COMBINE WILL

ANNUAL REPORT 2019

STAY AHEAD, GO BEYOND

MISSION

To provide the highest quality products and solutions to our customers through our total dedication to R&D, manufacturing technology, professional service and quality management.

To become a progressive organisation where we dedicate our resources to build excellence and achieving growth.

To become a good corporate citizen and contribute to the society and communities in which we operate.

To provide sustainable value and returns to all our stakeholders.

VISION

We aspire to be a world-class corporation which sets the standards in the manufacturing of plastic, die-cast and electronics products.

We aim to be a leader and a key supplier of choice for our customers in providing quality ODM/OEM services for corporate premiums, toys and consumer products.

VALUES

INTEGRITY
We deliver our promises and lead by example

TEAMWORK
We respect diversities and work in unity

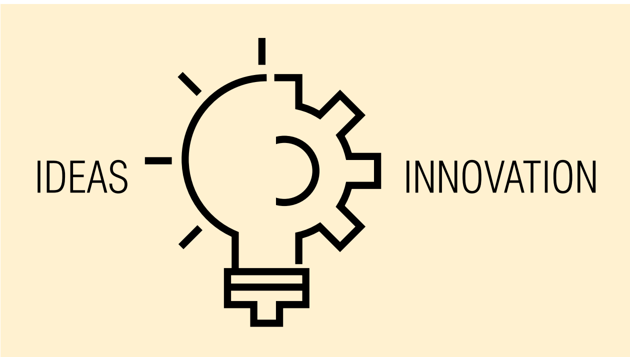
PROGRESSIVENESS
We pursue excellence in all we do

INNOVATION
We seek creativity and inspire breakthrough

CONTENTS

Corporate Profile

Combine Will Transforming Ideas into Innovation!



Combine Will International Holdings Limited ("Combine Will") is a leading Original Design Manufacturer ("ODM") and Original Equipment Manufacturer ("OEM"), supplier of corporate premiums, toys and consumer products around the world.

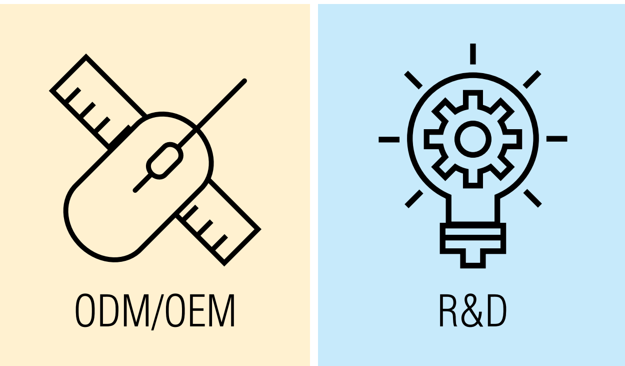
For over 25 years, we have been manufacturing a wide range of competitively engineered custom products tailored to each of our clients' needs. We are able to achieve sustainable results by adopting a repeatable research and development ("R&D") execution model employed to drive innovation and focus on capabilities critical to building a strategic advantage. By setting a high benchmark on key performance metrics such as operational efficiency and development processes, we are able to boast an optimized production line, lower operating expenses and achieve high levels of consistency and quality. In turn, our clients are able to take advantage of these unique core capabilities to achieve their success and competitiveness.

Our clientele portfolio includes customers from Asia, Europe and North/South America and we have continuously demonstrated adequate and flexible capacity to handle production for leading multinational companies in their respective industries, ranging from toys and fast moving consumer products to international fast-food chains.

Based in Dongguan, Guangdong Province in the People's Republic of China, we have over 10,000 workers in our six manufacturing facilities located in Dongguan, Heyuan and Guangxi Province as well as Sragen, Indonesia.

Combine Will's vertically integrated business model which includes a broad spectrum of services and capabilities in the design and supply of premium products, toys, consumer products, position us as a unique one-stop solution provider that sets us apart from the competition.

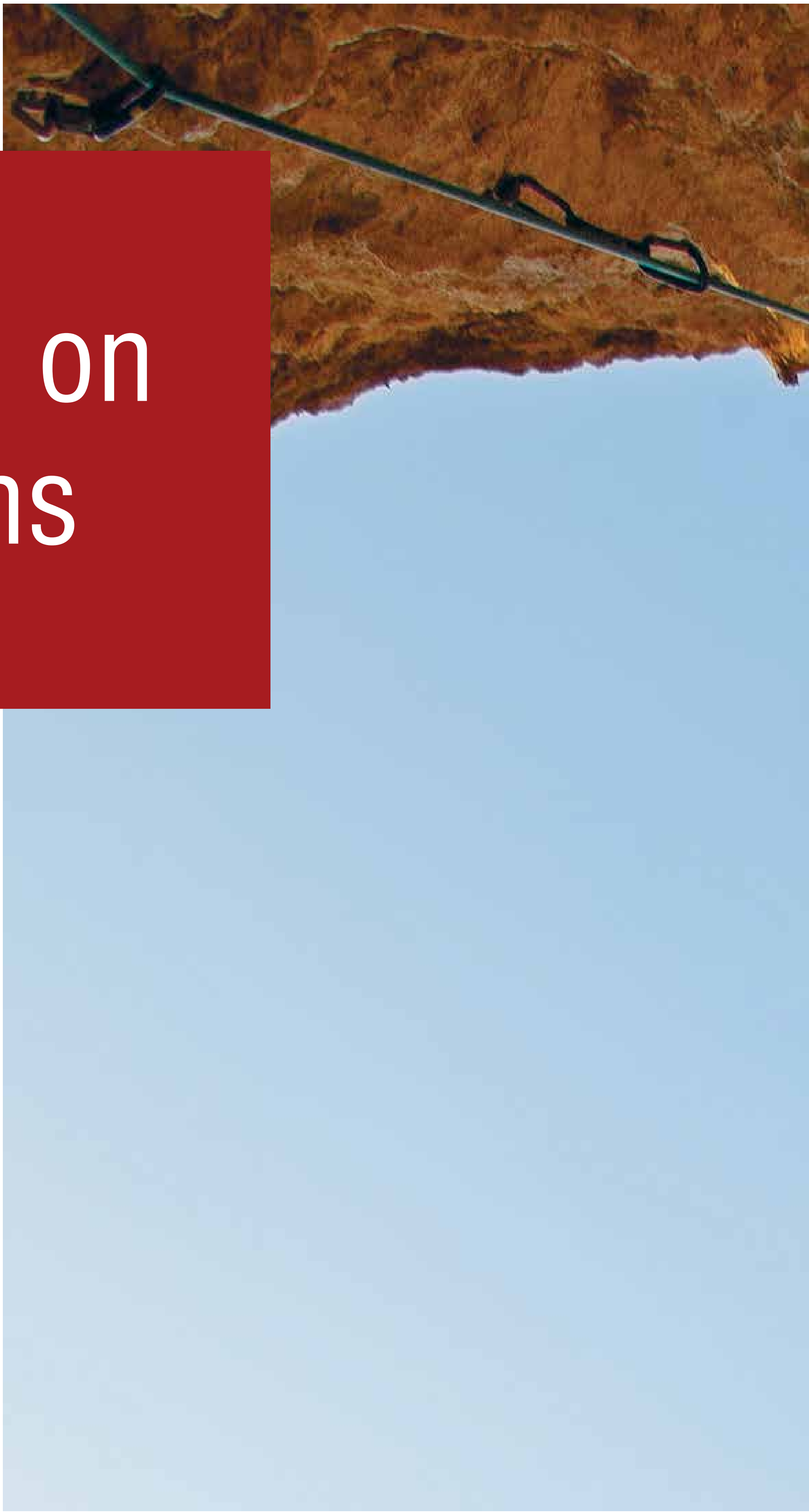
ODM/OEM



We are a niche ODM/OEM of corporate premiums, toys and consumer products. Our ODM/OEM R&D team is fully integrated with our manufacturing and production team to ensure a one-stop, seamless development of our customers' products from inception to fruition.

Our R&D team is involved in the customers' projects right from conceptualisation to the production and supply of products and solutions. Whether it is an innovative idea from a customer or one that is initiated by us, our R&D team is involved in various aspects of the development process such as providing designs to meet the product specifications and giving advice on the functional capabilities and manufacturability of the products. Our commitment to employing new processing methods in integrating aesthetics, form and moulding has helped customers to conceptualize and launch novel product lines. Where required, we will set up a specific testing centre for the evaluation of customers' products which has, in the past, resulted in quicker turnaround and shorter time to market.

We utilize innovative processing methods and applications of unique technologies for use in our production process, so that our customers can benefit from greater cost savings and enhance their competitiveness.



Building on Strengths

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The outbreak of COVID-19 has brought many uncertainties and challenges to our industry but we are confident to weather the storm and keep up with our performance.

Dear Shareholders

I am delighted to report that Combine Will has continued to deliver improved financial performance for the financial year ended December 31, 2019 (FY2019), both for top-line sales and bottom-line profitability at the operational and pretax levels. Group turnover climbed 24.6% to HK$1.8 billion, from HK$1.4 billion the previous year. Profit from Operations rose 19.9%, from HK$71.3 million to HK$85.5 million in FY2019. At the pretax level, profit was 11.9% higher at HK$62.9 million from HK$56.2 million the previous year.

This is in line with the Group's key focus to improve margins. Gross margin climbed a further 18.3%, from 7.1% in FY2018 to 8.4% in FY2019.

Our concerted strategic re-engineering and sharp-bending programme continued to deliver improved productivity, reduced costs and increasing margins. In addition to re-engineering in-process production, we re-organised our manpower structure as well as reviewed and upgraded our manpower competencies to enjoy optimal efficiencies and returns.

As a pilot, we have successfully restructured our Engineering Department and will continue to apply the same sharp methodologies to other departments, scheduled to be completed by the end of FY2020. Benefits from this exercise will accrue progressively, with full value-accretive impact to be enjoyed in FY2021.

GUANGXI AND INDONESIA PLANTS TO BE CENTRES OF EXCELLENCE

The Group's flagship plants in Guangxi, China and Sragen, Indonesia are leading this strategic thrust and will serve as role models for our other plants to roll out similar plans. Over time, we believe all our plants will be operating at optimal levels with higher productivity at lower costs and enjoying improved margins.

Higher automation and leaner manufacturing will be the modus operandi at Combine Will as we continue to persevere in our key objective to improve margins.

FACTORIES FULLY RESUMED AFTER COVID-19

The COVID-19 pandemic has curtailed social interaction, changed lifestyles and caused many countries to lock-down and close their borders. In line with these unprecedent changes, most companies in China and all over the world have suffered or will suffer negatively, either directly or through supply-chain impact.

While the international environment remains unstable and uncertain, the worst is over for China – with COVID-19 under control and life returning to normal, albeit with enlightened preventive and control measures.

We are pleased to report that all our factories have resumed production and capacity ramping-up progressively. We believe the supply chain impact on Combine Will is manageable as majority of key supplies are sourced within China and the others like plastic resins and zinc material can be acquired from diversified sources outside China.

We are monitoring the situation closely and will be able to move and respond quickly in the most appropriate manner.

In January this year, we established a Crisis Management Committee to set up policies and practices to prevent, manage and mitigate potential risks relating to the COVID-19. The Committee comprises cross-section senior management representation, led by Mr. Chiu Hau shun, Simon, one of our Executive Directors.

To support the Committee's efforts, we have put aside a HK$10 million to fund measures, if and as required to provide business continuity.

FUTURE BUSINESS OUTLOOK MAY BE AFFECTED BY COVID-19

Combine Will is well-grounded on sound fundamentals, with proven successful strategies to improve performance and enhance returns. The Group is supported by a group of core repeat customers with whom the Group has grown in symbiosis for many years.

However, as we see the COVID-19 has started to affect global market and economy, we would expect a reduction of sales in the second half of 2020. Notwithstanding the challenges arising from COVID-19 that are difficult to forecast at this stage and any other unforeseen circumstances, we are optimistic that FY2020 will be another profitable year.

APPRECIATION

We have not only weathered the storms of yesteryears but grown in strength, delivering improved performance in the past two years because of the confidence and strong support from all our stakeholders:-

- To our management and staff, I would like to record my gratitude for the dedication, hard work and team spirit in working together to deliver;
- To our customers, business associates and suppliers, I would like to thank you for placing your confidence in our Group;
- To my fellow directors on the Board, thank you for your wise guidance and counsel;
- Last but not least, I would like to record the Group's appreciation to all shareholders for your confidence in and loyal support for Combine Will.

Thank You!

Dominic Tam
Executive Chairman & CEO

Operational Review

Production at both the Group's flagship factories in Sragen, Indonesia and Cangwu, PRC are operating smoothly and ramping up on schedule. Phase 3 of the Sragen manufacturing plant had been completed in the third quarter of the financial year under review and now operating at full capacity. The pilot production at Cangwu had been successfully completed and capacity is being ramped-up progressively. Operations are now stabilized.

As at 31 December 2019, we have a workforce of 2100 in Sragen, Indonesia on 3 shifts, and a workforce of 1500 in Cangwu, PRC, operating on 2 shifts.

Contributions from both these model manufacturing facilities are expected to increase as they further improve cost efficiency and enhance the Group's competitive advantage.

FINANCIAL PERFORMANCE

With the divestment of our Machine and Tools segment in March 2019, the Group is now solely focused on ODM manufacturing. With continuous orders from core customers and finished products delivered on schedule, Combine Will continued to deliver improved performance, with overall revenue increasing by HK$348.8 million or 24.6%, from HK$1,416.4 million in FY2018 (restated) to HK$1,765.2 million in FY2019.

The Group's gross profit increased by HK$48.7 million or 48.6% in FY2019, generating gross profit margin of 8.4% (FY2018 (Restated): 7.1%), the result of growth in sales and value-accretive returns from our ongoing strategic re-engineering programme that continues to yield productivity enhancements.

In FY2018 (restated), there was one-off gain on disposal of subsidiaries of HK$138.4 million, which were partially offset by provision of severance payment of HK$35.9 million, written down of inventory of HK$16.3 million and allowance for credit losses of trade and other receivables of HK$35.6 million. With the increase turnover and improved gross margins, our profit before tax from continuing operations increased by HK$6.7 million (or 11.9%) to HK$62.9 million in FY2019, compared to HK$56.2 million in FY2018 (restated).

Overall, the Group's financial fundamentals have improved. As at 31 December 2019, the Group's cash resources of HK$100.5 million reflected a net increase in cash and cash equivalents of HK$20.1 million. This is mainly due better management and utilization of working capital and higher net cash generated from operating activities.


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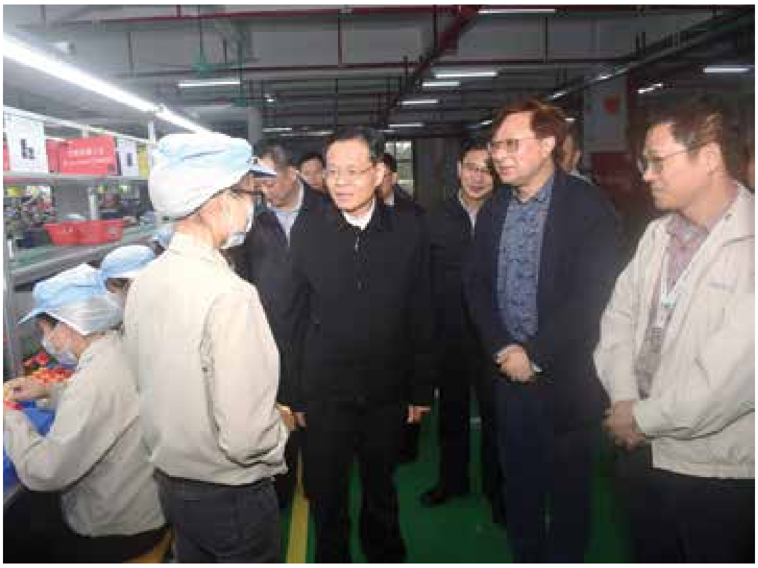


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Corporate Developments and Corporate Social Responsibility

In 2019, Combine Will is committed to promote environmental friendly and energy-saving policies and initiatives. The Company hired expert consultants to conduct electricity analysis for the factory and has replaced the energy-saving devices for 50% of the injection moulding machine. The remaining energy-saving devices are expected to be replaced in 2020.

We will continue to focus on the trend of environmental development in the toy production industry and incorporate feasible green elements into our operation.

Combine Will strives to maintain a harmonious relationship with the community and remains ready to assist with the community's urgent needs when it is required. Due to insufficient rainfall in some regions of Indonesia, the access to basic domestic water usage in some villages near the vicinity of our factory was seriously affected. We provided emergency assistance to two local villages promptly by donating and installing groundwater pumping equipment and as a result, the issue of the lack of access to drinking water eased.

In Combine Will, employees are the key to our success. We have a team of experienced and loyal employees who join hands to contribute to the Company's success and achievements. We provide a series of skills, knowledge and management training to constantly improve the team's capabilities and enhance employee and staff engagement and collaboration so as to consistently maintain staff morale and boost the quality of our employee productivity. In 2019, we have been awarded the Learning Enterprise Award 2019 by The Professional Validation Council of Hong Kong Industries.

We care for the needs of our employees. In 2019, two factories held the Happy Summer Holiday events as part of our employee outreach program. A total of 75 children of our employees participated in this six-week long summer program where they participated in various family activities and games. We believe that when our employees is able to enjoy a balance between work and family needs, they would have more motivation at work.

The full standalone Sustainability Report 2019 of Combine Will will be issued by the Group by the end of May 2020.


