COMBINE WILL

ANNUAL REPORT 2018

ANCHORING

A STRONGER FOUNDATION

CONTENTS

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 building 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 as well as moulds and tooling and machine sales.

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

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. We are also a supplier of plastic injection and die-casting moulds for major manufacturers around the world and a distributor of state-of-the-art machineries and precision tools for mould making and automobile production.

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 seven manufacturing facilities located in Dongguan, Heyuan and Guangxi Province as well as our latest plant in Indonesia.

BUSINESS MODEL

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, industrial plastic injection and die-cast moulds and machine sales, 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.

MOULDS AND TOOLING

We are one of the major manufactory of plastic injection and die-casting moulds in Southern China. In addition to the production of moulds and tooling for our ODM/OEM products, we produce moulds and tooling as well as production fixtures for the automobile and consumer and household products industries. Our latest technologies and state-of-the-art equipment and software, such as the high-speed CNC machines, five-axis CNC machines and precision EDMs help shorten the production lead time and ensure reliable quality output on our moulds and tooling for our customers. Besides tooling business, we can also supply part production to customers upon request. Internship with on-job training programs will continue with paradigm technical institutes. Recruiting new staff is replenishing fuel to the company growth.

Based on our expertise and know-how, we are certified tooling supplier for some specific technical tools by world known automotive companies and Tier-1 companies.

MACHINE SALES

We distribute, install and provide after-sales services for advanced machines and precision tools for our customers who are in the manufacturing of mould and die-cast products and automobile parts. These include metal-cutting machines, precision measuring instruments and cutting tools, together with the required operating software, which are aimed at providing a comprehensive solution for our customers. We represent equipment manufacturers from Japan, the USA, Germany, the United Kingdom, Taiwan and Italy, whose products are recognised for their consistency, quality, accuracy and flexibility in the manufacturing process.

Our Indonesian plant was inaugurated on 12 September 2018. It is operating well on schedule, with the construction of Phase 3 on track to complete by mid-2019 and full capacity production anticipated to be achieved before the end of FY2019. Our new Cangwu plant commenced pilot production in November last year, with first shipment in Q1 this financial year. With both plants ramping-up on schedule, coupled with strong incentives from both the Indonesian and PRC governments and municipal authorities, the Group expects to enjoy further margin improvements.

STRATEGIC

NEW BEGINNINGS

CHAIRMAN'S MESSAGE

The Group benefitted from the value-accretive returns and posted a strong 336.7% improvement in net profit of HK$52.8 million for the financial year ended 31 December 2018, on a modest 14.6% increase in turnover to HK$1.56 billion.

CHAIRMAN'S MESSAGE

Dear Shareholders

I am delighted to report that the Group continued to strengthen its performance in FY2018. With its strategic restructuring largely completed and both the new plants in Indonesia and Cangwu running smoothly on schedule, the Group has seen continuing improvements in margins. This is augmented by strong support from core customers that helped to boost turnover.

Our concerted focus in the past two years on strategic in-process re-engineering plus active engagement with core customers early in the value chain have been value-accretive, drawing benefits from greater manufacturing efficiencies and higher productivity.

Our integrative efforts from the design to manufacture of products have received strong endorsement from core customers who have given the Group more orders, resulting in higher turnover for the year.

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The sale of the Group's plants and properties in Dongguan, through Dongguan Lian Zhi Business Management Co., Ltd. and Dongguan Zhong Xin Business Management Co., Ltd. had been completed in November last year and all monies received.

Having successfully completed the strategic manufacturing restructuring with positive results and improved returns, we are now looking into corporate structure and lines of business with the objective of focusing on the Group's more profitable lines of business that have higher growth potential. This could lead to the closure or divestment of the less profitable lines of business.

This strategic review also entail evaluating diversification into new businesses that have the potential for solid growth. In this regard, the Group is actively looking into consumer goods for the elderly through Crownington International Holdings Limited, in which Combine Will invested in last year through a share subscription agreement for a 10% equity stake.

More details will be announced when key decisions are made following the strategic review.

FINANCIAL REVIEW

The Group benefitted from the value-accretive returns and posted a strong 336.7% improvement in net profit of HK$52.8 million for the financial year ended 31 December 2018, on a modest 14.6% increase in turnover to HK$1.56 billion.

CHAIRMAN'S MESSAGE

The Group's core ODM/OEM segment delivered a 20.1% improvement in revenue with a strong 41.9% jump in gross profit due to increased orders from core customers and productivity enhancements. Both gross profits of Moulds & Toolings and Machine Sales recorded declines of 8% and 16.8% respectively due to the relocation of the Moulds and Toolings factory in the first half of the year and lesser orders for Machine Sales.

