs impairment assessment under incurred loss model on trade balances. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2018, the Group has concentration of credit risk on trade receivables as 19% (2017: 29%) and 67% (2017: 76%) of the trade receivables were due from the Group's largest customer and the five largest customers, respectively.

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31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed individually as at 31 December 2018 within lifetime ECL (not credit-impaired).

2018	External credit rating	Internal credit rating	Lifetime ECL	Gross carrying amount HK$'000
Trade receivables	N/A	Low risk	Not credit impaired	115,126
		Watch list	Not credit impaired	38,019
		Doubtful	Not credit impaired	98
				153,243

During the year ended 31 December 2018, trade debtors were assessed individually based on internal credit ratings. No impairment allowance was recognised as the directors of the Company considered the amounts involved are insignificant.

Other receivables

Other receivables were assessed individually. The management of the Group considers the internal credit rating as "Low risk" and there were no additional impairment allowance during the year ended 31 December 2018.

Bank balances

For bank deposits, no impairment allowance was recognised since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks having good reputation. Majority of bank balances are placed with banks with external credit rating of A1.

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31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the foreign currency denominated monetary assets and liabilities (including trade and other receivables, bank balances and cash and trade and other payables) at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
RMB	**16,983**	18,155	**3**	3
CHF	**2,881**	2,950	**43**	38
US$	**18,037**	33,512	**1,945**	2,452

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The Group mainly exposes to RMB, US$ and CHF, which are arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities in Hong Kong and PRC. The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in the functional currencies of the group entities against the relevant foreign currencies. Under the linked exchange rate system, the financial impact on exchange difference between HK$ and US$ will be immaterial and therefore no sensitivity analysis has been presented. 5% (2017: 5%) is the sensitivity rate used when the management assesses the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period. A positive (negative) number below indicates an increase (decrease) in profit after taxation where the functional currencies of each group entity strengthens 5% (2017: 5%) against the relevant foreign currencies. For a 5% (2017: 5%) weakening of the functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit after taxation.

	2018 HK$'000	2017 HK$'000
RMB	**(709)**	(758)
CHF	**(118)**	(122)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

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31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to interest bearing bank balances and bank borrowings at variable interest rates. The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank borrowings at variable interest rates at the end of each reporting period and assumed that the said bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. 50 basis points (2017: 50 basis points) increase represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate in the next financial year having regard to the trends in Hong Kong dollar prime rate and HIBOR. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

No sensitivity analysis is presented for bank balances as the directors of the Company considered the Group's exposure to cash flow interest rate risk is not material.

If interest rates on bank borrowings at variable interest rates had been 50 basis points (2017: 50 basis points) higher and all other variables were held constant, the potential effect on profit after taxation is as follows:

	2018 HK$'000	2017 HK$'000
Decrease in profit after taxation	**218**	312

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short and medium-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

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31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or less than 3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
At 31 December 2018				
Trade and other payables	–	**148,657**	**148,657**	**148,657**
Bank borrowings	**4.31**	**52,250**	**52,250**	**52,250**
		200,907	**200,907**	**200,907**
At 31 December 2017				
Trade and other payables	–	133,908	133,908	133,908
Bank borrowings	3.63	74,821	74,821	74,821
		208,729	208,729	208,729

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2018, the aggregate carrying amounts of these bank loans amounted to HK$52,250,000 (2017: HK$74,821,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid within three years (2017: four years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements and the aggregate principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Less than 3 months HK$'000	Over 3 months but less than 1 year HK$'000	Over 1 year but less than 2 years HK$'000	Over 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2018	**6,204**	**18,251**	**23,482**	**7,229**	**55,166**	**52,250**
At 31 December 2017	6,396	18,872	24,350	30,655	80,273	74,821