稻香
饮食文化中心
联 志 亲 子 活 动


展望未來,

Meeting Challenge

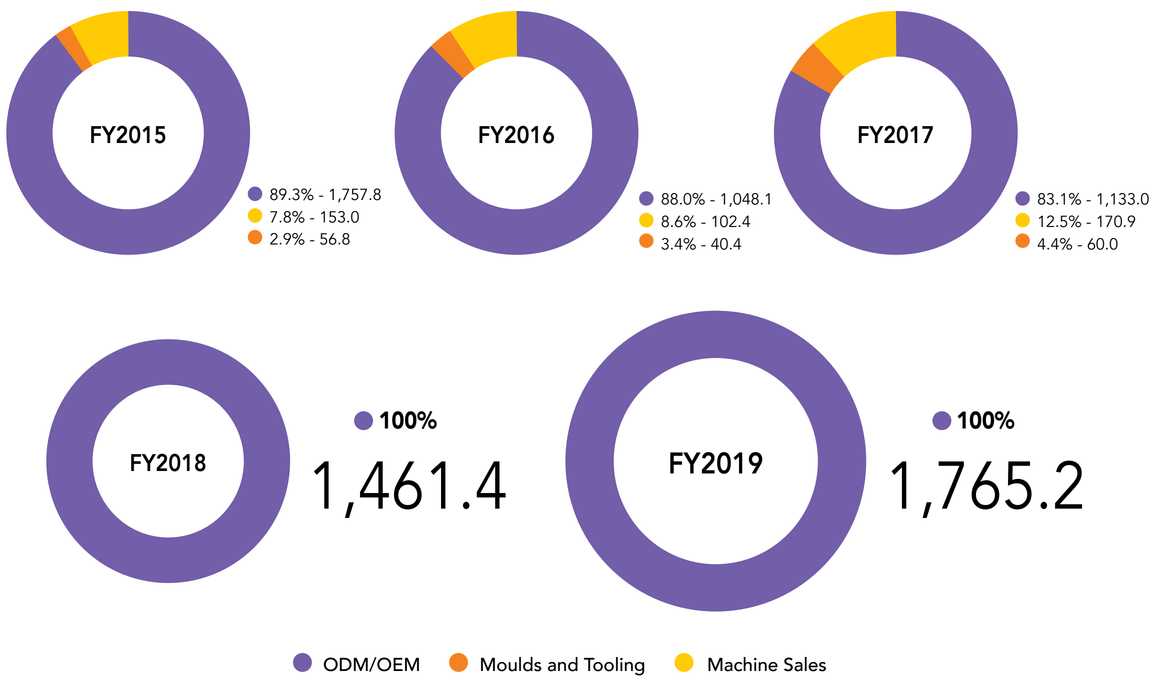

笃志不倦

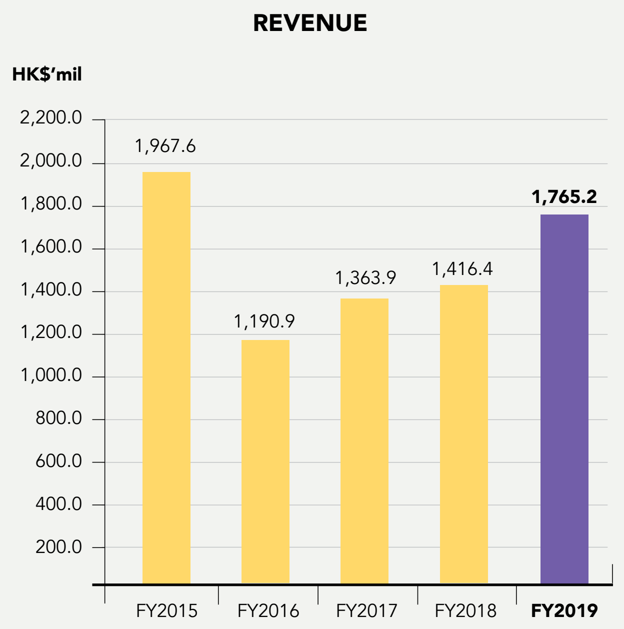
Financial Highlights

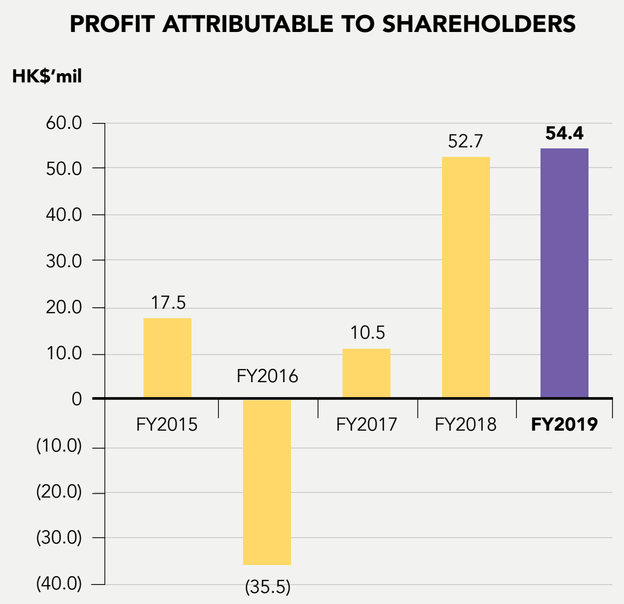
For the year (HK$'mil)	FY2015	FY2016	FY2017	FY2018 (Restated)	FY2019
Revenue	1,967.6	1,190.9	1,363.9	1,416.4	1,765.2
Gross Profit	170.2	65.6	106.2	100.3	149.0
Profit/(loss) before Tax	21.2	(36.6)	15.9	56.2	62.9
Profit/(loss) Attributable to Shareholders	17.5	(35.5)	10.5	52.7	54.4
Basic Earnings/(loss) per Share (HK cents)	53.5	(109.1)	32.5	163.2	168.1

As at 31 December (HK$'mil)	FY2015	FY2016	FY2017	FY2018	FY2019
Total Assets	1,760.8	1,161.2	1,248.5	1,362.6	1,551.3
Total Liabilities	1,101.0	600.0	649.3	722.3	881.0
Total Equity	659.8	561.2	599.2	640.3	670.3
Net Cash generated from/(used in) Operating Activities	35.7	35.5	216.0	(117.3)	116.2
Cash and Cash Equivalents	54.9	43.4	73.1	89.9	100.5

REVENUE BY SEGMENTS (HK$'MIL)







REVENUE
(HK$' mil)

1,765.2

GROSS PROFIT
(HK$' mil)

149.0

PROFIT BEFORE TAX
(HK$' mil)

62.9

EARINGS PER SHARE
(HK cents)

168.1

Moving Forward


众志成城

Board of Directors

MR. TAM JO TAK, DOMINIC, 65

Role: Executive Chairman and Chief Executive Officer
Date of first appointment as director: 27 December 2007
Date of last re-election as a director: 25 April 2017
Length of service as a director (as at 31 December 2019): Approximately 12 years
Board committee(s) served on: Nil
Academic & Professional Qualification(s): Honorary Bachelor of Science Degree in Production Engineering and Management, Loughborough University, United Kingdom
Present Directorships (as at 31 December 2019):
Listed Companies: Nil
Others: DJKS Holdings Limited
Major Appointments (other than Directorships): Nil
Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019): Nil

Mr. Tam Jo Tak, Dominic is the Executive Chairman and Chief Executive Officer of our Group. He was appointed to our Board on 27 December 2007. Since the inception of the Group in 1992, he oversees all business and management activities of the Group and is responsible for setting business directions and goals, exploring new business opportunities and the overall customer relationships of the Group. Mr. Tam has more than 35 years of experience in toy product development and manufacturing. Prior to setting up our Group, he was a product development director at Zindart Industrial Co., Ltd from 1989 to 1991. He held senior positions with many US companies in Hong Kong from 1982 to 1988 in the areas of production planning, quality control and engineering. The companies he served including Galco International Toys, LJN Toys, ERTL (HK) Ltd, Ideal Toys and Hong Kong Industrial Co., Ltd. He was also a visiting lecturer of the Hong Kong Polytechnic from 1980 to 1983. Mr. Tam was the Chairman of the Hong Kong Diecasting Association in 2000 and 2001 and has been the Honorary Chairman thereafter. He has been a committee member of The Toys Manufacturer's Association of Hong Kong from 2002 and was elected as President in 2016. He is also elected as the President of the Professional Validation Council of Hong Kong Industries in 2018. Mr Tam graduated with an Honours Bachelor of Science degree in Production Engineering and Management from the Loughborough University in the UK in 1980.

MR. CHIU HAU SHUN, SIMON, 60

Role: Executive Director
Date of first appointment as director: 8 October 2007
Date of last re-election as a director: 24 April 2018
Length of service as a director (as at 31 December 2019): Approximately 12 years and 2 months
Board committee(s) served on: Nil
Academic & Professional Qualification(s): School of Business, Indiana University, USA
Present Directorships (as at 31 December 2019):
Listed Companies: Nil
Others: Eastern Glory Financial Advisor and Investment Limited, DJKS Holdings Limited, Crownington International Holdings Limited
Major Appointments (other than Directorships): Nil
Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019): Nil

Mr. Chiu Hau Shun, Simon is an Executive Director of our Group and prior to 1 October 2006, he was responsible for the finance and accounts of the Group. He was appointed to our Board on 8 October 2007 and has been with our Group since 2000. He is currently principally engaged in Human Resources, Administration and Corporate Affairs for our Group. He is also a director of Eastern Glory Financial Advisor and Investment Limited, a PRC consultancy business which he founded in 1997. Prior to setting up his own business, he was the chief financial officer of various companies, such as Hua Yang Industrial Co., Ltd., Waly Decoration Company Limited, DMC Hong Kong Limited and G.J.M. Hong Kong Ltd. He was also an assistant general manager of Sumida (HK) Limited from 1991 to 1993. He started his career as an accountant at Arthur Andersen & Co. where he practised for close to eight years. Mr. Chiu received his education from the Indiana University School of Business, USA.

MR. LI HIN LUN, ALAN, 56

Role: Executive Director
Date of first appointment as director: 1 May 2016
Date of last re-election as a director: 24 April 2018
Length of service as a director (as at 31 December 2019): Approximately 3 year and 8 months
Board committee(s) served on: Nil
Academic & Professional Qualification(s): Higher diploma in Production and Industrial Engineering, Hong Kong Polytechnic, Hong Kong
Present Directorships (as at 31 December 2019):
Listed Companies: Nil
Others: Nil
Major Appointments (other than Directorships): Nil
Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019): Nil

Mr. Li Hin Lun, Alan is an Executive Director and Chief Operating Officer of our Group and is responsible for the oversight of the day-to-day operations of the Company and the Group (particularly, in the ODM/OEM Business segment within the Group). He was appointed to our Board on 1 May 2016. Prior to that, he has been the General Manager, Head of Sales and Marketing, ODM/OEM Business Unit since 1994 and was responsible for the operations, administration and shipping department in our Group's Hong Kong office for the ODM/OEM Business Unit.

Prior to joining our Group, Mr. Li had close to seven years of experience working in the die-cast and plastic toy manufacturing industry, having been at Paka Toys from 1991 to 1994 as a senior engineer and a design engineer in Kader Industrial Company Limited from 1989 to 1991. He was also a project engineer at Forwind Windsome Company Limited from 1987 to 1989 and engaged in project development of toys from design to manufacturing.

Mr. Li graduated with a higher diploma in Production and Industrial Engineering from the Hong Kong Polytechnic in 1987.

MR. CHEUNG HOK FUNG, ALEXANDER, 55

Role: Non-Executive and Lead Independent Director
Date of first appointment as director: 28 March 2008
Date of last re-election as a director: 25 April 2017
Length of service as a director (as at 31 December 2019): Approximately 11 years and 9 months
Board committee(s) served on: Audit Committee (Chairman),Nominating Committee (Member), Remuneration Committee (Member)
Academic & Professional Qualification(s):
Certified Public Accountant, Hong Kong, Chartered Accountant, Australia and New Zealand;
Professional Diploma in Company Secretaryship and Administration, Hong Kong Polytechnic, Hong Kong;
Master Degree of Laws, University of New England, Australia;
Bachelor Degree of Laws, University of New England, Australia.
Present Directorships (as at 31 December 2019):
Listed Companies: Titan Petrochemicals Group Limited
Others: Nil
Major Appointments (other than Directorships):
Barrister (High Court of Hong Kong), Accredited General Mediator (HKIAC)
Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019):
Shanghai Turbo Enterprises Limited

Mr. Cheung Hok Fung, Alexander has over 25 years of experience in corporate governance, accounting and auditing, tax planning and compliance as well as dispute resolution. He received his accountancy training in the tax departments of Ernst & Young, Hong Kong and Coopers & Lybrand, Singapore from 1989 to 1992. He then joined M. C. Packaging (Hong Kong) Limited working in its corporate development and Hong Kong listing rules compliance function. He started his public accounting and financial advisory practice in 1994. He switched to law in 2006.

Board of Directors

MR. CHIA SENG HEE, JACK, 59

Role: Non-Executive and Independent Director
Date of first appointment as director: 28 March 2008
Date of last re-election as director: 26 April 2019
Length of service as a director (as of 31 December 2019):
Approximately 11 years and 9 months
Board committee(s) served on: Audit Committee (Member), Nominating Committee (Chairman), Remuneration Committee (Chairman)
Academic & Professional Qualification(s):
Fellow Chartered Accountant of Singapore;
Bachelor's degree in Accountancy, the National University of Singapore;
Masters of Arts degree in International Relations, the International University of Japan;
General Manager Program, Harvard Business School.
Present Directorships (as of 31 December 2019):
Listed Companies:
Dukang Distillers Holdings Limited, Debao Property Development Limited, mm2 Asia Limited, Ying Li International Real Estate Limited, CDW Holding Limited
Major Appointments (other than Directorships): Nil
Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019): China Hongcheng International Holdings Limited (Chairman, Nominating Committee and Remuneration Committee), AGV Group Limited (Board Chairman and Chairman, Audit Committee), Shanghai Turbo Enterprises Limited (Board Chairman and Chairman,Nominating Committee and Remuneration Committee), Lifebrandz Limited (Chairman, Audit Committee)

After some twenty years in Singapore, Japan and China with Enterprise Singapore (formerly Trade Development Board), Singapore Technologies, Government of Singapore Investment Corporation as well as Arthur Andersen, Mr. Chia is now a professional director, practising corporate governance since 2007.

MR.WEE SUNG LENG, 55

Role: Non-Executive and Independent Director
Date of first appointment as director: 26 April 2019
Date of last re-election as a director: Nil
Length of service as a director (as at 31 December 2019):
Approximately 8 months
Board committee(s) served on: Audit Committee (Member), Nominating Committee (Member), Remuneration Committee (Member)
Academic & Professional Qualification(s):
Bachelor of Accountancy
Present Directorships (as at 31 December 2019):
Listed Companies: Independent Non-Executive Director, Singapore Myanmar Investco Ltd.
Others: Fortune Green Global Corp
Major Appointments (other than Directorships): Nil
Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019): Nil

Upon his graduation from National University of Singapore in 1991, Mr. Wee Sung Leng worked as a regional accountant in Geco-Prakla (Singapore) Ltd, part of Schlumberger Limited, a Fortune Global 500 company in the oil and gas industry listed on the New York Stock Exchange. In 1993, he left Geco-Prakla to establish his career in the corporate and investment banking sector with roles ranging from credit and marketing, corporate lending and investment banking. In his 18 year investment banking career, he has been actively involved in origination, due diligence and execution of corporate transactions such as initial public offerings, reverse takeovers, share placement and rights issue, acted as independent financial advisor to listed companies in interested persons transactions, delistings and general offer transactions and advise on industry positioning and investor relations marketing strategies.

Between May 2018 and June 2019, he was Chief Financial Officer of MoneyMax Financial Services Ltd and was responsible for the Group's accounting and finance function. He currently advises on corporate positioning and strategies, restructuring and company reporting.

Besides Combine Will, Mr. Wee is also Independent Director of Singapore Myanmar Investco Limited, a company listed on the Main Board of the Singapore Stock Exchange.

Mr. Wee graduated with a Bachelor of Accountancy degree from the National University of Singapore.

ZHENG NAIQIAO, KOULMAN
Director, Head of Moulds and Tooling Business Unit

Mr. Zheng Naiqiao, Koulman is our Director, Head of Moulds and Tooling Business Unit and is responsible for the market and technological development, operations and quality control of our Moulds and Tooling Business Unit.

Prior to joining our Group in 1999, Mr. Zheng was a manager of the overseas vendor operations of Liberty Classics Inc for approximately seven years. Prior to that, he was a production and operations manager at Dyna Mechtronics Inc. and was responsible for the production of the CNC machining centres and manufacturing systems of the company. From 1978 to 1982, he was an engineer at the factory of Specialised Production Equipment in Guangzhou, PRC.

Mr. Zheng graduated with a Master of Science in Mechanical Engineering from the Northeastern University in Boston Massachusetts, USA.

TANG KAI MAN, NICHOLAS
Director of R&D and Engineering, ODM/OEM Business Unit

Mr. Tang Kai Man, Nicholas has been the Director of R&D and Engineering, ODM/OEM Business Unit since 2008 and is responsible for the design, research, development and engineering function of our ODM/OEM Business Unit. Recently, he is also responsible for the development of our Indonesia plant.

Prior to joining our group, Mr. Tang has been working in toy manufacturing industry for 30 years. He was the Director/General Manager of Hutchison Harbour Ring Group, Engineering Director of Hasbro Toys, Galco Toys and General Manager of Buddy L (HK) Ltd where he started as Project Engineer. He has extensive experience in product engineering and manufacturing.

Mr. Tang graduated from the Hong Kong Polytechnic with Associateship in Production and Industrial Engineering and passed the Council of Engineering Institute (CEI) Part 2 in 1977.

QIU GUO LIAN, DAVID
Chief Production Officer, Head of Operations, ODM/OEM Business Unit

Mr. Qiu Guo Lian, David has been the General Manager, Head of Operations of our ODM/OEM Business Unit since 1992 and has been responsible for the plant operations of our ODM/OEM Business Unit.

Prior to joining our Group, he was a senior supervisor at Wah Shing Toys Co., Ltd. for four years and was involved in production planning and material control.

Mr. Qiu graduated with a college diploma in Education in English from the Huizhou Educational College in 1987.

XU NAN YUN, STEVEN
Acting Chief Financial Officer

Mr. Xu Nan Yun, Steven has been the Acting Chief Financial Officer of our Group on 8 November 2016 and is responsible for the accounting and financial operations of the group. Mr. Xu has been with our Group since 1999.

Prior to joining our Group, Mr. Xu had worked at Heping Middle School from 1993 to 1996 as a math teacher and was responsible for instructing students in mathematics.

Mr. Xu graduated with an Accounting degree from the Foshan University, Guandong province in 1996 and obtained the occupational qualification of Medium Level Accountant.

Corporate Information

BOARD OF DIRECTORS

Tam Jo Tak, Dominic
Executive Chairman and
Chief Executive Officer

Chiu Hau Shun, Simon
Executive Director

Li Hin Lun, Alan
Executive Director

Cheung Hok Fung, Alexander
Lead Independent
Non-Executive Director

Chia Seng Hee, Jack
Independent Non-Executive Director

Wee Sung Leng
Independent Non-Executive Director

AUDIT COMMITTEE

Cheung Hok Fung, Alexander
(Chairman)
Chia Seng Hee, Jack
Wee Sung Leng

NOMINATING COMMITTEE

Chia Seng Hee, Jack (Chairman)
Cheung Hok Fung, Alexander
Wee Sung Leng

REMUNERATION COMMITTEE

Chia Seng Hee, Jack (Chairman)
Cheung Hok Fung, Alexander
Wee Sung Leng

COMPANY SECRETARY

Ng Joo Khin, LLB (Hons)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Lian Zhi Toys Gift (Dongguan) Co., Ltd.
Liu Jia Ind. District,
Heng Li Zhen, Dongguan,
Guangdong Province,
China

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

RSM Hong Kong
Certified Public Accountants,
Hong Kong
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Partner-in-charge:
Mr. Liu Eugene, CPA
(With effect from FY2016)

JOINT AUDITORS

RSM Chio Lim LLP
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095

Partner-in-charge:
Mr. Goh Swee Hong
(With effect from FY2017)

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
10/F, HSBC Main Building 1 Queen's
Road, Central, Hong Kong

United Overseas Bank Limited
Hong Kong Branch
Suite 2110-2113, Tower 6, The
Gateway, Harbour City, Tsim Sha Tsui,
Kowloon

Bank of China (Hong Kong) Limited
Bank of China Tower, 1 Garden Road,
Hong Kong

Standard Chartered Bank (Hong
Kong) Limited
3/ F, Standard Chartered Bank
Building, 4-4A Des Voeux Road,
Central, Hong Kong

Chong Hing Bank Limited
114 How Ming Street, Kwun Tong,
Kowloon

The Bank of East Asia, Limited
38th Floor. BEA Tower, Millennium
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On 6 August 2018, the Monetary Authority of Singapore issued the revised Code of Corporate Governance 2018 (the "**Code**") and accompanying Practice Guidance, which supersedes the previous Code of Corporate Governance issued in 2012, and is applicable to annual reports covering financial years commencing from 1 January 2019.