For FY2018, ODM/OEM accounted for HK$1.4 billion of the Group's total revenue; Machine Sales contributed HK$146.9 million whilst Moulds & Tooling contributed HK$55.9 million. Asia took up 68.8% or HK$1.1 billion of the Group's total sales whilst Europe represented 11.0% or HK$172.7 million and North America a modest 1.6% or HK$24.9 million.

Overall, gross margin improved to 8% for FY2018, from 7.8% the previous year while it reached 10% in Q4 FY2018, reflecting an increase of 13.6% from 8.8% in the corresponding quarter in FY2017.

As at 31 December 2018, the Group had an improved and healthy cashflow of HK$89.9 million.

OUTLOOK

The Group is poised to continue to perform well, anchored on sound and strong fundamentals and supported by lower costs, higher sales and improved margins. With further strategic review into more promising current lines of business and potential new business with higher value-accretive returns, the Group is well-positioned for the future, especially with the new plants ramping up production and strong support from core customers.

APPRECIATION

The Group's strong performance would not have been possible if not for the commitment and dedication of the management and staff who helped to weather the challenging yester-years.

The support and endorsement of our core customers, suppliers and business associates also went a long way in our restructuring journey.

I must also acknowledge my appreciation of my fellow board members for their invaluable counsel and guidance.

To all our stakeholders, I would like to show our gratitude to your faith in Combine Will and your support and contribution in making the Group a fundamentally stronger Company.

Thank you!

Dominic Tam
Executive Chairman & CEO

CHAIRMAN'S MESSAGE

OPERATIONAL REVIEW

LOWER MANUFACTURING COSTS AND HIGHER YIELD

With our operational restructuring and process re-engineering largely completed, the Group continued to enjoy improved efficiencies and increased productivity, delivering higher value yield per worker. Active integrated customer involvement earlier in the value chain continued to yield higher manufacturing efficiencies, especially in the optimal utilisation of our plant and machineries. Together with continuing ongoing investment in more equipment to further improve enterprise automation resulted in overall lower manufacturing costs, thereby improving the Group's yield and bottom-line performance.

NEW PLANTS IN SRAGEN, INDONESIA AND CANGWU, GUANGXI RAMPING-UP ON SCHEDULE

Our plant in Sragen, Indonesia is ramping-up very well, with a current work force of about 3400 workers. Construction of Phase 3 on track to complete by mid-year and full capacity production anticipated to be achieved before the end of FY2019. The plant was inaugurated on 12th September 2018.Our new Cangwu plant commenced pilot production in November last year, with first shipment in Q1 this financial year. As at 28 Feb 2019, it employed more than 1200 workers.

STRONG CUSTOMER ENDORSEMENT AND SUPPORT

The Group's core customers demonstrated their endorsement of the Group's strategic changes and geographical diversification of manufacturing bases with increased orders, especially in the ODM/OEM business segment.

SEGMENTAL PERFORMANCE

This led to a 20.1% improvement in revenue for this core business segment, with a strong 41.9% jump in gross profit. However, Moulds & Toolings and Machine Sales recorded declines of 8% and 16.8% respectively due to the relocation of the Moulds and Toolings factory in the first half of the year and lesser orders for Machine Sales.

ODM/OEM accounted for HK$1.4 billion of the Group's total revenue; Machine Sales contributed HK$146.9 million whilst Moulds & Tooling added HK$55.9 million. Asia took up 68.8% or HK$1.1 billion of the Group's total sales whilst Europe represented 11.0% or HK$172.7 million and North America a modest 1.6% or HK$24.9 million.

IMPROVED GROSS MARGIN

Overall, gross margin improved to 8% for FY2018, from 7.8% the previous year while it reached 10% in Q4 FY2018, reflecting an increase of 13.6% from 8.8% in the corresponding quarter in FY2017.