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

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32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Interests in subsidiaries	**316,474**	306,922
Current assets		
Prepayments	**336**	164
Amounts due from subsidiaries	**4,575**	2,443
Bank balances and cash	**10,867**	24,459
	15,778	27,066
Current liabilities		
Other payables	**1,446**	1,357
Amount due to a subsidiary	**–**	5
	1,446	1,362
Net current assets	**14,332**	25,704
Net assets	**330,806**	332,626
Capital and reserves		
Share capital	**50,000**	50,000
Reserves	**280,806**	282,626
Total equity	**330,806**	332,626

Movement of reserves

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	213,244	60,792	274,036
Profit and total comprehensive income for the year	–	58,590	58,590
Dividends paid (note 13)	–	(50,000)	(50,000)
At 31 December 2017	213,244	69,382	282,626
Profit and total comprehensive income for the year	–	63,180	63,180
Dividends paid (note 13)	–	(65,000)	(65,000)
At 31 December 2018	213,244	67,562	280,806

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33. PRINCIPAL SUBSIDIARIES

Details of principal subsidiaries indirectly held by the Company at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 2018	2017	Principal activities
Winox Enterprise Company Limited	Hong Kong	Ordinary capital HK$60,000,000	100%	100%	Investment holding and trading of stainless steel products
Winox Management Limited	Hong Kong	Ordinary capital HK$1	100%	100%	Provision of management and administration service
Max Surplus Corporation Limited	Hong Kong	Ordinary capital HK$1	100%	100%	Investment holding and trading of stainless steel products
盈利時錶業(東莞)有限公司*	PRC	Registered capital HK$127,900,000 Paid-up capital HK$127,900,000	100%	100%	Manufacture and trading of stainless steel products
惠州豐采貴金屬製造有限公司*	PRC	Registered capital HK$160,000,000 (2017: HK$140,000,000) Paid-up capital HK$160,000,000 (2017: HK$140,000,000)	100%	100%	Manufacture and trading of stainless steel products
博羅明豐廚具製造有限公司*	PRC	Registered capital RMB80,000,000 Paid-up capital RMB73,830,798	100%	100%	Property holding
盛豐精密製造(惠州)有限公司*	PRC	Registered capital HK$17,500,000 Paid-up capital HK$17,500,000	100%	100%	Manufacture and trading of stainless steel products
豐達精密科技(東莞)有限公司*	PRC	Registered capital HK$30,000,000 Paid-up capital HK$8,000,000	100%	100%	Provision of management and administration service

* The company was established as a wholly foreign owned enterprise.

In the opinion of the directors of the Company, the above table lists the subsidiaries of the Group which principally affected the results or assets or liabilities of the Group and to give details of other subsidiaries would result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 31 December 2018 or at any time during the year.

For the year ended 31 December 2018

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those 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 HK$'000	Interest payable HK$'000	Dividend payable HK$'000	Total HK$'000
At 1 January 2017	110,739	–	–	110,739
Financing cash flows	(36,040)	(3,489)	(50,000)	(89,529)
Interest expenses	–	3,489	–	3,489
Dividend declared	–	–	50,000	50,000
Currency realignment	122	–	–	122
At 31 December 2017	74,821	–	–	74,821
Financing cash flows	(22,571)	(2,961)	(65,000)	(90,532)
Interest expenses	–	2,961	–	2,961
Dividend declared	–	–	65,000	65,000
At 31 December 2018	52,250	–	–	52,250

Five-Year Financial Summary

RESULTS

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Revenue	543,666	720,921	574,318	891,446	**1,128,653**
Profit before taxation	57,686	99,908	59,023	140,062	**178,140**
Taxation	(12,016)	(19,176)	(10,319)	(23,627)	**(24,014)**
Profit for the year	45,670	80,732	48,704	116,435	**154,126**

ASSETS AND LIABILITIES

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Total assets	738,036	764,905	739,045	890,449	**940,568**
Total liabilities	(208,623)	(205,457)	(191,372)	(239,552)	**(236,173)**
Total equity	529,413	559,448	547,673	650,897	**704,395**