The Directors and Management of Combine Will International Holdings Limited (the "**Company**") are committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code and the relevant sections of the Listing Manual (the "**Listing Manual**") issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

This report sets out the Company's key corporate governance practices with references to the Code, where appropriate. The Company has generally adhered to the principles and guidelines as set out in the Code, save as otherwise explained below in accordance with Rule 710 of the Listing Rules.

The corporate governance practices of the Company for the financial year ended 31 December 2019 ("**FY2019**") are described herein under the following sections:

I Board Matters
II Remuneration Matters
III Accountability and Audit
IV Shareholder Rights and Responsibilities
V Dealings in Securities
VI Material Contracts
VII Risk Management
VIII Interested Person Transactions

I. BOARD MATTERS

(Principles 1, 2, 3, 4, and 5 of the Code)

Board's Conduct of its Affairs

The Board of Directors of the Company (the "**Board**") is responsible for supervising the management and affairs of the Company. In providing stewardship for the Company, the Board also endeavours to enhance and protect long-term returns and value for its shareholders. The Board's primary duty is to ensure that the Company is managed in the best interests of shareholders as a whole, while taking into account the interests of other stakeholders, and at the same time not losing track of its viability.

There is a clear division of responsibilities in the top management with clearly defined lines of responsibility between the Board and executive functions of the management of the Company's business (the "**Management**"). The Board is assisted by experienced and qualified executive officers of the Company.

Broadly, the responsibilities of the Board include but are not limited to the following:

- reviewing and approving overall business strategies developed and recommended by the Management;

- ensuring that decisions and investments are consistent with long-term strategic goals;

- ensuring the Company is operated to preserve its financial integrity and its operations are in accordance with policies approved by the Board;

- providing oversight in ensuring that the Company's activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;

- overseeing, through the Audit Committee, the quality and integrity of the Company's accounting and financial reporting systems, disclosure controls and procedures, internal controls and risk management systems;

- reviewing transactions entailing any material acquisitions or disposals of assets; and
- assuming overall responsibility for corporate governance.

The Company has put in place a set of guidelines and clear directions to Management on matters reserved for the Board's decision and approval, and examples of such matters are set out as follows:

- matters involving a conflict of interest for a substantial shareholder or a director;
- annual capital expenditure budget or any unbudgeted capital expenditure exceeding S$2,000,000;
- corporate governance policies;
- new or additional investments exceeding S$2,000,000;
- disposal of assets or investments with net book value or fair value exceeding S$2,000,000;
- pledging of assets or investments with a net book value exceeding S$2,000,000 for financing purposes;
- increase or decrease in any subsidiary's capital of more than S$5,000,000; and
- provision of corporate guarantees or letters of comfort.

In addition, in accordance with Provision 1.1 of the Code, a director who faces a conflict of interest will recuse himself or herself from any discussions and decisions which involve that conflict of interest.

The Board also delegates certain of its functions to the Audit, Nominating and Remuneration Committees and these functions are described separately under the various sections below that cover each committee. Each committee has its own defined terms of references and operating procedures, and they report their activities regularly to the Board.

Board Composition and Guidance

Presently, the Board consists of six members, comprising three independent non-executive Directors and three executive Directors. In accordance with Provision 2.2 of the Code, which states that where the Chairman is not independent, independent directors are to make up a majority of the Board, and Provision 2.3 of the Code, which states that non-executive directors are to make up a majority of the Board. Mr. Li Hin Lun, Alan, an executive Director, will be retiring at the Annual General Meeting of the Company ("**AGM**") to be held on 16 June 2020. The Board will then comprise three independent non-executive Directors and two executive Directors in accordance with Provisions 2.2 and 2.3 of the Code. The Nominating Committee assesses the independence of each Director, taking into account the guidance in the Code for assessing independence. On this basis, Mr. Cheung Hok Fung, Alexander, Mr. Chia Seng Hee, Jack and Mr. Wee Sung Leng are independent Directors. Notwithstanding that Mr. Cheung Hok Fung, Alexander has been a director of the Company for an aggregate period of more than 9 years, the Nominating Committee is of the opinion that he remains independent in conduct, character and judgment, and has no relation with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment in the best interests of the Company. A brief profile of each Director is presented in the Profile of Board of Directors section of this Annual Report and their shareholdings in the Company and its subsidiaries as at 31 December 2019 are disclosed in the Directors' Statement for FY2019.

There is a good balance between the executive and non-executive directors. There is also a strong and independent element on the Board. Nevertheless, given the scale of the Company and the complexity of the business, the size of the Board will be reviewed from time to time to ensure that it can provide the optimum balance to facilitate effective decision-making. The Board, taking into account the scope and nature of the operations of the Company, considers the current size of six directors and, following the AGM to be held on 16 June 2020, five directors, to be adequate for effective decision-making.

The Independent Directors provide a strong independent element on the Board, being free from business or other relationships which could materially interfere with the exercise of their judgment. These Directors continue to provide stability to the Board and the Company has benefited greatly from the presence of individuals who are specialists in their own field. Furthermore, their length of service on the Board has not only allowed them to gain valuable insight into the Group, its business, markets and industry, but has also given them the opportunity to bring the full breadth and depth of their business experience to the Company.

The Board has used its best efforts to ensure that the Directors appointed to the Board have the appropriate mix of expertise and diversity in experience, such that each of them possesses the background and knowledge in technology, finance, business and management skills critical to the Company's business to enable the Board to analyse the global environment, to assess business development opportunities and to make sound and well considered decisions.

Members of the Board comprise professionals that provide core competencies to ensure the effectiveness of the Board. Such core competencies include accounting, finance, strategic ability, business acumen, management experience and in-depth understanding of the industry and customer base, familiarity with regulatory requirements, as well as knowledge of risk analyses and control.

Board Committees

The Board has established specific committees to assist in the efficient implementation of its functions, namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). Specific responsibilities have been delegated to each of the committees. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The Board meets at least once every quarter and ad-hoc meetings are convened as and when circumstances require. The Company's Articles of Association provide for Directors to participate in Board and Board committee meetings in person or by means of teleconference, video conferencing or audio visual equipment.

In accordance with Provision 1.6 of the Code, the Board also receives documents on matters requiring its consideration prior to and in advance of each meeting and for circular resolutions. Where appropriate or necessary, the relevant Board committee will also be asked to review and provide its recommendations to the Board. The Board papers and papers accompanying circular resolutions are required to be comprehensive and encompass both quantitative and qualitative factors so that informed decisions can be made. All proceedings of Board and Board Committee meetings are minuted and signed by the respective Chairmen of the meetings.

During FY2019 the number of meetings held by the Board and the Board committees and the details of attendance are as follows:

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
Name of Directors	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended
Tam Jo Tak, Dominic	4	4	-	-	-	-	-	-
Chiu Hau Shun, Simon	4	4	4 (a)	4 (a)	1 (a)	1 (a)	1 (a)	1 (a)
Li Hin Lun, Alan	4	4	-	-	-	-	-	-
Cheung Hok Fung, Alexander	4	4	4	4	1	1	1	1
Chia Seng Hee, Jack	4	4	4	4	1	1	1	1
Wee Sung Leng	4	4	4	4	1	1	1	1

(a) Attended the meeting as an invitee

Executive Chairman and Chief Executive Officer, and Lead Independent Director

Mr. Tam Jo Tak, Dominic is the co-founder, Executive Chairman and Chief Executive Officer of the Group.

Since the inception of the Group in 1992, Mr. Tam oversees all business and management activities of the Group and is responsible for setting out business directions and goals, exploring new business opportunities and maintaining overall customer relationships of the Group. Mr. Tam has more than 35 years of experience in toy product development and manufacturing.

Mr. Tam is also responsible for heading the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in the Board's decision-making process. Although the appointment of Mr. Tam as Executive Chairman and Chief Executive Officer of the Company is a deviation from Provision 3.1 of the Code, the Board is of the opinion that such appointments do not affect the effective running and accountability of the Board. The independent non-executive directors comprise half of the Board. Although this is a deviation from Provision 2.2 and Provision 2.3 of the Code as the Chairman is not independent, the Board is of the opinion that they bring objective and independent judgment to the decision-making processes of the Board and provide an adequate check and balance for the executive directors, ensuring an appropriate balance of power between the Board and Management. Furthermore, after the AGM to be held on 16 June 2020, the independent non-executive directors will comprise a majority of the Board in compliance with the Code.

Provision 3.3 of the Code recommends the appointment of a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially where the Chairman is not independent. The Code also recommends that the lead independent director be available for any concerns of any shareholders to be conveyed to where such concerns were not resolved through the normal channels or for which such channels are inappropriate. For this purpose, Mr. Cheung Hok Fung, Alexander has been appointed as the Lead Independent Director.

Led by Mr. Cheung, the independent non-executive Directors meet periodically without the presence of the other directors to discuss matters in relation to the Group in accordance with Provision 2.5 of the Code. Subsequent to each such meeting and as appropriate, Mr. Cheung, in his capacity as the Lead Independent Director, provides feedback to Mr. Tam, the Executive Chairman and Chief Executive Officer of the Company.

Board Membership

The NC comprises three directors, the entirety of whom, including the NC Chairman, are Independent Non-Executive Directors:

Mr. Chia Seng Hee, Jack (Chairman)
Mr. Cheung Hok Fung, Alexander
Mr. Wee Sung Leng

The principal functions of the NC are set out below:

- making recommendations to the Board on all board appointments and re-appointments;
- deliberating on the re-nomination of Directors and succession planning, particularly the Executive Chairman and Chief Executive Officer, having regard to the Director's contribution and performance (e.g. attendance at meetings, preparedness, participation and candour). All Directors are subject to re-nomination and re-election at regular intervals and at least every three years pursuant to the Company's Articles of Association and Rule 720(5) of the Listing Manual. A Director who is newly appointed by the Board to fill a vacancy or as additional member of the Board will have to submit himself for retirement and election at the next annual general meeting following his appointment;
- determining annually whether or not a Director is independent pursuant to the guidelines set out in the Code, and in accordance with such amendments made thereto from time to time;

- making recommendations to the Board on the development of a process for evaluation of the performance of the Board, its board committees and directors, and proposing objective performance criteria that address how the Board has enhanced long-term shareholder value;

- assessing the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness of the Board; and

- making recommendations to the Board on the review of training and professional development programs for the Board.

The Independent Non-Executive Directors have multiple board representations. Nevertheless, amongst other contributions to the Company, the Independent Non-Executive Directors have attended all the Board and Board committee meetings (where applicable) and have provided constructive input in these meetings. Consequently, the NC is satisfied that the Directors have, in accordance with Provision 1.5 of the Code, been able to devote adequate time and attention to fulfil their duties as Directors of the Company, in addition to their multiple board representations.

The NC notes the requirement under the Code for companies to fix the maximum number of listed company board representations that their directors may hold and to disclose this in their annual report. Details of such directorships and other principal commitments of our Directors may be found on pages 18 to 20 in accordance with Provision 4.5 of the Code. As time requirements are subjective, the NC recognises that its assessment of each Director's ability to discharge his or her duties adequately should not be confined to the sole criterion of the number of his or her board representations. Thus, it will also take into account contributions by Directors during Board and Board Committee meetings and their attendance at such meetings, in addition to each of their principal commitments.

The Board through the NC ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. The NC first establishes and reviews the profile required of Board members and makes recommendations to the Board on the appointment, re-nomination and retirement of Directors. When an existing Director chooses to retire or is required to retire from office by rotation, or the need for a new Director arises, the NC will review the spectrum of expertise, skills and attributes of the Board based on its existing composition. Subsequently, the NC will identify the Company's needs and prepare a shortlist of candidates with the appropriate profile for nomination or re-nomination. Where necessary, the NC may seek advice from external search consultants.

In accordance with Provision 1.2 of the Code, a newly appointed director will be briefed on the Group's business and governance practices and will attend formal courses conducted by the Singapore Institute of Directors (or other professional or training institutes or organisations) to familiarise himself with the regulatory environment in Singapore and the roles and responsibilities as a director of a listed company within one year of his or her appointment.

In addition, from time to time, the Directors will also continue to undergo relevant training programmes where necessary with regard to any new developments, particularly on relevant new laws, regulations and changing commercial risks.

Board Performance

The NC reviews the criteria for evaluating the Board's performance as a whole and the contributions by each Director. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board and its Directors. The Board, led by the Lead Independent Director, also assesses the effectiveness of the Executive Chairman.

The performance criteria for the Board, Board Committees and individual Directors will include an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with management, corporate integrity, managing the Company's performance, strategic review, Board Committee effectiveness, the Chief Executive Officer's performance and succession planning, Director development and management, risk management and standard of conduct of the Directors. The NC also takes factors such as attendance, preparedness, participation and candour at Board meetings into consideration.

In addition, an annual performance evaluation will be conducted during each financial year to assess the effectiveness of the Board and contribution of each Director. The purpose of the evaluation is to increase the overall effectiveness of the Board. As part of the annual performance evaluation, the NC conducted a peer appraisal process whereby Directors were requested to complete appraisal forms to assess the overall effectiveness of the Board and the Board Committees, as well as each individual Director's contributions to the Board and Board Committees. The results of the appraisal exercise would be considered by the NC, which would then make recommendations to the Board, thus helping the Board to discharge its duties more effectively.

Access to Information

In accordance with Provision 1.6 of the Code, prior to each Board meeting, Directors are provided with timely and complete information to enable them to fulfil their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

In accordance with Provisions 1.6 and 1.7 of the Code, the Directors have separate and independent access to Management. Prior to each Board meeting, Directors are provided with timely and complete information from Management to enable them to fulfill their responsibilities. The Directors also have separate and independent access to the Company Secretary. All Board and committee meetings are to be conducted with the attendance of the Company Secretary (or the Company's legal advisers) to ensure that Board procedures are followed and applicable rules and regulations are complied with. The Board is responsible for the appointment and removal of the Company Secretary.

Where members of the Board, either individually or as a group, seek independent legal or professional advice, after consultation with the Chairman, such expenses will be borne by the Company.

II REMUNERATION MATTERS

(Principles 6, 7 and 8 of the Code)

Procedures for Developing Remuneration Policies

The RC comprises three directors, the entirety of whom, including the RC Chairman, are Independent Non-Executive Directors:

Mr. Chia Seng Hee, Jack (Chairman)
Mr. Cheung Hok Fung, Alexander
Mr. Wee Sung Leng

The RC is responsible for the following:

- considering all aspects of remuneration, including termination terms, to ensure that they are fair, recommending to the Board a framework of remuneration for the Directors and key executives, and determining specific remuneration packages for the Chief Executive Officer and each Executive Director. The recommendations of the RC are submitted for endorsement by the entire Board. Each member of the RC is to abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package. As such, no Director is involved in deciding his own remuneration; and

- reviewing and administering the Company's compensation schemes from time to time including executive share option or share performance plans that are or may be put in place ("Schemes"). As part of its review, the RC shall ensure that all aspects of the Schemes are comparable to schemes implemented by other similar companies within the industry.

The current policy of the RC in respect of Directors' remuneration is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align the interest of the Directors with those of shareholders.

Level and Mix of Remuneration

The RC reviews and recommends a general framework of remuneration for the Board and key management personnel, with specific packages for each. The RC's recommendations would be submitted for endorsement by the entire Board.

In fine-tuning remuneration packages, the RC takes into consideration pay and employment conditions within the industry and in comparable companies. In addition, for executive Directors and key executives (who are not Directors), the Company's relative performance and individual performance are factored into each remuneration package in accordance with Provision 7.1 of the Code. The RC ensures that such performance-related remuneration is aligned with the interests of shareholders, promotes the long-term success of the company, takes account of the risk policies of the company, is symmetric with risk outcomes and is sensitive to the time horizon of risks.

In accordance with Provision 7.2 of the Code, the remuneration of non-executive Directors will be appropriate to their respective levels of contribution, taking into account factors such as effort and time spent, and their responsibilities. The Board will recommend the remuneration of the non-executive Directors for approval at the annual general meetings of the Company.

Remuneration Components

Remuneration benefits for both executive Directors and key executives (who are not Directors) comprise a fixed component and a variable component.

The fixed component comprises the base salary. The variable component includes a performance bonus, which shall be determined based on the Company's relative performance and individual performance. In compliance with the Code, the Company has incorporated appropriate "claw-back mechanisms" to allow it to reclaim the variable incentive-based component of remuneration from directors and key management personnel in the exceptional circumstances of (i) misstatement of financial results; or (ii) misconduct resulting in financial loss to the Company.

Disclosure of Remuneration

The remuneration of the Directors for FY2019 is disclosed below:

Name	Salary / Directors' fees (%)	Bonus (%)	Benefits in kind (%)	Share Options (%)	Share-based incentives (%)	Other long-term incentives (%)	Total Compensation (S$'000)
Executive Directors							
Tam Jo Tak, Dominic	100.0	-	-	-	-	-	328
Chiu Han Shun, Simon	100.0	-	-	-	-	-	328
Li Hin Lun, Alan	91.81	8.19	-	-	-	-	212
Non-executive directors							
Cheung Hok Fung, Alexander	100.0	-	-	-	-	-	80
Chia Seng Hee, Jack	100.0	-	-	-	-	-	80
Wee Sung Leng	100.0	-	-	-	-	-	80

The remuneration of the key executives (who are not Directors) for FY2019 is disclosed below:

Name	Salary (%)	Bonus (%)	Benefits in kind (%)	Share Options (%)	Share-based incentives (%)	Other long-term incentives (%)	Total Compensation (S$'000)
Key executives (who are not Directors)							
Zheng Naqiao, Koulman	100.0	-	-	-	-	-	325
Qiu Guo Lian, David	91.94	8.06	-	-	-	-	222
Tang Kai Man, Nicholas	91.90	8.10	-	-	-	-	222
Xu Nan Yun, Steven	91.06	8.94	-	-	-	-	82

The total remuneration paid to the top four key executives (who are not Directors) is S$851,000.

The aggregate amount of termination, retirement and post-employment benefits that may be granted to the Directors, the Chief Executive Officer and the top four key executives (who are not Directors) is S$1,959,000.

There is no employee that is a substantial shareholder of the Company, or is an immediate family member of any Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 for the FY2019.

There are no employee share schemes for FY2019.

III ACCOUNTABILITY AND AUDIT

(Principles 9 and 10)

Accountability

The Board understands its accountability to the shareholders regarding the Group's performance. The objective of presenting annual financial statements and quarterly announcements to shareholders is to provide shareholders with a detailed and balanced analysis of the Group's financial position and prospects.

The Board is committed to ensure compliance with legislative and regulatory requirements including but not limited to requirements under the Listing Manual.

Management understands its role to provide all members of the Board with balanced and understandable management accounts on a monthly basis of the Group's performance, position and prospects.