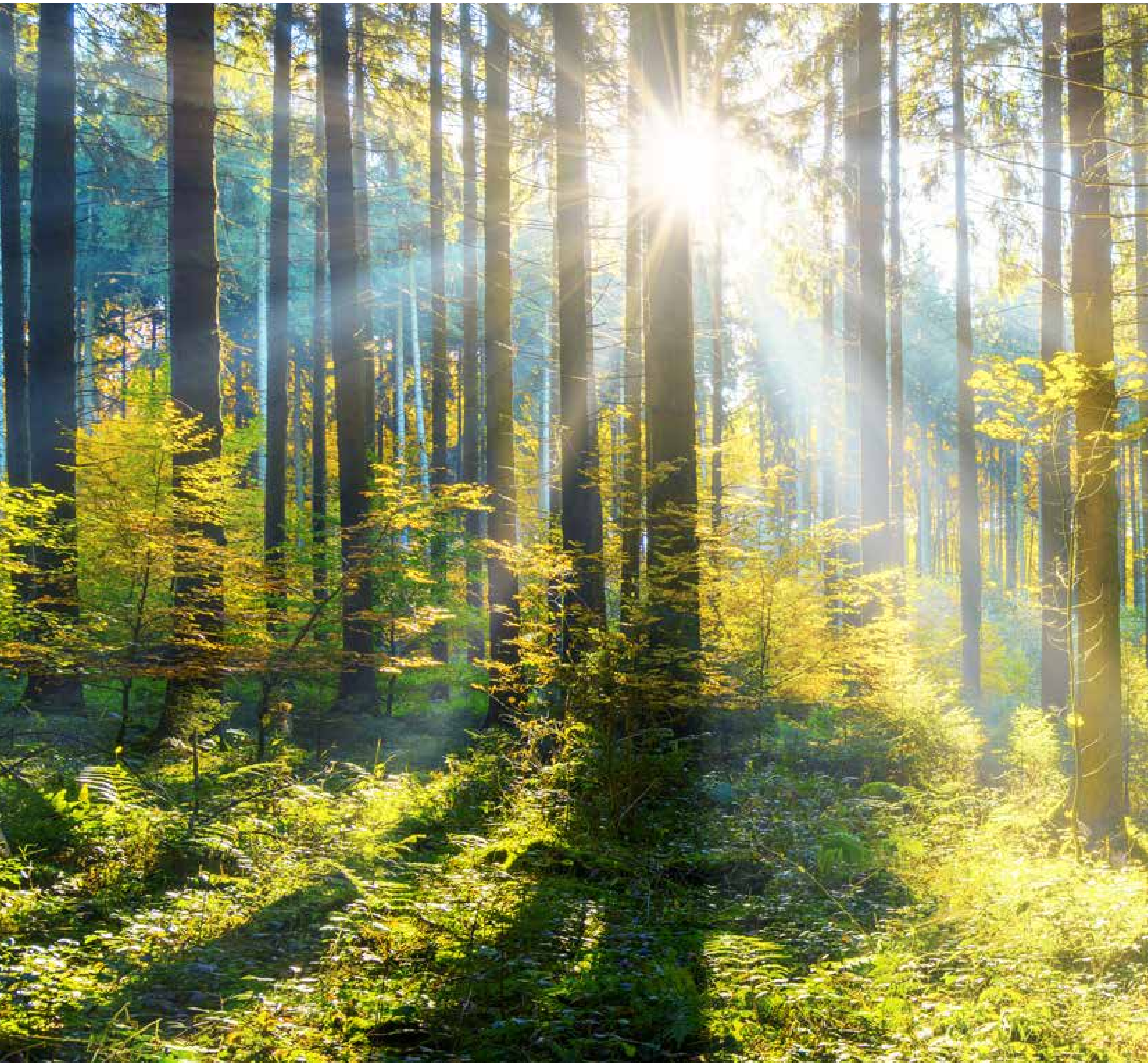
CORPORATE DEVELOPMENTS AND CORPORATE SOCIAL RESPONSIBILITY

Combine Will believes a solid foundation is essential to a successful and sustainable business. Fulfilling corporate social responsibility ("CSR") is part of our business strategies. It is a continuous journey in which a robust relationship is built with stakeholders. We will also commit to a corporate culture of adhering to integrity, caring for the society and striving to reduce environmental impact. Our team has established an appropriate internal and external audit mechanism to conduct assessment on the effectiveness of the relevant CSR measures implemented in factories located in China and Indonesia on a regular basis. In 2018, five factories obtained ICTI Ethical Toy Program certification, four factories obtained Global Security Verification and Sedex Members Ethical Trade Audit certification. In addition, another three factories passed the Responsible Business Alliance review. Our team will continue the efforts and will optimize our CSR development strategies, report to the Board on the latest development about CSR implementation and communicate with stakeholders on a regular basis, concert the effort to enable our team to contribute to the sustainable development of our employee, the society and the environment.

We care about our employee well-being. In light of this, we have been investing in various activities. In 2018, two "Caring for Employee" activities were conducted in China and Indonesia respectively with the aim to care about the needs and livelihood of our employees. In China, many workers come from remote region to work in Guangdong, hence, separating from their children for a long period of time. We have organized the "Combine Will Happy Summer Holiday" activity in July and August which 30 kids were invited to the factory and reunite with their parents. When their parents were working, the kids participated in various activities at the "Combine Will Happy Summer Holiday" activity center. In addition to a cozy playground, we have also provided professional instructors to take care of the kids and have arranged activities for the families, enabled them to spend a warm and unforgettable moments. Moreover, the establishment of our factory in Indonesia in 2017 has stimulated the local economy as well as provided job opportunities to the locals, created a closer relationship between us and the local community. We have put this relationship into practice. Several home visits were organized, allow us to understand the lives and customs of the local employees and to send the love and care of Combine Will family to the employees' family.