Audit Committee

The AC comprises three directors, the entirety of whom, including the AC Chairman, are Independent Non-Executive Directors:

Mr. Cheung Hok Fung, Alexander (Chairman)
Mr. Chia Seng Hee, Jack
Mr. Wee Sung Leng

In accordance with Provision 10.2 of the Code, the members of the AC have recent and relevant account or related financial management expertise or experience. In accordance with Provision 10.3 of the Code, the AC does not comprise former partners or directors of the company's existing auditing firms, RSM Hong Kong and RSM Chio Lim LLP.

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, with a focus principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial process, internal controls and the audit function.

The AC has explicit authority to investigate any matter within its terms of reference. The AC also has full access to, and the co-operation of, Management, as well as full discretion to invite any Director to attend its meetings. The AC is equipped with reasonable resources to enable it to discharge its functions.

The duties and responsibilities of the AC include:

- reviewing, with the external auditors, the audit plan, including the nature and scope of the audit before the audit commences, their evaluation of the system of internal controls, audit report, management letter and Management's response;
- ensuring co-ordination where more than one audit firm is involved;
- reviewing the quarterly and annual financial statements of the Company before submission to the Board for approval;
- reviewing the financial statements of the Company, the consolidated statement of changes in equity and consolidated statement of comprehensive income, before approval by the Board;
- discussing problems and concerns, if any, arising from the quarterly and final audits, in consultation with the external auditors and the internal auditors where necessary;
- meeting with the external auditors and the internal auditors at least annually, without attendance of Management, to discuss any problems and concerns the auditors may have;
- reviewing the assistance provided by Management to the external auditors;
- reviewing annually the scope and results of the audit and its cost effectiveness as well as the adequacy, effectiveness, independence, scope, results and objectivity of the external auditors;
- where the auditors also provide non-audit services to the Company, reviewing the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be compromised;
- reviewing the internal audit programme (including reviewing the procedures implemented by the Group to ensure that all requisite licences and approvals are obtained prior to commencement of the appropriate phases of projects where relevant, as well as ensuring that such procedures are adequate) and to ensure co-ordination between the internal and external auditors and Management;
- reviewing the scope and results of the internal audit procedures;
- reviewing and assessing the adequacy of the Company's internal financial controls, operational and compliance controls as well as risk management policies and systems;
- reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response to such an occurrence;
- reviewing arrangements by which staff of the Company or of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters and to conduct an independent investigation of such matters for appropriate follow-up action (the "**Whistle-blowing Policy**");
- investigating any matter within its terms of reference, with full access to and co-operation from Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

- reviewing interested person transactions (IPTs) falling within the scope of the SGX-ST Listing Manual and potential conflicts of interest, if any;
- undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- undertaking such other functions and duties as may be required by relevant legislation or the Listing Manual, and by such amendments made thereto from time to time;
- considering the appointment/re-appointment of the external auditors, the audit fee and matters relating to the resignation or dismissal of the auditors, and making the relevant recommendations to the Board; and
- advising the Board on the company's overall risk tolerance and strategy.

To ensure compliance with the Code, the AC intends to:

- work with the Board to establish written policies to ensure compliance with legislative and regulatory requirements where appropriate;
- work with the Board to periodically review the risk matrix which documents risk impact, risk response, and the necessary follow-up;
- implement measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements;
- constantly review the Management's and internal auditors' assessment of fraud risk and hold discussions with the external auditors to obtain reasonable assurance that adequate measures were put in place to mitigate fraud risk exposure in the Group; and
- periodically review the adequacy of the Whistle-blowing Policy instituted by the Group.

In particular, the external auditor provides regular updates and periodic briefings to the AC regarding changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and their corresponding impact on the financial statements, if any.

The AC met four times during the financial year. At these meetings, Mr. Chiu Hau Shun, Simon, an Executive Director, and the Acting Chief Financial Officer, Mr. Xu Nan Yun, Steven, were also in attendance. During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending to the Board of their release, as applicable. It reviewed the results of audits performed by the internal auditors based on the approved audit plan. In accordance with Provision 10.5 of the Code, the AC also met with the internal and external auditors, without the presence of Management, during the financial year.

Internal Controls and Internal Audit

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets and business.

The AC ensures that a review of the effectiveness of the Company's system of internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually. The Internal Audit function which carries out (among others) reviews and internal control advisory activities aligned to the key risks in the Group's business, and reports directly to the Chairman of the AC on audit matters. In compliance with Provision 9.2 of the Code, this provides independent assurance to the AC on the adequacy and effectiveness of the risk management, financial reporting processes, and internal control and compliance systems. The internal auditors' scope of work will be reviewed by the AC, and the resulting report issued by the internal auditors will be reviewed in detail by the AC in conjunction with Management. In accordance with Provision 10.4 of the Code, the Internal Audit function has unfettered access to all the Company's documents, records, properties and personnel, including the AC. The AC is satisfied that the Internal Audit function is independent and effective and that the Internal Audit function has adequate resources and appropriate standing within the Group to perform its functions effectively.

For the purposes of compliance with Provision 9.2 of the Code, the Board would obtain assurance, and review this assurance, from the Chief Executive Officer and Acting Chief Financial Officer that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances, and an effective risk management and internal controls system has been put in place.

Based on the existing framework of financial, operational and compliance controls established and the reviews conducted by Management and the internal and external auditors, the Board opines, with the concurrence of the AC and for the purposes of compliance with Provision 9.2 of the Code, that there were adequate and effective internal controls and risk management processes in place within the Group addressing material financial, operational, compliance and information technology risks to meet the needs of the Group, taking into account the nature and scope of its operations.

The system of internal control and risk management established by Management provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

The AC assesses the independence of the external auditor annually. During the year under review, the aggregate amount of fees paid to:

(a) RSM Hong Kong amounted to HK$1,884,000, with the fees paid for its provision of audit and non-audit services amounting to HK$1,250,000 and HK$634,000 respectively;

(b) RSM Chio Lim LLP amounted to S$96,000, with the fees paid for its provision of audit services; and

(c) RSM Amir Abadi Jusuf, Aryanto, Mawar & Rekan amounted to IDR210,000,000, with the fees paid for its subsidiary provision of audit services.

The AC has undertaken a review of all non-audit services provided by RSM Hong Kong and RSM Chio Lim LLP and they would not, in the AC's opinion, affect the independence of either RSM Hong Kong or RSM Chio Lim LLP.

The Board of Directors and the Audit Committee, having reviewed the adequacy of the resources and experience of RSM Hong Kong and RSM Chio Lim LLP, the audit engagement partners assigned to the audit, their other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff assigned to the audit, were satisfied that the Group had complied with Rules 712 and 716 of the Listing Manual.

Whistle-Blowing Policy

The Group is committed to a high standard of compliance with the relevant statutory and regulatory requirements relating to, inter alia, accounting and financial reporting, internal controls, disclosure controls and procedures and corporate governance. The AC has reviewed the adequacy of the Whistle-Blowing Policy adopted and implemented by the Group which provides employees and external parties with official and accessible channels to promote responsible and secure whistle-blowing without fear of adverse consequences. All whistle-blower complaints shall at first instance be reviewed by the internal audit committee (the "**IAC**") of the Company, which will then decide on the cases to be escalated to the AC. The AC shall review all whistle-blower complaints directed from the IAC at its quarterly meetings to ensure independent and thorough investigation and adequate follow-up. The AC shall then present the matters under their purview and recommendations to the Board for its review and further action.

IV SHAREHOLDER RIGHTS AND RESPONSIBILITIES

(Principles 11, 12 and 13 of the Code)

Shareholder Rights

The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining in the Group's business that could have a material impact on its share price and value.

In accordance with Provision 11.1 and Provision 11.4 of the Code, the Company encourages attendance, participation and voting by shareholders at the Company's annual general meetings and special general meetings, at which they are allowed to vote in person or in abstentia through proxies and the relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated prior to the start of the meeting. Shareholders will be afforded adequate opportunities to communicate their views on matters relating to the Company. In accordance with Provision 11.3 of the Code, all members of the Board, including the chairpersons of the AC, NC and RC and the external auditors will be available during the Annual General Meeting to address any relevant queries from shareholders. For FY2019, all the members of the Board, including the chairpersons of the AC, NC and RC and the external auditors attended the Annual General Meeting of the Company (being the sole general meeting of the Company for FY2019).

Registered shareholders, including corporations, who are unable to attend the AGM are provided with an option to appoint up to two proxies. The Company also allows corporations which provide nominee or custodial services to appoint more than two proxies. These allow shareholders who hold shares through corporations to attend and participate in the AGM as proxies.

Communication with Shareholders

It is the Company's policy to keep shareholders informed on a timely basis, through different media, of all major developments relating to the Company, in line with the disclosure obligations of the Company under the Listing Manual. Pursuant to this and in accordance with Provision 12.1, Provision 12.2. and Provision 12.3 of the Code, a comprehensive investor relations policy has been put in place to ensure the Company's shareholders have ready access to pertinent information and are notified of any significant developments concerning the Group.

The Company makes timely disclosures on any new material information to the SGX-ST, and material and price sensitive information is always released via SGXNET. Information on shareholders' meetings is disseminated through notices published in newspapers, as well as through reports or circulars sent to all registered shareholders. These filings and notices are also posted on the Investor Relations ("**IR**") section of the Company's website immediately, so investors are made aware of business and strategic developments on a timely and consistent basis. The IR section is the key resource of information for the investment community. In addition to the quarterly financial results materials, it contains additional investor related information, including annual reports, research reports, factsheets and contact details for investor queries. The Company maintains an email address and contact number specifically to handle any investor queries or requests for information.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors might deem appropriate. The Board is recommending a dividend of Singapore 5.0 cents per ordinary share for FY2019 to thank shareholders for their continuous patience and loyalty.

Conduct of Shareholder Meetings

Shareholders are encouraged to attend the AGM as this is the principal forum for any dialogue they may have with the Directors of the Company.

The Company's Annual Report, together with the notice of AGM, is despatched to shareholders at least 14 days before the AGM. In accordance with Provision 11.2, separate resolutions on each substantially separate issue are proposed at general meetings for approval. "Bundling" of resolutions is kept to a minimum and is done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications involved.

The Company has introduced the system of voting by poll and the results of each resolution put to vote at the AGM are announced with details of the percentage voting in favour and against.

The minutes of annual general meetings and special general meetings which capture the attendance of Board members at the meetings, matters approved by shareholders, voting results and substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting together with responses from the Board and Management are prepared by the Company. At present, the Company has published the minutes on the Company's website to comply with Provision 11.5 of the Code, and these minutes are also available to shareholders upon their request.

V DEALINGS IN SECURITIES

The Company has adopted an internal code of practice for securities transactions by all Directors and designated employees, in compliance with Rule 1207(19) of the Listing Manual.

Under the above-mentioned Rule 1207(19), Directors and designated employees must refrain from dealing in the listed securities of the Company on short-term considerations and when they are in possession of unpublished price-sensitive information in relation to the Company and/or its subsidiaries or associated companies. Directors and designated employees are also not to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the announcement of the Company's full financial year results, as the case may be, and ending on the day of the announcement of the relevant results.

VI MATERIAL CONTRACTS

There were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Chief Executive Officer, Directors or controlling shareholders which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

VII RISK MANAGEMENT

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. Management also reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

To supplement the Group's risk management capabilities, the Group has implemented and adopted a risk matrix to identify and document the impact of particular risks and the Group's responses. All risk assessment and control issues documented in the risk matrix will be communicated to Management and Group employees.

VIII INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested persons and established procedures for the review and approval of such transactions.

All interested person transactions will be properly documented and submitted to the AC for quarterly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

There were no significant interested person transactions during FY2019.

FINANCIAL STATEMENTS

Statement By Directors

For the year ended 31 December 2019

In the opinion of the Directors,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon as set out on pages 43 to 105, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

(c) Subsequent developments
Subsequent to the Company's preliminary financial statements as announced on 28 February 2020, the material development that affect the Group and the Company's operating and financial performance as of the date of this report, was disclosed in note 42 to the Financial Statements.

On behalf of the Directors

Tam Jo Tak, Dominic
Executive Chairman and
Chief Executive Officer

Chiu Hau Shun, Simon
Executive Director

1 June 2020

Independent Auditors' Report

To the Shareholders of Combine Will International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Combine Will International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss, 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 and the financial position of the Company as at 31 December 2019, and of its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Provisioning of slow-moving inventories

Please refer to note 3(f) on the relevant accounting policies, note 4(e) on key sources of estimation uncertainties, note 25 on inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 December 2019, the Group held inventories of HK$131 million, which represented approximately 8.5% of the total assets of the Group. Inventories are carried at the lower of cost and net realisable value ("NRV"). The cost of inventories may exceed their NRV if those inventories are aged, obsolete or damaged, or if their selling prices have declined. Management determine the inventory provision after considering the aging of inventory and historical and forecast sales. During the year, no further write down of inventories was charged to profit or loss. We focused on this area due to the significance of the inventories balance and because determining the NRV of inventories involved a high level of management judgement and estimation.	Our audit procedures in relation to management's assessment on NRV and obsolescence of inventories included: - Understanding and checking the controls on inventory provisioning; - Assessed whether the basis used for management's provisioning policy for inventories was appropriate after considering historical experience and current sales forecasts and whether the policy was properly approved; - Identifying and assessing aged and obsolete inventories when attending inventory counts; - Testing the accuracy of the aged inventory report to supporting documents on a sample basis; and - Testing on a sample basis whether inventory is carried at the lower of cost and NRV by reviewing subsequent sales.

Key Audit Matters (cont'd)

Impairment assessment of trade and bills receivables and contract assets

Please refer to notes 3(g), 3(j), and 3(x) on the relevant accounting policies, note 4(d) on key sources of estimation uncertainties, note 24 and 26 on contract assets, and trade and bills receivables respectively.

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 December 2019, the Group has trade and bills receivables and contract assets with aggregate value of HK$241.7 million and HK$431.2 million before the allowance for doubtful debts of HK$21.6 million and HK$0.5 million respectively. The Group generally allows credit period ranging from 30 days to 120 days for its customers. Management performed periodic assessment on the recoverability of the trade and bills receivables, contract assets and the sufficiency of allowance for doubtful debts based on information including credit profile of different customers, aging of the trade and bills receivables and contract assets, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. During the year, the impairment loss on trade and bills receivables and contract assets of HK$4.1 million and HK$0.5 million were charged to profit or loss. We focused on this area due to the impairment assessment of trade and bills receivables and contract assets under the expected credit losses model involved the use of significant management judgements and estimates.	Our audit procedures in relation to this matter included: - Assessing whether trade and bills receivables and contract assets had been appropriately grouped by management based on their shared credit risk characteristics; - Testing the accuracy and completeness of the data used by management to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data; - With the assistance of our internal valuation experts, testing the calculation of the historical loss rates and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions; - Testing the accuracy of the aging of trade and bills receivables on a sample basis to supporting documents; - Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade and bills receivables and contract assets outstanding at the reporting date; and - Discussing with management the credit status of those overdue balances, including any collection actions planned and adequacy of provision made.

Other Information

Management is responsible for the Other Information. The Other Information comprises all of the information included in the annual report but does not include the consolidated financial statements and our auditors' 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 Management for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Consolidated Financial Statements (cont'd)

In preparing the consolidated financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with 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.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements (cont’d)

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 auditors’ 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.

RSM Chio Lim LLP
Public Accountants and Chartered Accountants

8 Wilkie Road,
#03-08 Wilkie Edge,
Singapore 228095

1 June 2020

Engagement partner: Goh Swee Hong

RSM Hong Kong
Certified Public Accountants

29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay,
Hong Kong

1 June 2020

Engagement partner: Liu Eugene

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Re-presented)
Continuing operations			
Revenue	9	**1,765,226**	1,416,410
Cost of sales		**(1,616,209)**	(1,316,118)
Gross profit		**149,017**	100,292
Other income, gains and (losses)	10	**25,894**	118,115
Impairment loss on trade and other receivables and contract assets		**(4,856)**	(35,558)
Selling and distribution expenses		**(14,700)**	(21,346)
Administrative expenses		**(69,828)**	(90,189)
Profit from operations		**85,527**	71,314
Finance costs	11	**(22,614)**	(15,108)
Profit before tax		**62,913**	56,206
Income tax expense	12	**(6,484)**	(3,523)
Profit for the year from continuing operations	13	**56,429**	52,683
Discontinued operations			
(Loss)/profit for the year from discontinued operations	15	**(5,226)**	72
Profit for the year, net of tax		**51,203**	52,755
Profit/(loss) for the year attributable to:			
Owners of the Company		**54,355**	52,747
Non-controlling interests		**(3,152)**	8
		51,203	52,755
Profit/(loss) attributable to owners of the Company relates to:			
Continuing operations		**56,818**	52,704
Discontinued operations		**(2,463)**	43
		54,355	52,747
Earnings per share	17		
From continuing and discontinuing operations			
Basic earning per share (HK cents)		**168.14**	163.16
From continuing operations			
Basic earnings per share (HK cents)		**175.76**	163.03

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year, net of tax	**51,203**	52,755
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income ("FVTOCI")	**(631)**	-
Reclassification adjustments foreign operations disposed during the year	**(532)**	-
Exchange differences on translating foreign operations	**(1,310)**	(11,655)
Other comprehensive income for the year, net of tax	**(2,473)**	(11,655)
Total comprehensive income for the year	**48,730**	41,100
Total comprehensive income for the year attributable to:		
Owners of the Company	**51,946**	41,232
Non-controlling interests	**(3,216)**	(132)
	48,730	41,100

Statement of Financial Position

At 31 December 2019

	Notes	Group		Company	
		2019	2018	**2019**	2018
		HK$'000	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	18	**304,469**	225,769	**-**	-
Right-of-use assets	19	**96,002**	-	**-**	-
Financial assets at FVTOCI	23	**369**	-	**-**	-
Investments in subsidiaries	20	**-**	-	**450,761**	461,263
Other receivables	37	**11,833**	-	**11,833**	-
Goodwill	21	**1,927**	1,927	**-**	-
Total non-current assets		**414,600**	227,696	**462,594**	461,263
Current assets					
Current tax assets		**1,224**	1,753	**-**	-
Contract assets	24	**430,681**	-	**-**	-
Inventories	25	**131,395**	590,787	**-**	-
Trade and bills receivables	26	**220,107**	217,189	**-**	-
Prepayments, deposits and other receivables	27	**132,471**	157,254	**3,000**	-
Financial assets at fair value through profit or loss ("FVTPL")	22	**120,342**	78,055	**-**	-
Bank and cash balances	28,38	**100,485**	89,872	**1,189**	1,125
Total current assets		**1,136,705**	1,134,910	**4,189**	1,125
Total assets		**1,551,305**	1,362,606	**466,783**	462,388
LIABILITIES AND EQUITY					
Non-current liabilities					
Borrowings	32	**56,626**	67,500	**-**	-
Lease liabilities	34	**48,688**	-	**-**	-
Deferred tax liabilities	29	**2,650**	2,650	**-**	-
Total non-current liabilities		**107,964**	70,150	**-**	-
Current liabilities					
Current tax liabilities		**12,435**	6,259	**-**	-
Trade and bills payables	30	**184,098**	209,573	**-**	-
Amount due to subsidiaries	20	**-**	-	**20,638**	11,319
Accruals and other payables	31	**173,546**	174,373	**-**	-
Lease liabilities	34	**25,157**	-	**-**	-
Borrowings	32	**375,238**	261,985	**-**	-
Financial guarantees	33	**2,558**	-	**8,059**	-
Total current liabilities		**773,032**	652,190	**28,697**	11,319
Total liabilities		**880,996**	722,340	**28,697**	11,319
Equity attributable to owners of the Company					
Share capital	35	**242,456**	242,456	**242,456**	242,456
Reserves	36	**427,853**	386,765	**195,630**	208,613
		670,309	629,221	**438,086**	451,069
Non-controlling interests		**-**	11,045	**-**	-
Total equity		**670,309**	640,266	**438,086**	451,069
Total liabilities and equity		**1,551,305**	1,362,606	**466,783**	462,388

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve (Note)	Capital redemption reserve	Financial assets at FVTOCI reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	242,456	26,488	2,033	1,665	-	6,627	308,720	587,989	11,177	599,166
Total comprehensive income for the year	-	-	-	-	-	(11,515)	52,747	41,232	(132)	41,100
Changes in equity for the year	-	-	-	-	-	(11,515)	52,747	41,232	(132)	41,100
At 31 December 2018 and 1 January 2019	242,456	26,488	2,033	1,665	-	(4,888)	361,467	629,221	11,045	640,266
Adjustment on initial application of IFRS 16	-	-	-	-	-	-	(1,186)	(1,186)	-	(1,186)
Restated balance at 1 January 2019	242,456	26,488	2,033	1,665	-	(4,888)	360,281	628,035	11,045	639,080
Total comprehensive income for the year	-	-	-	-	(631)	(1,778)	54,355	51,946	(3,216)	48,730
Dividend paid (note 16)	-	-	-	-	-	-	(9,319)	(9,319)	-	(9,319)
Acquisition of additional interests in subsidiary from non-controlling interests (note 37(b))	-	-	-	-	-	-	(353)	(353)	(866)	(1,219)
Disposal of a subsidiary (note 37(a))	-	-	-	-	-	-	-	-	(6,963)	(6,963)
Changes in equity for the year	-	-	-	-	(631)	(1,778)	44,683	42,274	(11,045)	31,229
At 31 December 2019	242,456	26,488	2,033	1,665	(631)	(6,666)	404,964	670,309	-	670,309

Note:

In accordance with the relevant regulations in the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve until the reserve balance reaches 50% of the registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve which is not available for appropriation may be used to offset the accumulated losses, if any, of the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	**2019 HK$'000**	2018 HK$'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
Continuing operations		**62,913**	56,206
Discontinued operations		**(5,226)**	1,200
		57,687	57,406
Adjustments for:			
Depreciation of property, plant and equipment	18	**49,155**	47,036
Depreciation of right-of-use assets	19	**19,796**	-
Loss on disposal of property, plant and equipment	13	**2,103**	3,084
Impairment loss on trade and other receivables and contract assets		**4,856**	35,558
Impairment loss on property, plant and equipment	13	**-**	4,129
Impairment loss on right-of-use assets	13	**883**	-
Provision for allowance of inventories	25	**-**	16,296
Loss/(gain) on disposal of subsidiaries		**2,463**	(138,387)
Fair value (gain)/loss on financial assets at FVTPL	10	**(4,326)**	250
Interest income		**(1,032)**	(393)
Finance costs	11	**22,614**	15,757
Operating profit before working capital changes		**154,199**	40,736
Decrease/(increase) in inventories		**21,331**	(81,956)
Increase in contract assets		**(34,211)**	-
(Increase)/decrease in trade and bills receivables		**(9,016)**	36,813
Decrease/(increase) in prepayments, deposits and other receivables		**13,612**	(50,546)
Decrease in trade and bills payables		**(20,435)**	(3,084)
Increase/(decrease) in accruals and other payables		**12,539**	(38,225)
Cash generated from/(used in) operations		**138,019**	(96,262)
Interest paid		**(19,501)**	(15,757)
Income taxes refund/(paid)		**813**	(5,314)
Interest on lease liabilities		**(3,113)**	-
Net cash generated from/(used in) operating activities		**116,218**	(117,333)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(150,483)**	(77,871)
Purchases of financial assets at FVTPL		**(38,418)**	(78,305)
Purchase of financial assets at FVTOCI		**(1,000)**	-
Proceeds from disposals of property, plant and equipment		**2,000**	447
Net cash (outflow)/inflow from disposal of subsidiaries	37(a)	**(10,998)**	182,035
Interest received		**742**	393
Net cash (used in)/generated from investing activities		**(198,157)**	26,699

	Notes	2019 HK$'000	2018 HK$'000 (Re-presented)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	16	**(9,319)**	-
Inception of new loans		**44,000**	82,000
Repayment of loans		**(15,000)**	-
Net advance of trust receipts and import loans		**99,150**	32,190
Principal elements of lease payments		**(15,568)**	-
Acquisition of additional interest in subsidiary	37(b)	**(1,219)**	-
Net cash generated from financing activities		**102,044**	114,190
NET INCREASE IN CASH AND CASH EQUIVALENTS		**20,105**	23,556
Net effect of exchange rate changes on cash and cash equivalents held		**(9,492)**	(6,748)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**89,872**	73,064
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	38	**100,485**	89,872

1. GENERAL INFORMATION

Combine Will International Holdings Limited (the "Company") (Registration No. MC-196613) was incorporated in the Cayman Islands on 8 October 2007 under The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liabilities by shares. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Liu Jia Ind. District, Heng Li Zhen, Dongguan, Guangdong Province, the PRC. The Company's shares are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The financial statements of the Company and of the Group for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the financial statements.

In the opinion of management of the Company, DJKS Holdings Limited, a company incorporated in the British Virgin Islands, is the ultimate parent of the Company.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which include all applicable International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and the Interpretations. Significant accounting policies adopted by the Group are disclosed below.

International Accounting Standards Board ("IASB") has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The following paragraphs provide information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(a) Application of new and revised IFRSs

IASB has issued a new IFRS, IFRS 16 *Leases* ("IFRS 16 "), and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases* ("IAS 17"), and the related interpretations, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact of leases where the Group is the lessor. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

2. STATEMENT OF COMPLIANCE (CONT'D)

(a) Application of new and revised IFRSs (cont'd)

IFRS 16 Leases

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rates applied by the relevant group entities range from 3.4% to 11.2% per annum.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as an alternative to an impairment review.

2. STATEMENT OF COMPLIANCE (CONT'D)

(a) Application of new and revised IFRSs (cont'd)

IFRS 16 Leases (cont'd)

(b) Lessee accounting and transitional impact (cont'd)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* ("IAS 12") requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as disclosed in note 40 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	24,229
Less: commitments relating to lease exempt from capitalisation:	
- short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(3,671)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	8,053
	28,611
Less: total future interest expenses	(1,067)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	27,544
Of which are:	
Current lease liabilities	14,459
Non-current lease liabilities	13,085
	27,544

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

2. STATEMENT OF COMPLIANCE (CONT'D)

(a) Application of new and revised IFRSs (cont'd)

IFRS 16 Leases (cont'd)

(b) Lessee accounting and transitional impact (cont'd)

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption of IFRS 16			
Line items in the consolidated statement of financial position impacted by the IFRS 16	**Note**	**Carrying amount as at 31 December 2018 HK$'000**	**Re-classification HK$'000**	**Re-cognition of leases HK$'000**	**Carrying amount as at 1 January 2019 HK$'000**
Assets					
Right-of-use assets		-	22,978	26,362	49,340
Property, plant and equipment	(i)	225,769	(22,785)	-	202,984
Prepayments, deposits, and other receivables		157,254	(193)	-	157,061
Liabilities					
Lease liabilities		-	-	27,544	27,544

Note:

(i) In relation to prepaid land lease in Indonesia previously under property, plant and equipment, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 January 2019 amounting to HK$22,785,000 as right-of-use assets.

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

2. STATEMENT OF COMPLIANCE (CONT'D)

(a) Application of new and revised IFRSs (cont'd)

IFRS 16 Leases (cont'd)

(c) Impact of the financial results and cash flows of the Group (cont'd)

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 37(c)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the statement of cash flows (note 37(d)).

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:	**Amounts reported under IFRS 16 HK$'000**	**Add back: IFRS 16 depreciation and interest expense HK$'000**	**Deduct: Estimated amounts related to operating lease as if under IAS 17 (note 1) HK$'000**	**Hypothetical amounts for 2019 as if under IAS 17 HK$'000**	**Compared to amounts reported for 2018 under IAS 17 HK$'000 (Re-presented)**
Profit from operation	85,527	18,954	(18,681)	85,800	71,314
Finance costs	(22,614)	3,113	-	(19,501)	(15,108)
Profit before taxation	62,913	22,067	(18,681)	66,299	56,206
Profit for the year	51,203	22,067	(18,681)	54,589	52,755

2. STATEMENT OF COMPLIANCE (CONT'D)

(a) Application of new and revised IFRSs (cont'd)

IFRS 16 Leases (cont'd)

(c) Impact of the financial results and cash flows of the Group (cont'd)

	2019			2018
Line items in the statement of cash flows for year ended 31 December 2019 impacted by the adoption of IFRS 16:	**Amounts reported under IFRS 16 HK$'000**	**Estimated amounts related to operating leases as if under IAS 17 (notes 1&2) HK$'000**	**Hypothetical amounts for 2019 as if under IAS 17 HK$'000**	**Compared to amounts reported for 2018 under IAS 17 HK$'000**
Cash generated from/(used in) operations	138,019	(18,681)	119,338	(96,262)
Interest element of lease rentals paid	(3,113)	3,113	-	-
Net cash generated from/(used in) operating activities	116,218	(15,568)	100,650	(117,333)
Capital element of lease rentals paid	(15,568)	15,568	-	-
Net cash generated from financing activities	102,044	15,568	117,612	114,190

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

2. STATEMENT OF COMPLIANCE (CONT'D)

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3 Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2022

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial assets that are measured at fair value).

The preparation of these financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Consolidation (cont'd)

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in OCI, any exchange component of that gain or loss is recognised in OCI. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in OCI and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in OCI and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (upon application of IFRS 16 at 1 January 2019, the interest in leasehold land was reclassified to "Right-of-use assets", see note 2), held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (cont'd)

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

Depreciation of property, plant and equipment is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over the estimated useful lives. The principal useful lives are as follows:

Buildings	10 - 50 years
Plant and machinery, and leasehold improvement	Over the shorter of the term of the lease and 10 years
Toolings	4 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4 - 5 years

An asset is depreciated when it is available for use until it is de-recognised even if during that period that item is idle. Fully depreciated assets still in use are retained in these financial statements.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charges for the current and future periods are adjusted.

(e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

(i) The Group as a lessee (cont'd)

Policy applicable from 1 January 2019 (cont'd)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment / the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

(i) The Group as a lessee (cont'd)

Policy prior to 1 January 2019 (cont'd)

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 3(x) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(i) Financial assets

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. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

<u>Debt investments</u>

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

- FVTOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in OCI, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial assets (cont'd)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(j) Trade, bills and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(l) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sales and Discontinued Operations*, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

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

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

(o) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under IFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15").

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(p) Trade, bills and other payables

Trade, bills and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

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

(r) Revenue and other income

For the sales that is recognised at a point in time, revenue is recognised when customer accepts and the control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue and other income (cont'd)

For the sales that is recognised at over time, revenue is recognised when the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the output method. For the output method, the revenue is recognised based on direct measurement of the value of goods to the customer completed to date relative to the total promised goods under the contract. The performance completed calculated using the method such as milestones reached, time elapsed or units delivered. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Revenue represented the sales value of goods sold less return, discount rebates and value added tax ("VAT").

Mould engineering income is recognised at point in time when the services have been rendered.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(t) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Government grants (cont'd)

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years 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 differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in OCI or directly in equity, in which case the deferred tax is also recognised in OCI or directly in equity.

The measurement of deferred tax assets and liabilities 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset / CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(x) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and bills receivables and contract assets as well as financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and bills receivables and contract assets. The ECL on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Impairment of financial assets (cont'd)

Significant increase in credit risk (cont'd)

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

- 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 for a particular financial instrument;
- 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;
- significant increases in credit risk on other financial instruments of the same debtor; and
- 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 on a financial asset 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.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition of the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;
(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Impairment of financial assets (cont'd)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years 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. Any recoveries made are recognised in profit or loss.

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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Segment reporting

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Business model assessment

Classification and measurement of financial assets depends on the results of the solely payment of principal and interest test and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the financial assets at FVTPL is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

(b) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONT'D)

Critical judgements in applying accounting policies (cont'd)

(c) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

Key sources of estimation uncertainties

The key assumptions 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 and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2019 was HK$304,469,000 (2018: HK$225,769,000).

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2019 were HK$304,469,000 (2018: HK$225,769,000) and HK$96,002,000 (2018: HK$nil) respectively.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$1,927,000 (2018: HK$1,927,000) after accumulated impairment loss of HK$490,000 (2018: HK$490,000) was recognised. Details of the impairment loss calculation are provided in note 21 to the consolidated financial statements.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONT'D)

Key sources of estimation uncertainties (cont'd)

(d) Impairment of trade and bills receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade and bills receivables and contract assets based on the credit risk of trade and bills receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2019, the carrying amount of trade and bills receivables and contract assets is HK$220,107,000 (net of allowance for doubtful debts of HK$21,571,000) (2018: HK$217,189,000 (net of allowance for doubtful debts of HK$18,127,000)) and HK$430,681,000 (net of allowance for doubtful debts of HK$519,000).

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. At 31 December 2019, allowance for slow-moving inventories amounted to HK$18,432,000 (2018: HK$24,956,000).

(f) Determination of functional currency

In determining the functional currencies of the reporting entity judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The functional currencies of each reporting entity is measured based on management's assessment of the economic environment in which the reporting entity operates and the reporting entity's process of determining sales price.

(g) Deferred tax estimation

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Group making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

At 31 December 2019, the deferred tax liabilities are HK$2,650,000 (2018: HK$2,650,000).

(h) Fair value of investments

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investment in financial assets at FVTOCI, details of which are set out in note 23 to the consolidated financial statements, by considering information from a variety of sources, including the latest financial information, the historical data on market volatility as well as the price and industry and sector performance of investment company.

The carrying amount of the investment as at 31 December 2019 was HK$369,000 (2018: HK$nil).

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, United States dollars ("USD"), Renminbi ("RMB") and Indonesian Rupiah ("IDR") and the functional currencies of the principal operating entities of the Group are HK$ and RMB. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2019, if the HK$ had weakened 1 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$965,000 (2018: HK$1,125,000) lower, arising mainly as a result of the net foreign exchange loss on bank and cash balances, trade and bills payables and accruals and other payables denominated in RMB. If the HK$ had strengthened 1 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$965,000 (2018: HK$1,125,000) higher, arising mainly as a result of the net foreign exchange gain on bank and cash balances, trade and bills receivables, trade and bills payables, and accruals and other payables, denominated in RMB.

(b) Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances and bank loans.

At 31 December 2019, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK$1,591,000 (2018: HK$1,124,000) higher, arising mainly as a result of lower interest expense on bank loans. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$1,591,000 (2018: HK$1,124,000) lower, arising mainly as a result of higher interest expense on bank loans.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Except for the financial guarantee given by the Group as set out in note 33, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 33.

Trade and bills receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bills receivables are due 30-120 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk (cont'd)

Trade and bills receivables and contract assets (cont'd)

The Group measures loss allowances for trade and bills receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables and contract assets as at 31 December 2019:

	2019		
	Expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current (not past due)	0.10% - 52.51%	573,058	1,390
Within 1 year	0.12% - 54.81%	80,040	3,852
1-2 years	4% - 100%	6,615	3,683
Over 2 years	100%	13,165	13,165
		672,878	22,090

	2018		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.58% - 3.51%	93,735	1,066
Within 1 year	0.78% - 3.99%	125,576	1,434
1-2 years	8.13% - 32.55%	3,546	3,516
Over 2 years	100%	12,459	12,111
		235,316	18,127

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance for trade receivables and contract assets during the year is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**18,127**	11,336
Impairment losses recognised for the year	**4,609**	6,791
Disposal of subsidiary	**(646)**	-
At 31 December	**22,090**	18,127

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk (cont'd)

Trade and bills receivables and contract assets (cont'd)

The following significant changes in the gross carrying amounts of trade and bills receivables and contract assets contributed to the increase in the loss allowance during 2019:

- origination of new trade receivables net of those settled resulted in an increase in loss allowance of HK$324,000;
- increase in days past due within 2 years resulted in an increase in loss allowance of HK$4,285,000; and
- a decrease of trade receivables due to disposal of subsidiaries with a gross carrying amount of HK$2,654,000 resulted in a decrease in loss allowance of HK$646,000.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2019						
Trade and bills payables	**-**	**184,098**	**-**	**-**	**-**	**184,098**
Accruals and other payables	**-**	**173,546**	**-**	**-**	**-**	**173,546**
Borrowings	**358,270**	**23,707**	**59,293**	**-**	**-**	**441,270**
Lease liabilities	**-**	**28,865**	**15,804**	**26,570**	**20,706**	**91,945**
Financial guarantee	**-**	**4,317**	**-**	**-**	**-**	**4,317**
At 31 December 2018						
Trade and bills payables	-	209,573	-	-	-	209,573
Accruals and other payables	-	174,373	-	-	-	174,373
Borrowings	252,159	18,417	22,416	48,188	-	341,180

(e) Categories of financial instruments at 31 December 2019 and 2018

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets measured at amortised cost	**784,161**	333,201
Financial assets measured at FVTPL	**120,342**	78,055
Financial assets measured at FVTOCI	**369**	-
Financial liabilities:		
Financial liabilities at amortised cost	**725,650**	676,122
Financial guarantee	**2,558**	-

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2019:

	Fair value measurements using:			**Total**
Description	**Level 1**	**Level 2**	**Level 3**	**2019**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
- Investment products	**-**	**120,342**	**-**	**120,342**
Financial assets at FVTOCI				
- Unlisted equity securities	**-**	**-**	**369**	**369**
	-	**120,342**	**369**	**120,711**
Financial liabilities				
Financial guarantees	**-**	**-**	**2,558**	**2,558**
Total	**-**	**-**	**2,558**	**2,558**

	Fair value measurements using:			Total
Description	Level 1	Level 2	Level 3	2018
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
- Investment products	-	78,055	-	78,055

There were no transfers between levels 2 and 3 during the year.

6. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Financial assets at FVTOCI - unlisted equity securities HK$'000
At 1 January 2019	-
Purchases	1,000
Total losses recognised	
- in other comprehensive income	(631)
At 31 December 2019	369

The total losses recognised in OCI are presented in fair value changes of equity instruments at FVTOCI in the consolidated statement of profit or loss and other comprehensive income.

Reconciliation of liabilities measured at fair value based on level 3:

Description	Financial liabilities - financial guarantee HK$'000
At 1 January 2019	-
Total losses recognised	
- in profit or loss	2,558
At 31 December 2019	2,558

The total losses recognised in profit or loss are presented as financial guarantees granted to disposed subsidiaries in the loss on disposal of a subsidiary in the consolidated statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in future value measurements at 31 December 2019:

The Group's acting chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The acting chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the acting chief financial officer and the Board of Directors regularly.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

The fair value of investment products which acquired in financial institution in Hong Kong, is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on financial institution specific estimates. It includes quoted market price or dealer quotes for similar instruments. If all significant inputs required to fair value of instrument are observable, the instrument is included in level 2.