The full standalone Sustainability Report 2018 of Combine Will be issued by the Group by the end of May 2019.

The Group is poised to continue to perform well, anchored on sound and strong fundamentals and supported by lower costs, higher sales and improved margins. With further strategic review into more promising current lines of business and potential new business with higher value-accretive returns, the Group is well-positioned for the future, especially with the new plants ramping up production and strong support from core customers.



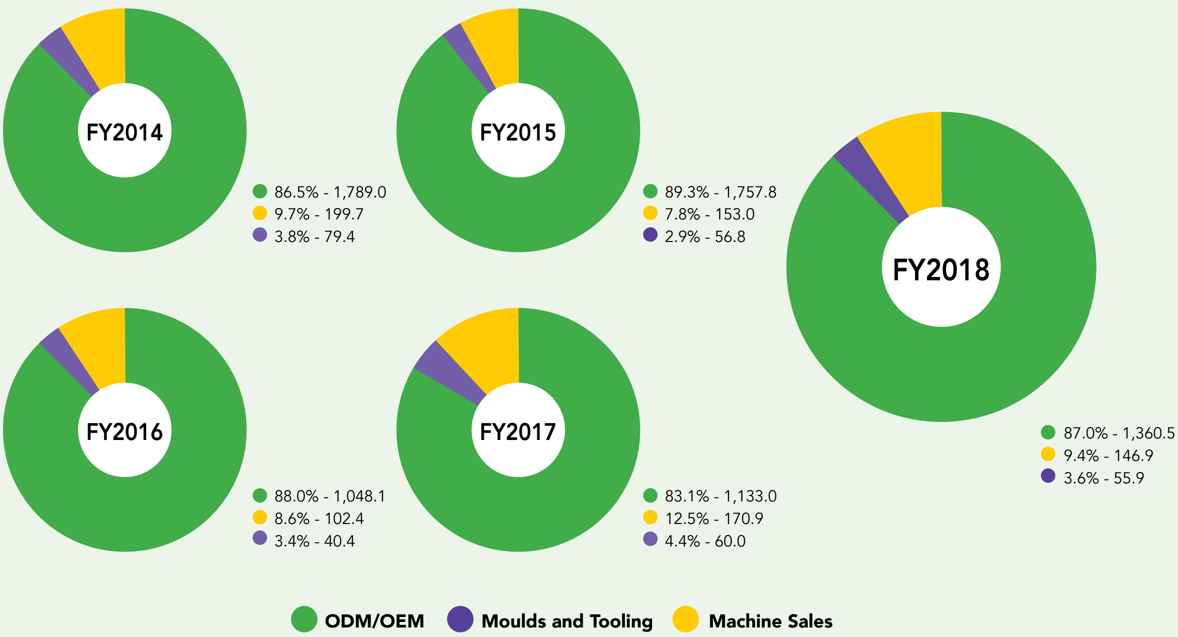
POISED
FOR THE FUTURE

FINANCIAL HIGHLIGHTS

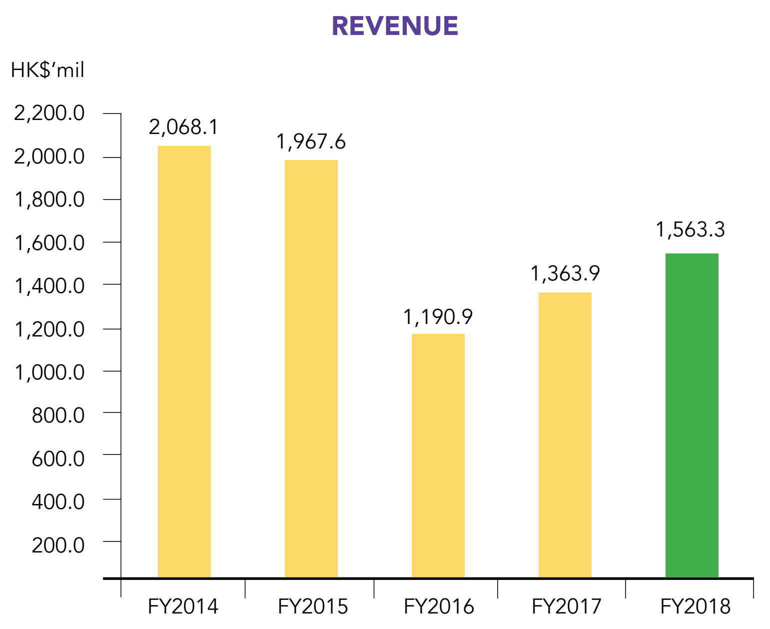
For the year (HK$'mil)	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue	2,068.1	1,967.6	1,190.9	1,363.9	1,563.3
Gross Profit	167.8	170.2	65.6	106.2	125.6
Profit/(loss) before Tax	22.7	21.2	(36.6)	15.9	57.4
Profit/(loss) Attributable to Shareholders	18.6	17.5	(35.5)	10.5	52.7
Basic Earnings/(loss) per Share (HK cents)	56.8	53.5	(109.1)	32.5	163.2

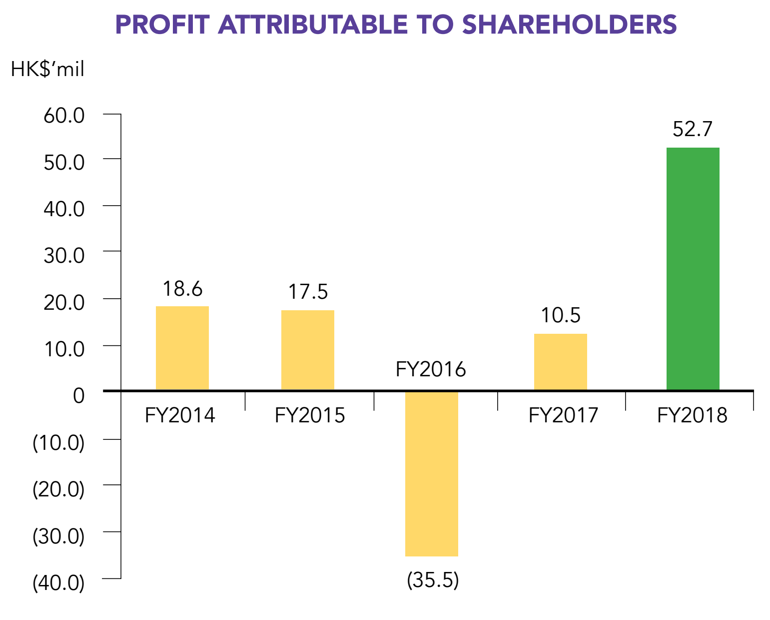
As at 31 December (HK$'mil)	FY2014	FY2015	FY2016	FY2017	FY2018
Total Assets	1,782.4	1,760.8	1,161.2	1,248.5	1,362.6
Total Liabilities	1,106.4	1,101.0	600.0	649.3	722.3
Total Equity	675.9	659.8	561.2	599.2	640.3
Net Cash generated from/(used in) Operating Activities	116.3	35.7	35.5	216.0	(117.3)
Cash and Cash Equivalents	53.9	54.9	43.4	73.1	89.9

REVENUE BY SEGMENTS (HK$'MIL)