6. FAIR VALUE MEASUREMENTS (CONT'D)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in future value measurements at 31 December 2019: (cont'd)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 HK$'000 Assets/ Liabilities	Fair value 2018 HK$'000
Private equity investments classified as financial assets at FVTOCI	Discounted cash flows	Risk-adjusted_ discount rate	12%	Decrease		
		Growth rate	5.0% - 15.0%	Increase		
		Discount for lack of marketability	20%	Decrease	**369**	-
Financial guarantee	Contingent claim	Default rate_	26.89%	Increase		
		Discount rate	1.94% - 2.22%	Decrease	**(2,558)**	-

7. SEGMENT INFORMATION

Before 2019, the Group operates in three operating divisions - manufacturing of toys and premium products, manufacturing of moulds and model and trading of machineries and premium goods.

Principal activities are as follows:

(i) Original Design Manufacturers Services ("ODM")/Original Equipment Manufacturers Services ("OEM") - Manufacture of toys and premium products

(ii) Moulds and Tooling - Manufacture of the moulds and model

(iii) Trading - Trading of machineries and premium goods

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include corporate income or expenses. Segment assets do not include bank and cash balances, financial assets at FVTPL, financial assets at FVTOCI, goodwill and corporate assets. Segment liabilities do not include borrowings, current tax liabilities, deferred tax liabilities and corporate liabilities. Segment non-current assets do not include corporate assets.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

However, in 2019 after the disposal of the Trading segment of the Group since March 2019, other than ODM/OEM, none of the other segments meets any of the quantitative thresholds for determining reportable segments. The management believes that ODM/OEM segment representing the financial position of the Group, therefore the management is of the opinion that there is only one significant operating division – manufacturing of toys and premium products remain in the Group. Those financial data has been disclosed in the Statement of Financial Position and the Statement of Profit or Loss.

7. SEGMENT INFORMATION (CONT'D)

Geographical information:

The Group's revenue from external customers by location of operation and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000 (Re-presented)	**HK$'000**	HK$'000
Asia				
Greater China (including PRC, Hong Kong, Macau and Taiwan)	**1,191,097**	927,368	**264,907**	133,215
Indonesia	**-**	-	**149,693**	94,481
Other countries	**4,342**	1,370	**-**	-
	1,195,439	928,738	**414,600**	227,696
Middle East				
Dubai	**340,926**	290,058	**-**	-
	340,926	290,058	**-**	-
North America				
United States	**6,191**	24,519	**-**	-
Canada	**-**	372	**-**	-
	6,191	24,891	**-**	-
Europe				
Germany	**109,320**	87,434	**-**	-
Switzerland	**103,282**	71,377	**-**	-
Other countries	**10,068**	13,912	**-**	-
	222,670	172,723	**-**	-
Consolidated total	**1,765,226**	1,416,410	**414,600**	227,696

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	2019	2018
	HK$'000	HK$'000
ODM/OEM		
Customer a	**856,861**	809,159
Customer b	**206,363**	290,058

8. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, there are transactions and arrangements between the Group and other related parties, and the effects of these on the basis determined between the parties are shown below.

Key management compensation

	2019	2018
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**11,309**	12,772

The above amounts are included under employee benefits expenses. Included in the above amounts are the following items:

	2019	2018
	HK$'000	HK$'000
Remunerations of directors of the Company	**5,016**	4,951
Fees to directors of the Company	**1,384**	1,183

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

Call option with Crownington International Holdings Limited ("Crownington")

In 2018, the Group had been granted an option to subscribe for 1,111 fully paid redeemable ordinary shares representing 8.1% of the share capital of Crownington. The executive director of the Group, Mr. Simon Chiu, is one of the directors of the Crownington and holds 15.3% of the Crownington's shares.

At 31 December 2019 and 31 December 2018, the fair value of the call option has not been recognised as the amount was immaterial.

9. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines for the year from continuing operations is at follows.

	2019	2018
	HK$'000	HK$'000
Sales of toys and premium products ("Toys")	**1,740,514**	1,360,543
Sales of the moulds and model ("Tooling")	**24,712**	55,867
Sales of goods	**1,765,226**	1,416,410

Sales of Tooling derive revenue from the transfer of goods at a point in time; Sales of Toys derives revenue either from the transfer of goods at a point in time; or recognised as a performance obligation satisfied over time. The recognition is subject to the terms of sales contract in consideration of the local jurisdiction. All contracts are less than 12 months.

10. OTHER INCOME, GAINS AND (LOSSES)

	2019 HK$'000	2018 HK$'000 (Re-presented)
Continuing operations		
Interest income on bank deposits	**742**	377
Imputed interest income	**290**	-
Miscellaneous receipts	**9,144**	6,214
Mould engineering income, net	**4,975**	21,529
Rental income	**998**	425
Sales of scrap materials	**1,939**	1,566
Gain on disposal of subsidiaries	**-**	138,387
Government grants	**1,480**	2,013
Write down of inventories	**-**	(16,296)
Reversal/(provision) for severance pay	**2,000**	(35,850)
Fair value gain/(loss) on financial assets at FVTPL	**4,326**	(250)
	25,894	118,115

Note:

Government grants represented subsidies to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development.

11. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Continuing operations		
Interest on bank loans and overdrafts wholly repayable within five years	**19,501**	15,108
Interest expenses on lease liabilities (note 19)	**3,113**	-
	22,614	15,108

12. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit loss as following:

	2019 HK$'000	2018 HK$'000 (Re-presented)
Current tax expenses		
- The PRC	**6,098**	2,223
Under-provision in prior years	**386**	1,300
	6,484	3,523

No provision for Hong Kong Profits Tax is required for the years ended 31 December 2019 and 2018 since the Group has no assessable profit for both years.

Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

12. INCOME TAX EXPENSE (CONT'D)

For the years ended 31 December 2019 and 2018, the applicable PRC and Indonesia enterprise income tax rates are 25%.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK$5,166,000 (2018: HK$6,868,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The income tax expense varied from the amount of income tax expense determined by applying the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%) to profit before tax as a result of the following differences:

	2019 **HK$'000**	2018 HK$'000 (Re-presented)
Profit before tax (from continuing operations)	**62,913**	56,206
Income tax expense at Hong Kong Profits Tax rate	**10,380**	9,274
Tax effect of income that is not taxable	**(24,902)**	(26,256)
Tax effect of expenses that are not deductible	**12,385**	16,818
Tax effect of temporary differences not recognised	**(1,378)**	(2,756)
Tax effect of tax losses not recognised	**4,707**	1,444
Effect of different tax rates of subsidiaries	**4,906**	3,699
Under-provision of current tax expenses in prior years	**386**	1,300
Income tax expense (relating to continuing operations)	**6,484**	3,523

13. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's profit for the year from continuing operations is stated after charging the following:

	2019 **HK$'000**	2018 HK$'000 (Re-presented)
Other fees to independent auditor	**634**	565
Depreciation on property, plant and equipment	**49,155**	46,424
Depreciation on right-of-use assets	**19,796**	-
Loss on disposals of property, plant and equipment	**2,103**	3,084
Impairment loss on property, plant and equipment	**-**	4,129
Impairment on right-of-use assets	**883**	-
Exchange loss, net	**3,616**	3,317
Operating lease expenses	**-**	25,748

14. EMPLOYEE BENEFITS EXPENSES

	2019 HK$'000	2018 HK$'000 (Re-presented)
Employee benefits expenses including directors	461,613	467,737
Contributions to defined contribution scheme	40,062	41,178
Provision for severance pay	-	35,850
Employee benefits expenses	501,675	544,765

15. DISCONTINUED OPERATIONS

On 30 March 2019, the Company entered into a sale and purchase agreement to dispose 100% of the total issued and paid-up share capital of Faith and Hope Holdings Limited, which carried out all of the Group's operation on Trading. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 37(a).

	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year from discontinued operations:		
Revenue - Contracts with customers	19,075	146,889
Cost of sales	(16,210)	(121,570)
Other gains	16	1,250
Selling expenses	(974)	(5,419)
Administrative expenses	(4,531)	(19,301)
Finance cost	(139)	(649)
(Loss)/profit before tax	(2,763)	1,200
Income tax expense	-	(1,128)
Loss on disposal of operations (note 37(a))	(2,463)	-
(Loss)/profit for the year	(5,226)	72
(Loss)/profit for the year from discontinued operations (attributable to owners of the Company)	(2,463)	43

(Loss)/profit for the year from discontinued operations include the following:

	2019 HK$'000	2018 HK$'000
Depreciation	-	612
Cash flows from discontinued operations:		
Net cash inflows from operating activities	-	5,251
Net cash (outflows)/inflows from investing activities	(10,998)	1
Net cash outflows from financing activities	-	(3,329)
Net cash (outflows)/inflows	(10,998)	1,923

16. DIVIDENDS

	2019	2018
	HK$'000	HK$'000
2018 Final of SGD 0.05 (2017: nil) per ordinary share paid	**9,319**	-

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2019 of SGD0.05 per share has been proposed by the directors and is subject to approval by the shareholder at the forthcoming general meeting.

17. EARNINGS PER SHARE

From continuing and discontinued operations

Basic earning per share is calculated by dividing the profit for the year attributable to owners of the Company of approximately HK$54,355,000 (2018: HK$52,747,000) by the weighted average number of ordinary shares of 32,327,400 (2018: 32,327,400) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2019 and 2018.

From continuing operations

Basic earning per share from continuing operations is calculated by dividing the profit for the year attributable to owners of the Company of approximately HK$56,818,000 (2018: HK$52,704,000) by the weighted average number of ordinary shares of 32,327,400 (2018: 32,327,400) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2019 and 2018.

From discontinued operations

Basic loss per share from the discontinued operations is HK$7.62 cents per share (2018: basic earning per share of HK$0.13 cents per share) and, no diluted earnings per share from the discontinued operations, based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK$2,463,000 (2018: profit for the year approximately HK$43,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery, and leasehold improvement HK$'000	Toolings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2018	31,996	542,316	43,471	53,597	15,414	-	686,794
Additions	-	71,528	1,324	2,896	2,123	-	77,871
Disposals	-	(20,123)	-	(131)	(822)	-	(21,076)
Exchange differences	(1,428)	(11,783)	(1,917)	(600)	(148)	-	(15,876)
At 31 December 2018 and 1 January 2019	30,568	581,938	42,878	55,762	16,567	-	727,713
Additions	-	140,967	1,009	3,020	519	5,082	150,597
Disposals	-	(112,524)	(2,703)	(12,964)	(2,134)	-	(130,325)
Reallocated to right-of-use assets (note 19)	(22,849)	-	-	-	-	-	(22,849)
Disposals of subsidiaries (note 37(a))	-	-	-	(6,075)	(1,050)	-	(7,125)
Exchange differences	-	3,397	3,096	2,120	114	-	8,727
At 31 December 2019	7,719	613,778	44,280	41,863	14,016	5,082	726,738
Accumulated depreciation and impairment							
At 1 January 2018	4,540	379,791	34,091	47,540	13,331	-	479,293
Charge for the year	981	41,028	1,823	2,197	1,007	-	47,036
Disposals	-	(16,614)	-	(109)	(822)	-	(17,545)
Impairment	-	4,129	-	-	-	-	4,129
Exchange differences	(767)	(7,348)	(2,101)	(632)	(121)	-	(10,969)
At 31 December 2018 and 1 January 2019	4,754	400,986	33,813	48,996	13,395	-	501,944
Charge for the year	170	45,278	1,443	1,012	1,252	-	49,155
Disposals	-	(109,691)	(2,289)	(12,677)	(1,565)	-	(126,222)
Reallocated to right-of-use assets (note 19)	(64)	-	-	-	-	-	(64)
Disposals of subsidiaries (note 37(a))	-	-	-	(5,631)	(747)	-	(6,378)
Exchange differences	(19)	2,616	493	745	(1)	-	3,834
At 31 December 2019	4,841	339,189	33,460	32,445	12,334	-	422,269
Carrying amount							
At 31 December 2019	2,878	274,589	10,820	9,418	1,682	5,082	304,469
At 31 December 2018	25,814	180,952	9,065	6,766	3,172	-	225,769

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The depreciation expense for continuing operation is charged as follows:

	Cost of sales HK$'000	Administrative expenses HK$'000	Total HK$'000
Financial year ended 31 December 2019	46,891	2,264	49,155
Financial year ended 31 December 2018	42,498	3,926	46,424

19. RIGHT-OF-USE ASSETS

Group	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
At 1 January 2019 (note 2(a))	22,785	26,555	49,340
Additions	2,484	62,060	64,544
Depreciation	(842)	(18,954)	(19,796)
Impairment	-	(883)	(883)
Exchange differences	1,155	1,642	2,797
At 31 December 2019	25,582	70,420	96,002

Lease liabilities of HK$73,845,000 are recognised with related right-of-use assets of HK$70,420,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

In the sight of the inactive operation in one of the CGUs, the management has made an impairment of HK$883,000 for the right-of-use assets as at 31 December 2019.

	2019 HK$'000
Depreciation expenses on right-of-use assets	19,796
Interest expenses on lease liabilities (included in finance cost)	3,113
Expenses relating to short-term lease (included in cost of goods sold and administrative)	11,352

Details of total cash outflow for leases is set out in note 37(d).

For both years, the Group leases various offices, factories, warehouses, and staff quarters for its operations. Lease contracts are entered into for fixed term of 2.5 to 10 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located at office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

20. INVESTMENTS IN SUBSIDIARIES

	Company 2019 HK$'000	Company 2018 HK$'000
Unlisted investments, at cost	**310,205**	310,205
Loans to subsidiaries	**151,058**	151,058
Financial guarantees to subsidiaries	**5,880**	-
Less: Impairment of unlisted investments	**(16,382)**	-
	450,761	461,263

The loans to subsidiaries are non-interest bearing and not expected to be repaid in the foreseeable future. The loans are therefore deemed to form part of the Company's interest in subsidiaries.

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries as at 31 December 2019 are as follows:

Name	Date and place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital 2019	Issued and paid-up/ registered capital 2018	Effective interests held by the Group 2019 %	Effective interests held by the Group 2018 %
Directly held						
Combine Will Holdings Limited *	19 September 2000 Cayman Islands	Investment holding	**HK$1,000**	HK$1,000	**100**	100
APT International Holdings Limited *	4 August 2009 Cayman Islands	Investment holding	**USD2,100,000**	USD2,100,000	**100**	100
Faith and Hope Holdings Limited* (Note a)	4 August 2009 Cayman Islands	Investment holding	**-**	USD1	**N/A**	100
Indirectly held						
Combine Will Industrial Company Limited **	12 March 1992 Hong Kong	Investment holding, manufacturing and trading of plastic toys, die casting and premium items on OEM basis	**HK$14,000,000**	HK$14,000,000	**100**	100
联志玩具礼品(东莞)有限公司 (Lian Zhi Toys Gift (Dongguan) Co., Ltd.) ***#	7 November 2001 Dongguan, Guangdong, PRC	Manufacturing of plastic toys, die casting and premium items on OEM basis	**HK$82,552,400**	HK$82,552,400	**100**	100
Triple Wise Co., Ltd. *	3 August 2000 British Virgin Islands	Investment holding	**USD1**	USD1	**100**	100

20. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2019 are as follows: (cont'd)

Name	Date and place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital 2019	Issued and paid-up/ registered capital 2018	Effective interests held by the Group 2019 %	Effective interests held by the Group 2018 %
<u>Indirectly held (cont'd)</u>						
Loong Run Industrial Company Limited**	7 March 1995 Hong Kong	Investment holding and trading of plastic toys, die casting and premium items on OEM basis	**HK$100,000**	HK$100,000	**100**	100
东莞联弘玩具有限公司 (Dongguan Loong Run Toys Company Limited) ***#	21 August 2002 Dongguan, Guangdong, PRC	Manufacturing of plastic toys, die casting and premium items on OEM basis	**HK$14,500,000**	HK$14,500,000	**100**	100
Legacy Giftware Limited**	6 August 1996 Hong Kong	Inactive/Dormant	**HK$3,100,000**	HK$3,100,000	**100**	100
Combine Will Industrial (Overseas) Company Limited*	25 October 2000 British Virgin Islands	Investment holding	**USD2**	USD2	**100**	100
Million Favour Inc.* (Note b)	8 August 2000 Samoa	Investment holding and trading of electronics parts for the toys	**USD100**	USD100	**100**	70
东莞成乐电子有限公司 (Bliss Electronic (China) Company Limited)***# (Note b)	5 August 2003 Dongguan, Guangdong, PRC	Manufacturing of electronics parts	**HK$25,361,000**	HK$25,361,000	**100**	70
Sunstone Company Limited**	3 February 1994 Hong Kong	Trading of premium items	**HK$100,000**	HK$100,000	**100**	100
Altrust Precision Tooling Company Limited**	12 November 1996 Hong Kong	Investment holding	**HK$10,100,000**	HK$10,100,000	**100**	100
Kam Hing Product Design and Development Company Limited**	12 February 1997 Hong Kong	Trading of models and moulds	**HK$10,100,000**	HK$10,100,000	**100**	100

20. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2019 are as follows: (cont'd)

Name	Date and place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital 2019	Issued and paid-up/ registered capital 2018	Effective interests held by the Group 2019 %	Effective interests held by the Group 2018 %
Indirectly held (cont'd)						
Altrust Precision Tooling Company Limited*	29 June 1999 Samoa	Investment holding and trading of moulds	**USD1**	USD1	**100**	100
忠信制模(东莞)有限公司 (Altrust Precision Tooling (Dongguan) Co., Ltd.)***#	22 October 1999 Dongguan, Guangdong, PRC	Manufacturing of moulds	**HK$84,075,270**	HK$84,075,270	**100**	100
Unifaith Machine Tools Company Limited (Note a)	22 March 2000 Hong Kong	Trading of machinery and tools	**-**	HK$1,000,000	**N/A**	60
联信行贸易(深圳)有限公司 (Unifaith Trading (Shenzhen) Company Limited) (Note a)	12 March 2003 Shenzhen, Guangdong, PRC	Trading of machinery and tools	**-**	HK$4,000,000	**N/A**	60
Hopewell Precision Machine Tools Company Limited (Note a)	8 October 2001 Hong Kong	Trading of machinery	**-**	HK$1,000,000	**N/A**	60
明望精机贸易(深圳)有限公司 (Hopewell Precision Trading (Shenzhen) Company Limited) (Note a)	23 January 2014 Shenzhen, Guangdong, PRC	Trading of machinery	**-**	HK$500,000	**N/A**	60
河源联弘玩具礼品有限公司 (Heyuan Loong Run Toys Company Limited)****#	28 December 2009 Heyuan, Guangdong, PRC	Manufacturing and trading of plastic toys	**HK$60,000,000**	HK$60,000,000	**100**	100
Luke Medical Company Limited **	4 August 2011 Hong Kong	Investment holding	**HK$10,000**	HK$10,000	**100**	100

20. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2019 are as follows: (cont'd)

Name	Date and place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital 2019	Issued and paid-up/ registered capital 2018	Effective interests held by the Group 2019 %	Effective interests held by the Group 2018 %
Indirectly held (cont'd)						
联志电子玩具制品(梧州)有限公司*****# (Combine Will Electronics Toys (Wuzhou) Co., Ltd.)	19 July 2012 Wuzhou, Guangxi, PRC	Manufacturing and trading of plastic toys	**HK$10,000,000**	HK$10,000,000	**100**	100
东莞联健医疗器材有限公司 (Dongguan Luke Medical Company Limited)******#	6 January 2013 Dongguan, Guangdong PRC	Inactive	**HK$2,000,000**	HK$2,000,000	**100**	100
PT. Combine Will Industrial Indonesia*******	23 March 2016 Indonesia	Manufacturing and trading of plastic toys	**USD6,000,000**	USD6,000,000	**100**	100
联志玩具礼品(苍梧)有限公司 (Combine Will (Cangwu) Industrial Co., Ltd.)*****#	21 March 2019 Cangwu, Guangxi, PRC	Manufacturing and trading of plastic toys	**HK$50,000,000**	HK$50,000,000	**100**	N/A

All the subsidiaries are audited by RSM Hong Kong for the purpose of consolidation.