FINANCIAL HIGHLIGHTS





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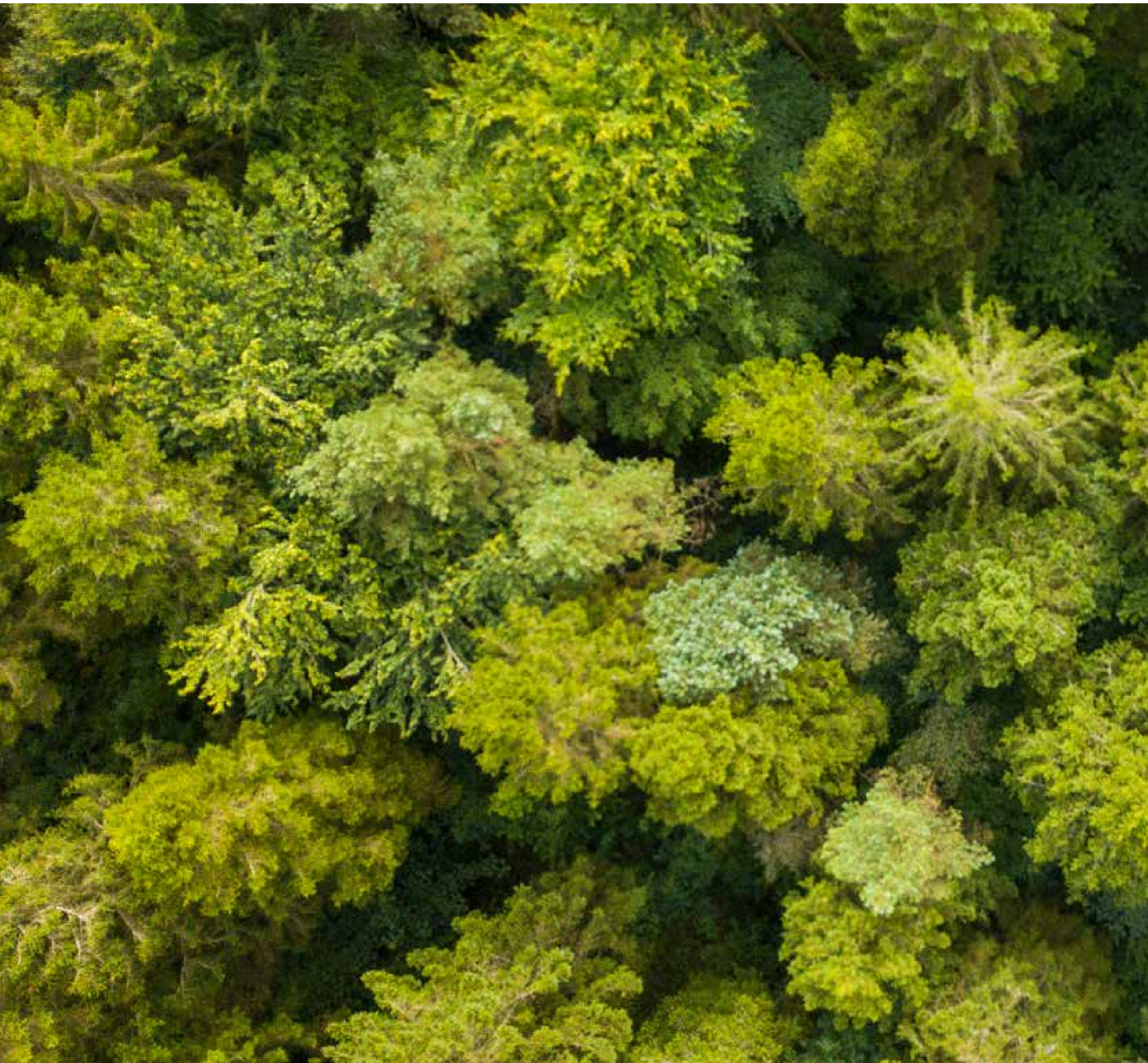

STRATEGIES

FOR COMPETITIVENESS

BOARD OF DIRECTORS

MR. TAM JO TAK, DOMINIC, 64

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 2018): Approximately 11 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 2018):
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 2016 to 31 December 2018): 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, 59

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 2018): Approximately 11 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 2018):
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 2016 to 31 December 2018): 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.

BOARD OF DIRECTORS

MR. LI HIN LUN, ALAN, 55

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 2018): Approximately 2 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 2018):
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 2016 to 31 December 2018): 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, 54

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 2018): Approximately 10 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 2018):
Listed Companies: Nil
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 2016 to 31 December 2018): Titan Petrochemicals Group Limited, 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, 58

Role: Non-Executive and Independent Director
Date of first appointment as director: 28 March 2008
Date of last re-election as director: 26 April 2016
Length of service as a director (as of 31 December 2018): Approximately 10 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 2018):
Listed Companies:
Dukang Distillers Holdings Limited, Debao Property Development Limited, mm2 Asia Limited, Ying Li International Real Estate Limited
Major Appointments (other than Directorships): Nil
Past Directorships in listed companies held over the preceding three years (from 1 January 2016 to 31 December 2018): 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. NING LI, 55

Role: Non-Executive and Independent Director
Date of first appointment as director: 8 May 2009
Date of last re-election as a director: 26 April 2016
Length of service as a director (as at 31 December 2018): Approximately 9 years and 8 months
Board committee(s) served on: Audit Committee (Member), Nominating Committee (Member), Remuneration Committee (Member)
Academic & Professional Qualification(s):
Bachelor of Law Degree, University of Political Science and Law, PRC;
Master of Law, University of International Business and Economics, PRC.
Present Directorships (as at 31 December 2018):
Listed Companies: Nil
Others: Jade Group (China) Ltd., Vanguard Express Co., Ltd, Beijing, Liantuo Environment and Energy Resources Investment Co., Ltd, China, Art International Travel Agency, Crownington International Holdings Limited
Major Appointments (other than Directorships): Nil
Past Directorships in listed companies held over the preceding three years (from 1 January 2016 to 31 December 2018): Nil

Mr. Ning Li is our Independent Non-Executive Director and was appointed to our Board on 8 May 2009. Mr. Ning started out his career as a lawyer in Beijing Chaoyang Law Firm from 1985 to 1993, before moving on to establish his own practice, Beijing Tianda Law Firm in 1993. His main areas of practice encompassed restructuring, mergers and acquisitions of private limited companies, initial public offerings as well as real estate, and he has represented listed companies such as Hubei Qianjiang Pharmaceutical Co., Ltd., Songliao Automobile Co., Ltd., Cangzhou Chemistry Industry., Ltd. and over 50 real estate projects in Beijing. Since 2002, Mr. Ning is engaged in various businesses based in the PRC and is currently the Chairman of several Boards, namely, Jade Group (China) Ltd. which primarily provides immigration services; Vanguard Express Co., Ltd, a company that provides finance services; and Beijing Liantuo Environment and Energy Resources Investment Co., Ltd, which invests in the environment and energy resources field. In addition, he is also an Executive Director of China Art International Travel Agency. He graduated with a Bachelor of Law degree from the University of Political Science and Law, PRC, and a Master of Law from the University of International Business and Economics, PRC.

EXECUTIVE MANAGEMENT

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.

HUNG KAM TIM, SAMUEL
General Manager, Head of Machine Sales Business Unit

Mr. Hung Kam Tim, Samuel has been the General Manager, Head of Machine Sales Business Unit since 2000 and is responsible for the management and operational activities of the Group in relation to our Machine Sales business segment.

Prior to joining our Group, he was a regional sales manager at Leeport Machine Tools Co., Ltd. and was involved in the sales and marketing, strategic planning and operational activities of the company for approximately eight years.

Mr. Hung graduated with a Bachelor of Engineering (Manufacturing) with first class honours and a Master of Arts degree in Quantitive Analysis for business from the City University of Hong Kong in 1992 and 1996, respectively.

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

Ning Li
Independent Non-Executive Director

AUDIT COMMITTEE

Cheung Hok Fung, Alexander
(Chairman)
Chia Seng Hee, Jack
Ning Li

NOMINATING COMMITTEE

Chia Seng Hee, Jack (Chairman)
Cheung Hok Fung, Alexander
Ning Li

REMUNERATION COMMITTEE

Chia Seng Hee, Jack (Chairman)
Cheung Hok Fung, Alexander
Ning Li

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.
Xin Cheng 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

CTBC Bank Co., Ltd., Hong Kong
Branch
28/F, Two IFC, 8 Finance Street,
Central, Hong Kong

DBS Bank (Hong Kong) Limited
17th Floor, The Center 99 Queen's
Road, Central, Hong Kong

OCBC Wing Hang
161 Queen's Road Central, Hong
Kong

Wing Lung Bank Limited
45 Des Voeux Road, Central, Hong
Kong

CORPORATE GOVERNANCE REPORT

The Directors and Management of Combine Will International Holdings Limited are committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code of Corporate Governance 2012 (the "**Code**") issued by the Singapore Corporate Governance Committee and the relevant sections of the Listing Manual (the "**Listing Manual**") issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). In line with the new Code of Governance 2018 which applies to annual reports commencing 1 January 2019, the Company will undertake a review of its corporate governance practices to ensure continuing compliance.

The corporate governance practices of the Company for the financial year ended 31 December 2018 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, 5 and 6 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 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.

CORPORATE GOVERNANCE REPORT (cont'd)

I. BOARD MATTERS (cont'd)

Board's Conduct of its Affairs (cont'd)

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. 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. Ning Li are independent Directors. 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 2018 are disclosed in the Financial Statement for the financial year ended 31 December 2018.

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 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 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 on a quarterly basis at least 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.

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.

I. **BOARD MATTERS (cont'd)**

Board Committees (cont'd)

During the financial year ended 31 December 2018 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		Nominating 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
Ning Li	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 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. The Board is of the opinion that the appointment of Mr. Tam as Executive Chairman and Chief Executive Officer of the Company does not affect the effective running of the Board. In compliance with the Code, the independent non-executive directors comprise half of the Board, and they bring to bear objective and independent judgment to the decision-making processes of the Board and provide an adequate check and balance for the executive directors.

The Code recommends the appointment of a lead independent director to whom any concerns of any shareholders may be conveyed 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. 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.

CORPORATE GOVERNANCE REPORT (cont'd)

I. BOARD MATTERS (cont'd)

Board Membership

The NC comprises entirely of Independent Non-Executive Directors, namely:

Mr. Chia Seng Hee, Jack (Chairman)
Mr. Cheung Hok Fung, Alexander
Mr. Ning Li

The principal functions of the NC are set out below:

- recommending 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. 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
- recommending 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 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. 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.

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 familiarize 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.

I. BOARD MATTERS (cont'd)

Board Membership (cont'd)

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 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

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.