* Not required to be audited according to the laws of country of incorporation.

** The statutory financial statements for the year ended 31 December 2019 were audited by RSM Hong Kong.

*** The statutory financial statements for the year ended 31 December 2019 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 深圳和诚会计师事务所 (He Cheng Certified Public Accountants) for tax filing and annual registration purposes.

**** The statutory financial statements for the year ended 31 December 2019 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 广东大川会计师事务所 (Da Chuan Certified Public Accountants) for tax filing and annual registration purposes.

***** The statutory financial statements for the year ended 31 December 2019 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 梧州市信拓会计师事务所 for tax filing and annual registration purposes.

****** The statutory financial statements for the year ended 31 December 2019 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 大信会计师事务所 for tax filing and annual registration purposes.

******* The statutory financial statements for the year ended 31 December 2019 prepared in accordance with generally accepted accounting principles in the Indonesia, were audited by RSM Indonesia for tax filing and annual registration purposes.

Wholly foreign owned enterprise established in PRC.

20. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2019 are as follows: (cont'd)

Note:

(a) During the year, the Group has disposed 100% of share equity of Faith and Hope Holdings Limited. Details refer to note 15 and 37(a)

(b) During the year, the Group has further acquired 30% of share equity of Million Favour Inc. from non-controlling interest. Details refer to note 37(b)

The following table shows information of subsidiaries that have material non-controlling interests ("NCI") to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Unifaith Machine Tools Company Limited		Hopewell Precision Machine Tools Company Limited		Million Favour Inc.	
	2019	2018	**2019**	2018	**2019**	2018
Principal place of business/ country of incorporation	**PRC/Hong Kong**		**PRC/Hong Kong**		**PRC/Samoa**	
% of ownership interests / voting rights held by NCI	-	40%/40%	-	40%/40%	-	30%/30%
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 31 December:						
Non-current assets	-	645	-	252	-	2,214
Current assets	-	60,801	-	9,723	-	14,886
Non-current liabilities	-	-	-	-	-	-
Current liabilities	-	(15,694)	-	(31,165)	-	(13,035)
Net assets/(liabilities)	-	45,752	-	(21,190)	-	4,065
Accumulated NCI	-	18,301	-	(8,476)	-	1,220
Year ended 31 December:						
Revenue	-	124,462	-	23,079	-	49,295
Profit/(loss)	-	3,265	-	(3,196)	-	(68)
Total comprehensive income	-	2,792	-	(3,230)	-	143
Profit/(loss) allocated to NCI	-	1,306	-	(1,278)	-	(20)
Total comprehensive income allocated to NCI	-	1,117	-	(1,292)	-	43
Dividends paid to NCI	-	-	-	-	-	-
Net cash generated from/ (used in) operating activities	-	5,952	-	(701)	-	(6,204)
Net cash generated from/ (used in) investing activities	-	2	-	(1)	-	(119)
Net cash (used in)/ generated from financing activities	-	(3,802)	-	473	-	-
Exchange difference	-	(317)	-	(35)	-	291
			-			
Net increase/(decrease) in cash and cash equivalents	-	1,835	-	(264)	-	(6,032)

20. INVESTMENTS IN SUBSIDIARIES (CONT'D)

As at 31 December 2019, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to HK$10,018,789 (2018: HK$9,059,765). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

21. GOODWILL

	Group HK$'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,417
Accumulated impairment losses	
At 1 January 2018, 31 December 2018, 1 January 2019 and land 31 December 2019	490
Carrying amount	
At 31 December 2019 and 31 December 2018	1,927

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the segment of ODM/OEM of HK$1,927,000 (2018: ODM/OEM of HK$1,927,000).

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares ODM/OEM segment CGU's cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the discount rate and the growth rate of 12% and 5% respectively (2018: 12% and 5%). This rate does not exceed the average long term growth rate for the relevant markets.

22. FINANCIAL ASSETS AT FVTPL

	Group	
	2019	2018
	HK$'000	HK$'000
Fair value at 1 January	**78,055**	-
Additions on investment products	**38,418**	78,305
Increase/ (decrease) in FVTPL under other income, gains and losses	**4,326**	(250)
Exchange difference	**(457)**	-
Fair value at 31 December	**120,342**	78,055

All financial assets at FVTPL are denominated in USD.

The investment products are listed financial instruments placed in the financial institutions in Hong Kong. The fair values of the investment products are derived from current redemption values quoted by financial institutions.

23. FINANCIAL ASSETS AT FVTOCI

	Group	
	2019	2018
	HK$'000	HK$'000
Unlisted equity securities	**369**	-

All financial assets at FVTOCI is denominated in HK$.

	2019	2018
	HK$'000	HK$'000
Analysed as:		
Current assets	**-**	-
Non-current assets	**369**	-

The Group invested HK$1,000,000 in an unlisted company incorporated in Hong Kong and owned 10% (2018: nil) equity interests in that company. The Group is unable to exercise significant influence over that company and the investment is classified as financial assets at FVTOCI.

24. CONTRACT ASSETS

	Group	
	2019	2018
	HK$'000	HK$'000
Receivables from contracts with customers within the scope of IFRS 15	**431,200**	-
Less: Allowance for impairment	**(519)**	-
	430,681	-

Amounts relating to contract assets are balances due from customers under manufacturing contracts that arise when the Group's enforceable right to receive payments from customers is in line with completion progress of performance obligation. Payment for the manufacturing services is not due from the customers until the transfer of the promised good to the customer and therefore a contact asset revenue is recognised over the period in which the manufacturing services are performed to represent the entity has an enforceable right to payment for performance completed to date. The amount of contract assets that is expected to be recovered within 1 year.

24. CONTRACT ASSETS (cont'd)

There were significant changes in the contract assets balances due to a change in the time frame for a right to consideration to become unconditional during the reporting period.

25. INVENTORIES

	Group	
	2019	2018
	HK$'000	HK$'000
Raw materials, consumables and supplies	**119,710**	93,253
Work in progress	**18,922**	353,010
Finished goods	**11,195**	169,480
Less: Allowance for impairment	**(18,432)**	(24,956)
	131,395	590,787

The movement of allowance for inventories is as follows:

	Group	
	2019	2018
	HK$'000	HK$'000
At 1 January	**24,956**	8,675
Allowance for the year	**-**	16,296
Write-off	**(6,524)**	-
Exchange differences	**-**	(15)
At 31 December	**18,432**	24,956

26. TRADE AND BILLS RECEIVABLES

The aging analysis of trade and bills receivables based on the invoice date, and net of allowance, is as follows:

	Group	
	2019	2018
	HK$'000	HK$'000
0 to 30 days	**140,452**	98,776
31 to 60 days	**36,123**	35,713
61 to 90 days	**15,752**	18,308
91 to 180 days	**19,317**	36,986
181 to 365 days	**7,950**	25,506
Over 365 days	**22,084**	20,027
	241,678	235,316
Allowance for doubtful debts	**(21,571)**	(18,127)
	220,107	217,189

The average credit period generally granted to non-related trade and bills receivables customers for the year ended 31 December 2019 is ranging from 30-120 days (2018: 90 days).

26. TRADE AND BILLS RECEIVABLES (CONT'D)

As of 31 December 2019, trade and bills receivables of approximately HK$79,114,000 (2018: HK$59,101,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An aging analysis of these trade receivables is as follows:

	Group	
	2019	2018
	HK$'000	HK$'000
Up to 3 months	**60,488**	30,694
Over 3 months	**18,626**	28,407
	79,114	59,101

The carrying amounts of trade and bills receivables denominated in currencies other than the presentation and functional currency of the Group are as follows:

	Group	
	2019	2018
	HK$'000	HK$'000
RMB	**763**	14,871
USD	**171,793**	121,810
Euro ("EUR")	**3,213**	1,383

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**22,762**	33,101	**-**	-
Mould and trade deposits paid	**29,167**	30,472	**-**	-
Utility and other deposits	**59,487**	67,540	**-**	-
Value added tax receivables	**10,122**	9,143	**-**	-
Advancement to suppliers and subcontractors	**3,040**	4,410	**-**	-
Other receivables	**36,907**	41,355	**3,000**	-
Provision of impairment loss for other receivables	**(29,014)**	(28,767)	**-**	-
	132,471	157,254	**3,000**	-

The movement of provision of impairment loss for other receivables is as follows:

	Group	
	2019	2018
	HK$'000	HK$'000
At 1 January	**28,767**	-
Impairment losses recognised for the year	**247**	28,767
At 31 December	**29,014**	28,767

28. BANK AND CASH BALANCES

An analysis of the bank and cash balances denominated in currencies other than the presentation and functional currency of the Group and Company is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**31,509**	68,071	**-**	-
RMB	**11,042**	11,186	**-**	-
Japanese Yen ("JPY")	**8**	86	**-**	-
EUR	**225**	236	**-**	-
Swiss Franc ("CHF")	**-**	77	**-**	-
SGD	**194**	1,198	**118**	1,122
IDR	**2,998**	2,743	**-**	-

The rate of interest for the cash on interest earning balances ranged from 0.01% to 0.39% (2018: 0.01% to 0.30%) per annum. These approximate the effective interest rates.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

29. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Excess of net book value of property, plant and equipment over tax value HK$'000
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,650

There is no income tax consequence of dividends to owners of the Company.

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group	
	2019	2018
	HK$'000	HK$'000
Deferred tax liabilities	**2,650**	2,650

At the end of the reporting period the Group has unused tax losses of HK$45,286,308 (2018: HK$42,311,572) available for offset against future profits and no deferred tax asset has been recognised due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

30. TRADE AND BILLS PAYABLES

	Group	
	2019	2018
	HK$'000	HK$'000
Bills payables, secured (note 39)	**4,447**	17,941
Trade payables	**179,651**	191,632
	184,098	209,573

An analysis of the above amounts denominated in currencies other than the presentation and functional currency of the Group is as follows:

	Group	
	2019	2018
	HK$'000	HK$'000
USD	**21,826**	14,312
RMB	**92,901**	101,452
SGD	**17**	17

The average credit period taken to settle non-related trade payables for the year ended 31 December 2019 is about 30 to 60 days (2018: 30 to 60 days).

31. ACCRUALS AND OTHER PAYABLES

	Group	
	2019	2018
	HK$'000	HK$'000
Accruals	**105,072**	128,208
Mould and trade deposits received	**63,060**	19,875
Contract liability*	**798**	17,434
Other payables	**4,616**	8,856
	173,546	174,373

* *Contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.*

Movements in contract liability

	Group	
	2019	2018
	HK$'000	HK$'000
At 1 January	**17,434**	-
Effect of adoption of IFRS 15	**-**	9,994
At 1 January under IFRS 15 (restated)	**17,434**	9,994
Decrease in contract liability as a result of recognising revenue during the year	**(17,434)**	(9,994)
Increase in contract liability as a result of billing in advance	**798**	17,434
At 31 December	**798**	17,434

The amount of billings in advance of performance received that is expected to be recognised as income within 1 year.

32. BORROWINGS

	Group	
	2019	2018
	HK$'000	HK$'000
Trust receipts and import loans, secured (note 39)	**320,864**	247,485
Term loans (note 39)	**111,000**	82,000
	431,864	329,485

An analysis of the above amounts denominated in currencies other than the presentation and functional currency of the Group is as follows:

	Group	
	2019	2018
	HK$'000	HK$'000
USD	**420**	20,944

The average interest rates at 31 December were as follows:

	Group	
	2019	2018
Trust receipts and import loans, secured	**4.32%**	4.71%
Term loans	**4.94%**	4.59%

Borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

	Group	
	2019	2018
	HK$'000	HK$'000
Current	**375,238**	261,985
Non-current	**56,626**	67,500
	431,864	329,485

33. FINANCIAL GUARANTEES

	Group		Company	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fair value of financial guarantees	**2,558**	-	**8,059**	-

At the end of the reporting period, the Group has issued corporate guarantees to some banks in respect of banking facilities granted to the Group and United Machine Tools Company Limited and Hopewell Precision Machine Tools Company Limited ("Former Subsidiaries"), which are disposed during the year. Under the guarantees, the Group and Former Subsidiaries are jointly and severally liable for all or any of the borrowings of each of them from the banks upon failure of the guaranteed entity to make payments when due.

The maximum liability of the Group at the end of the reporting period under guarantees is the amount of bank loans drawn by Former Subsidiaries under the guarantees at that date of HK$4,317,000.

34. LEASE LIABILITIES

Group	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**28,865**	-	**25,157**	-
In the second to fifth years, inclusive	**42,374**	-	**32,062**	-
After five year	**20,706**	-	**16,626**	-
	91,945	-	**73,845**	-
Less: Future finance charges	**(18,100)**	-	**N/A**	N/A
Present value of lease obligations	**73,845**	-	**73,845**	-
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(25,157)**	-
Amount due for settlement after 12 months			**48,688**	-

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in note 2(a).

35. SHARE CAPITAL

	Company	
	Number of shares	**Amount**
		HK$
Authorised:		
Ordinary shares of HK$7.50 (2018: HK$7.50) each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	100,000,000	750,000,000
Issued and fully paid:		
Ordinary shares of HK$7.50 (2018: HK$7.50) each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	32,327,400	242,455,500

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners of the Company and benefits for other stakeholders, and to provide an adequate return to owners of the Company by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt, including bills payable and short-term loans, less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained earnings and other reserves).

35. SHARE CAPITAL (CONT'D)

	Group 2019 HK$'000	Group 2018 HK$'000
Total debts	**510,157**	347,426
Less: Cash and cash equivalents (note 38)	**(100,485)**	(89,872)
Net debts	**409,672**	257,554
Total equity	**670,309**	640,266

	Group 2019	Group 2018
Debt-to-adjusted capital ratio	**61%**	40%

The debt-to-adjusted capital ratio increased from 40% to 61% following the adoption of IFRS 16 and an increase in borrowing of the Group. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. See note 2(a) for further information.

The externally imposed capital requirements for the Group are: (i) to maintain its listing on the SGX-ST it has to have a public float of at least 10% of the total issued shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 10% limit throughout the year. As at 31 December 2019, 25.5% (2018: 25.5%) of the total issued shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2019 and 2018.

36. RESERVES

(a) The Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) The Company

	Share premium HK$'000 (note 36(c)(i))	Contributed surplus HK$'000 (note 36(c)(ii))	Capital redemption reserve HK$'000 (note 36(c)(iii))	Retained earnings HK$'000	Total HK$'000
At 1 January 2018, 31 December 2018 and 1 January 2019	26,488	130,205	1,665	50,255	208,613
Total comprehensive income for the year	-	-	-	(3,664)	(3,664)
Dividend paid	-	-	-	(9,319)	(9,319)
At 31 December 2019	26,488	130,205	1,665	37,272	195,630

36. RESERVES (CONT'D)

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Contributed surplus

Contributed surplus of the Company arose as a result of the restructuring exercise and represented the difference between the consolidated net asset value of subsidiaries acquired and the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company is available for distribution to owners, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

(iii) Capital redemption reserve

Where shares are redeemed or purchased wholly out of profits available for distribution a sum equal to the amount by which the Company's share capital is diminished on cancellation of the shares (there nominal value of the shares) should be transferred to the capital redemption reserve.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(c)(iii) to the financial statements.

(v) Financial assets at FVTOCI reserve

The financial assets at FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3(i) to the consolidated financial statements.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a subsidiary

As referred to in note 15 to the consolidated financial statements, the Group disposed of its equity interests in a group of subsidiaries to third parties during the year.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment (note 18)	747
Inventories	41,072
Trade receivables	2,008
Prepayment, deposits and other receivables	12,177
Cash and cash equivalents	10,998
Trade payables	(5,040)
Accruals and other payables	(13,366)
Borrowing	(25,771)
Current tax liabilities	(592)
Net assets disposed of	22,233
Release of foreign currency translation reserve	(532)
Non-controlling interests	(6,963)
Loss on disposals of a subsidiary (note 15)	(2,463)
Adjusted consideration	12,275
Consideration satisfied by	
Other receivables (a)	14,833
Less: Financial guarantee granted to disposed subsidiaries	(2,558)
Adjusted consideration	12,275

	HK$'000
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(10,998)

(a) Consideration is receivable in three instalments as follows:

	HK$'000
Payable on 31 December 2019	3,000
Payable on 31 December 2020	3,000
Payable on 31 December 2021	8,833
	14,833

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(b) Acquisition of interest in a subsidiary without gain of control

During the year, the Group acquire 30% interests in a 70% subsidiary at a cash consideration of HK$1,219,223. The effect of the acquisition the equity attributable to the owners of the Company is as follows:

	HK$'000
Carrying amount of non-controlling interest acquired	866
Consideration paid to non-controlling interest	(1,219)
Loss on acquisition recognised directly in equity	(353)

(c) 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.

	1 January 2019 HK$'000	Impact on initial application of IFRS 16 (note 2(a)) HK$'000	Restated balance at 1 January 2019 HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Acquisition of lease HK$'000	31 December 2019 HK$'000
Term loans (note 32)	82,000	-	82,000	28,978	22	-	111,000
Borrowings (note 32)	247,485	-	247,485	53,900	19,479	-	320,864
Lease liabilities (note 34)	-	27,544	27,544	(18,681)	3,113	61,869	73,845
	329,485	27,544	357,029	64,197	22,614	61,869	505,709

	1 January 2018 HK$'000	Cash flows HK$'000	Interest expenses HK$'000	31 December 2018 HK$'000
Term loans (note 32)	-	82,000	-	82,000
Borrowings (note 32)	215,295	16,433	15,757	247,485
	215,295	98,433	15,757	329,485

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(d) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following

	Group	
	2019	2018
	HK$'000	HK$'000
Within operating cash flows	**14,465**	25,748
Within financing cash flows	**15,568**	-
Total	**30,033**	25,748

These amounts relate to the following:

	2019	2018
	HK$'000	HK$'000
Lease rental paid	**30,033**	25,748

(e) Major non-cash transaction

During the year, the Group has capitalised the right-of-use assets of HK$62,060,000 and the lease liabilities of HK$60,154,000 respectively in accordance with IFRS 16. These are non-cash transaction during the year.

38. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank and cash balances	**100,485**	89,872	**1,189**	1,125

39. BANKING FACILITIES

	Group	
	2019	2018
	HK$'000	HK$'000
Total granted banking facilities, secured	**590,296**	536,296

The above banking facilities for bills payables, trust receipts and import loans, and term loans are secured by cross corporate guarantees executed by the group companies and Former Subsidiaries.

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

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 5(d) to the financial statements. As at 31 December 2019, none (2018: none) of the covenants relating to drawn down facilities had been breached.

40. OPERATING LEASE PAYMENT COMMITMENTS

(a) The Group as lessee

At 31 December 2018, the total of future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group 2018 HK$'000
Not later than one year	17,376
Later than one year and not later than five years	6,853
	24,229

Operating lease payments are for rentals payable of factories, office premises and staff quarters. Certain lease rental terms were negotiated for an average term of one to five years and certain leases were entered with no commitment terms.

A factory with 10 years rental term, not included in the above commitments, has rental payment which arises if units produced by this leased asset less than a pre-determined production capacity.

The Group regularly entered into short-term leases for short term warehousing and a 1 year contract for factory in Heyuan, China during the year. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 19.

(b) The Group as lessor

Operating leases relate to property owned by the Group with lease terms of 2.5 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	Group 2018 HK$'000
Within 1 year	800

41. CAPITAL COMMITMENTS

At the end of the reporting period, the capital commitments of the Group are as follows:

	Group	
	2019 HK$'000	2018 HK$'000
Property, plant and equipment - contracted but not provided for	**11,419**	20,068
Committed investment cost in financial assets	**500**	-
	11,919	20,068

42. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

43. COMPARATIVE FIGURES

The Group has applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(a).

In addition, the comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

Statistics of Shareholdings

As at 04 May 2020

SHARE CAPITAL

Authorised Share Capital	:	HK$750,000,000
Issued and fully Paid-up Capital	:	HK$242,455,500
Number of Shares	:	32,327,400
Class of Shares	:	Ordinary share
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	1	0.29	1	0.00
100 - 1,000	150	43.86	84,400	0.26
1,001 - 10,000	132	38.60	601,099	1.86
10,001 - 1,000,000	57	16.67	5,170,400	15.99
1,000,001 AND ABOVE	2	0.58	26,471,500	81.89
TOTAL	**342**	**100.00**	**32,327,400**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE.) LIMITED	24,853,900	76.88
2	PHILLIP SECURITIES PTE LTD	1,617,600	5.00
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	754,100	2.33
4	UOB KAY HIAN PRIVATE LIMITED	613,000	1.90
5	KOH CHIN HWA	500,000	1.55
6	LIM KIM CHIN	346,700	1.07
7	OCBC SECURITIES PRIVATE LIMITED	292,800	0.91
8	HUANG BAOJIA	233,800	0.72
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	228,600	0.71
10	GOH CHOON WEI OR CECILINE GOH	195,000	0.60
11	DBS NOMINEES (PRIVATE) LIMITED	179,100	0.55
12	LIEW WING ONN	152,000	0.47
13	KHOO WOOI CHEE	127,900	0.40
14	KAM TEOW CHONG	126,000	0.39
15	CHU CHOY HAR	93,500	0.29
16	SEAH CHYE ANN (XIE CAI'AN)	75,000	0.23
17	LEE AH SIAN @ LEE SIT SENG	66,000	0.20
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	64,000	0.20
19	TAN ENG HONG	63,100	0.20
20	SEE SHUN SHENG	60,000	0.19
	TOTAL	**30,642,100**	**94.79**

Statistics of Shareholdings (Cont'd)

As at 04 May 2020

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
DJKS Holdings Limited [1]	24,100,000	74.55	-	-
Tam Jo Tak, Dominic [2] [3]	-	-	24,100,000	74.55
Yau Hing Wah, John [2] [3]	-	-	24,100,000	74.55

Notes:

(1) *DJKS Holdings is holding the shares through its nominee, Raffles Nominees (Pte). Limited.*

(2) *Mr. Tam Jo Tak, Dominic and Mr. Yau Hing Wah, John hold 57.14% and 28.57% respectively of the equity interest in DJKS Holdings Limited and thus they are deemed to be interested in DJKS Holdings Limited's shareholding in the Company.*

(3) *As at 21 January 2020(the 21st day after the end of the financial year), the direct and deemed interest of each of Mr. Tam Jo Tak, Dominic and Mr. Yau Hing Wah, John is the same as at 4 May 2020, and both Mr. Tam and Mr. Yau do not have any direct or deemed interest in convertible securities. Save as disclosed, none of the directors has any direct or deemed interest in the shares and convertible securities of the Company as at 4 May 2020.*

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF PUBLIC

Based on the information available to the Company as at 11 March 2019, 25.45% (representing 8,227,400 shares) of the issued shares of the Company is held by the public and therefore Rule 723 of the SGX Listing Manual is complied with.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be convened and held by way of electronic means on 16 June 2020 at 10 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Director's Statement, Audited Financial Statements and the Auditor's Report of the Company for the financial year ended 31 December 2019. **Resolution 1**

2. To approve the payment of Directors' Fees of S$240,000 for the financial year ending 31 December 2020 (2019:S$240,000). **Resolution 2**
   [**See Explanatory Note (i)**]

3. To re-elect Mr. Tam Jo Tak, Dominic, a Director retiring pursuant to Article 86 of the Company's Articles of Association. **Resolution 3**
   [**See Explanatory Note (ii)]**

4. To re-elect Mr. Cheung Hok Fung, Alexander, a Director retiring pursuant to Article 86 of the Company's Articles of Association. **Resolution 4**
   [**See Explanatory Note (ii)**]

5. To re-appoint Messrs RSM Hong Kong and RSM Chio Lim LLP as joint Auditors, and to authorise the Directors of the Company to fix their remuneration. **Resolution 5**

6. To declare a final tax-exempt one-tier dividend of Singapore 5.0 cents per ordinary share in respect of the financial year ended 31 December 2019. **Resolution 6**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:-

7. To appoint Mr. Hu Hou Zhi as a Director, pursuant to Article 85(1) of the Company's Articles of Association, to hold office from the date of this Annual General Meeting. **Resolution 7**
   [**See Explanatory Note (iii)**]

8. THAT pursuant to Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to allot and issue whether by way of bonus or otherwise, (i) shares; (ii) convertible securities; (iii) additional convertible securities (where an adjustment, to the number of convertible securities to which a holder is originally entitled to, is necessary as a result of any rights, bonus or other capitalization issues by the Company), notwithstanding that such authority may have ceased to be in force at the time such additional convertible securities are issued, provided that the adjustment does not give the holder of the convertible securities a benefit that a shareholder does not receive; and/or (iv) shares arising from the conversion of securities in (ii) and additional convertible securities in (iii) above, notwithstanding that such authority may have ceased to be in force at the time the shares are to be issued, and any such issue may be made at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit:-

   PROVIDED THAT:

   (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed 50% of the total number of the issued shares (excluding treasury shares) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of the issued shares (excluding treasury shares) of the Company;

(ii) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of this Resolution, the percentage of the issued share capital shall be based on the Company's total number of the issued shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercise of share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidated or subdivision of shares,

provided that adjustments in accordance with paragraphs (ii)(a) or (ii)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of the resolution approving the mandate;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association (the "**Articles**") for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company (the "**AGM**") or the date by which the next AGM of the Company is required by law to be held or the date on which such authority is varied or revoked by the Company in a general meeting, whichever is the earlier. **Resolution 8**
[**see Explanatory Note (iv)**]

9. **Proposed Renewal of Share Purchase Mandate**

THAT:

(i) pursuant to the Company's Articles, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**") and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Listing Manual**"), approval be and is hereby given for the renewal of the Share Purchase Mandate (as hereinafter defined) and the Directors of the Company be authorised to exercise all the powers of the Company to purchase or otherwise acquire issued ordinary shares of par value HK$7.50 each, fully paid, in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time, up to the Maximum Price (as hereinafter defined), whether by way of:

(a) market purchase(s) ("**Market Purchase**"), transacted on SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted; and/or

(b) off-market purchase(s) ("**Off-Market Purchase**") (if effected otherwise than on SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors of the Company as they may consider fit and in the interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Articles and the Listing Manual, and otherwise in accordance with all other laws and regulations (the "**Share Purchase Mandate**"); and

(ii) the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earliest of:

(a) the conclusion of the next AGM following the passing of this resolution;

(b) the date by which such AGM is required by law or the Articles to be held;

(c) the date on which Share purchases or acquisitions pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(d) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by ordinary resolution of the Company in a general meeting.

(the "**Relevant Period**")

In this resolution:

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(1) in the case of a Market Purchase: 105 per cent (105%) of the Average Closing Price;

(2) in the case of an Off-Market Purchase: 120 per cent (120%) of the Highest Last Dealt Price, where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five-day period and the day on which the Market Purchase was made;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Scheme;

"**Day of Making of the Offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**Prescribed Limit**" means ten per cent (10%) of the issued ordinary share capital of the Company as at the date of passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Law, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury share that may be held by the Company from time to time); and

(iii) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or any of them may consider expedient, necessary, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution. **Resolution 9**
[**see Explanatory Note (v)**]

10. To transact any other business that may properly be transacted at the AGM.

By Order of the Board

Ng Joo Khin
Company Secretary
Singapore, 01 June 2020

Explanatory Notes:

(i) **Resolution 2**: This is to facilitate payment of Directors' Fees during the financial year in which the fees are incurred. The aggregate amount of Directors' Fees provided in the resolution is calculated on the assumption that all the present Directors of the Company will hold office for the whole of the financial year ending 31 December 2020 ("**FY 2020**"). Should any Director hold office for only part of FY 2020 and not the whole of FY 2020, the Director's fee payable to him will be appropriately pro-rated.

(ii) **Resolution 3 and Resolution 4**: Pursuant to Article 86 of the Company's Articles of Association, Mr. Tam Jo Tak, Dominic and Mr. Cheung Hok Fung, Alexander will retire at the forthcoming AGM and shall be eligible to offer themselves for re-election at that meeting.

Details on Mr. Tam Jo Tak, Dominic are as follows:

Date of First Appointment	27 December 2007	
Date of last re-appointment (if applicable)	25 April 2017	
Name of Person	Tam Jo Tak, Dominic	
Age	65	
Country of principal residence	Hong Kong SAR, China	
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Having reviewed his qualifications, work experience and performance since he joined, the nominating committee and the board of directors of the Company approved the appointment of Tam Jo Tak, Dominic as executive chairman and chief executive officer of the Company.	
Whether appointment is executive, and if so, the area of responsibility	Executive Chairman and Chief Executive Officer	
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Chief Executive Officer	
Professional qualifications	Honorary Bachelor of Science Degree in Production Engineering and Management, Loughborough University, United Kingdom	
Working experience and occupation(s) during the past 10 years	Manufacturing industry	
Shareholding interest in the listed issuer and its subsidiaries	Mr. Tam Jo Tak, Dominic holds 57.14% of the shareholding interest in DJKS Holdings Limited, a controlling shareholder of the Company.	
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr. Tam Jo Tak, Dominic holds 57.14% of the shareholding interest in DJKS Holdings Limited, a controlling shareholder of the Company.	
Conflict of interest (including any competing business)	No	
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	
Other Principal Commitments* including Directorships# ***"Principal Commitments" has the same meaning defined in the Code** **#These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)**	**Past (for the last 5 years)**	Director, DKJS Holdings Limited
	Present	Director, DKJS Holdings Limited

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :	
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Any prior experience as a director of an issuer listed on the Exchange?	Yes
If yes, please provide details of prior experience	Executive Chairman and Chief Executive Officer of Combine Will International Holdings Limited
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N/A
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A

Details on Mr. Cheung Hok Fung, Alexander are as follows:

Date of First Appointment	28 March 2008
Date of last re-appointment (if applicable)	25 April 2017
Name of Person	Cheung Hok Fung, Alexander
Age	55
Country of principal residence	Hong Kong SAR
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Having reviewed his qualifications, work experience and performance since he joined, the nominating committee and the board of directors of the Company approved the appointment of Cheung Hok Fung, Alexander, as lead independent director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-executive and lead independent director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Lead Independent Director Audit Committee (Chairman) Nominating Committee (Member) Remuneration Committee (Member)
Professional qualifications	Certified Public Accountant, Hong Kong, Chartered Accountant, Australia and New Zealand; Professional Diploma in Company Secretaryship and Administration, Hong Kong Polytechnic, Hong Kong; Master Degree of Laws, University of New England, Australia; Bachelor Degree of Laws, University of New England, Australia.
Working experience and occupation(s) during the past 10 years	Barrister (High Court of Hong Kong) Accredited General Mediator (HKMAAL) Director, Titan Petrochemicals Group Limited Director, Shanghai Turbo Enterprises Limited Director, Daqing Dairy Holdings Limited
Shareholding interest in the listed issuer and its subsidiaries	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	No

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	
Other Principal Commitments* including Directorships# ***"Principal Commitments" has the same meaning defined in the Code** **#These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)**	**Past (for the last 5 years)**	Barrister (High Court of Hong Kong) Accredited General Mediator (HKMAAL) Director, Titan Petrochemicals Group Limited Director, Shanghai Turbo Enterprises Limited
	Present	Barrister (High Court of Hong Kong) Accredited General Mediator (HKMAAL) Director, Titan Petrochemicals Group Limited
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	Yes. Titan Petrochemicals Group Limited – during his first period of appointment (03/2014 – 03/2015), the Company was already under liquidation, and he was appointed in the process of restructuring for resumption of trading on the HKSE. Recently, another petition has been filed by an alleged creditor, and the company is contesting the application in the Bermudan Court.	
(c) Whether there is any unsatisfied judgment against him?	No	
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :	
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	Yes. It involves an incident whereby he is required to maintain confidentiality under law.
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

Any prior experience as a director of an issuer listed on the Exchange?	Yes
If yes, please provide details of prior experience	Independent non-executive director of Asia Silk Holdings Limited (February 2007 to August 2010) Independent non-executive director of Combine Will International Holdings Limited (March 2008 to present) Independent non-executive director of Shanghai Turbo Enterprises Limited (May 2017 to October 2018)
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N/A
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A

(iii) **Resolution 7**: To appoint Mr. Hu Hou Zhi as a director of the Company pursuant to Article 85(1) of the Articles of Association of the Company, in place of Mr. Chia Seng Hee, Jack, who has expressed his wish to retire and will be retiring as director from the conclusion of the AGM.

Details on Mr. Hu Hou Zhi are as follows:

Date of Appointment	16 June 2020
Date of last re-appointment (if applicable)	N/A
Name of Person	Hu Hou Zhi
Age	54
Country of principal residence	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Having reviewed his qualifications, work experience and performance since he joined, the nominating committee and the board of directors of the Company approved the appointment of Hu Hou Zhi as independent non-executive director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Independent non-executive director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Audit Committee Member Nominating Committee Member Remuneration Committee Member
Professional qualifications	Master's degree of Business Administration in Economics, Beijing Normal University

<table>
<tr><td>Working experience and occupation(s) during the past 10 years</td><td colspan="2"><u>July 2019 to present:</u>
General Manager, Jade Group (China) Ltd.

<u>December 2012 to present:</u>
Director, Fortman Fund (Beijing) Clean Energy Technology Co., LTD

<u>February 2012 to present</u>
Chairman, Xinjiang Fortman Fund Investment Management Co., Ltd.

<u>December 2011 to present:</u>
Chairman, Fortman Fund (Beijing) Science & Technology Investment Co., Ltd.

<u>September 2011 to December 2017:</u>
Chairman, Fortman Fund Equity Investment Management Co., Ltd.

<u>February 2009 to February 2018:</u>
Chief Operating Officer, Fortman Fund Investment Management Co., Ltd.</td></tr>
<tr><td>Shareholding interest in the listed issuer and its subsidiaries</td><td colspan="2">No</td></tr>
<tr><td>Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries</td><td colspan="2">No</td></tr>
<tr><td>Conflict of interest (including any competing business)</td><td colspan="2">No</td></tr>
<tr><td>Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer</td><td colspan="2">Yes</td></tr>
<tr><td rowspan="2">Other Principal Commitments* including Directorships#

*"Principal Commitments" has the same meaning defined in the Code

#These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)</td><td>Past (for the last 5 years)</td><td>Director, Yunnan Bowen Technology Industry Co., LTD</td></tr>
<tr><td>Present</td><td>None</td></tr>
<tr><td>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</td><td colspan="2">No</td></tr>
</table>

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :	
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Any prior experience as a director of an issuer listed on the Exchange?	No
If yes, please provide details of prior experience	N/A
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Mr. Hu Hou Zhi will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A

(iii) **Resolution 8**: If passed, this resolution will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding in total 50% of the issued share capital of the Company (excluding treasury shares), of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time this resolution is passed, after adjusting for:-

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares,

provided that adjustments in accordance with paragraphs (a) or (b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of the resolution approving the mandate.

(iv) **Resolution 9**: If passed, this resolution authorizes the Directors of the Company to purchase Shares by way of Market Purchases and/or Off-Market Purchases according to prescribed rules and regulations governed by the Companies Law and/or the Listing Manual of the SGX-ST. Further details are set out in the Appendix enclosed together with the Annual Report.

Notes:

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this notice of AGM (the "**Notice**") and the 2019 Annual Report will not be sent to members. Instead, this Notice and the 2019 Annual Report will be sent to members by electronic means via publication on the Company's website at the URL http://www.combinewill.com/ar.html. This Notice and the 2019 Annual Report will also be made available on the SGX Website at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 1 June 2020. This announcement may also be accessed at the Company's website at the URL http://www.combinewill.com/ar.html, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able the attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM**. The accompanying proxy form for the AGM may be accessed at the Company's website at the URL http://www.combinewill.com/ar.html, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

   Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

   Investors who hold shares through a Relevant Intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) (including Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS Investors**") who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven working days before the AGM ((i.e. by 4 June 2020) to ensure that their votes are submitted.

4. The Chairman of the AGM, as proxy, need not be a member of the Company.

5. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623;

   (b) if submitted electronically, be submitted via email to the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at agm.teamE@boardroomlimited.com, in either case not less than 48 hours before the time set for the holding of the AGM.

6. A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or by scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

7. Shareholders should note that the manner of conduct of the AGM may be subject to further changes based on the evolving COVID-19 situation, any legislative amendments and any directives or guidelines from government agencies or regulatory authorities. Any changes to the manner of the conduct of the AGM will be announced by the Company on the SGX Website. Shareholders are advised to check SGX Website and the Company's website regularly for further updates.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. It is the member(s)' responsibility to ensure that the proxy form is properly completed. Any decision to reject the proxy form on the grounds that it is incomplete, improperly completed or illegible will be final and binding and neither the Company, CDP nor Boardroom Corporate & Advisory Services Pte. Ltd. accepts any responsibility for the consequences of such a decision. In addition, in the case of shares entered in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), the Company may reject any instrument appointing a proxy or proxies lodged if the Depositor, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM or adjourned meeting, as certified by The Central Depository (Pte) Limited to the Company.

By Order of the Board

Ng Joo Khin
Company Secretary
Singapore, 01 June 2020

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the AGM to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

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COMBINE WILL

Combine Will International Holdings Limited

聯志國際控股有限公司

Incorporated in the Cayman Islands on 8 October 2007

(Company Registration No. MC-196613)