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 7, 8 and 9 of the Code)

Procedures for Developing Remuneration Policies

The RC consists of the following Independent Non-Executive Directors:

Mr. Chia Seng Hee, Jack (Chairman)
Mr. Cheung Hok Fung, Alexander
Mr. Ning Li

The RC is responsible for the following:

- 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. 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.

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. To comply with the Code, the Company will be incorporating 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.

II REMUNERATION MATTERS (cont'd)

Disclosure of Remuneration

The remuneration of the Directors for the financial year ended 31 December 2018 is disclosed below:

Name	Salary / Directors fees (%)	Bonus (%)	Benefits in kind (%)	Share Options (%)	Share-based incentives (%)	Other long-term incentives (%)	Total Compensation (S$'000)
Executives Directors							
Tam Jo Tak, Dominic	100.0	-	-	-	-	-	326
Chiu Hau Shun, Simon	100.0	-	-	-	-	-	326
Li Hin Lun, Alan	97.0	3.0	-	-	-	-	200
Non-executive Directors							
Cheung Hok Fung, Alexander	100.0	-	-	-	-	-	70
Chia Seng Hee, Jack	100.0	-	-	-	-	-	70
Ning Li	100.0	-	-	-	-	-	60

The remuneration of the key executives (who are not Directors) for the financial year ended 31 December 2018 is disclosed below:

Name	Salary / Directors fees (%)	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	-	-	-	-	-	324
Qiu Guo Lian, David	100.0	-	-	-	-	-	211
Hung Kam Tim, Samuel	87.2	12.8	-	-	-	-	320
Tang Kai Man, Nicholas	96.6	3.4	-	-	-	-	209
Xu Nan Yun, Steven	100.0	-	-	-	-	-	77

The total remuneration paid to the top five key executives (who are not Directors) is S$1,141,000.

The aggregate amount of termination, retirement and post-employment benefits that may be granted to the Directors, the Chief Executive Officer and the top five key executives (who are not Directors) is S$2,193,000.

There is no employee that is an immediate family member of any Director whose remuneration exceeds S$50,000 for the financial year ended 31 December 2018.

There are no employee share schemes for the financial year ended 31 December 2018.

III ACCOUNTABILITY AND AUDIT

(Principles 10, 11, 12 and 13)

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 Independent Non-Executive Directors:

Mr. Cheung Hok Fung, Alexander (Chairman)
Mr. Chia Seng Hee, Jack
Mr. Ning Li

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 independence 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;

III ACCOUNTABILITY AND AUDIT (cont'd)

Audit Committee (cont'd)

- 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
- advising the Board on the company's overall risk tolerance and strategy.

To ensure compliance with the revised 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.

CORPORATE GOVERNANCE REPORT (cont'd)

III ACCOUNTABILITY AND AUDIT (cont'd)

Audit Committee (cont'd)

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. 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. 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.

For the purposes of compliance with the Code, the Board would obtain 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, that there were adequate internal controls and risk management processes in place within the Group addressing material financial, operational and compliance 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$ 1,730,000 with the fees paid for its provision of audit and non-audit services amounting to HK$ 1,165,000 and HK$ 565,000 respectively; and

(b) RSM Chio Lim LLP amounted to S$ 92,000 with the fees paid for its 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.

III ACCOUNTABILITY AND AUDIT (cont'd)

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

(Principle 14, 15 and 16 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.

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. Shareholders will be afforded adequate opportunities to communicate their views on matters relating to the Company. 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.

Registered shareholders, including corporations, who are unable to attend the Annual General Meeting of the Company ("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, a comprehensive investor relations policy will be 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.

Please refer to the Sustainability Report for 2018 for the Company's stakeholder engagement policies.

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 5 Singapore cents per ordinary share for the financial year ended 31 December 2018 to thank shareholders for their patience and loyalty when the company was undergoing strategic review and restructuring in the last two years. Consideration has also been given to the facts that the company's financial position is healthy with comfortable working capital and both the new plants in Indonesia and Cangwu are now operational and expect to ramp up production which will further improve margins.

CORPORATE GOVERNANCE REPORT (cont'd)

IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES (cont'd)

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. 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.

V. DEALINGS IN SECURITIES

The Company has adopted an internal code of practice for securities transactions by all Directors and designated employees, incompliance 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.

During the year, the Group had been granted an option to subscribe for 1,111 fully paid redeemable ordinary shares representing 10% of the share capital of Crownington International Holdings Limited ("Crownington"). An independent director of the Group, Mr. Ning Li, holds 60% of the Crownington's shares; whilst an executive director of the Group, Mr. Simon Chiu, is the sole director of the Crownington and holds 10% of the Crownington's shares.

Except the above, there were no significant interested person transactions during the financial year ended 31 December 2018.

FINANCIAL STATEMENTS

STATEMENT BY DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 41 to 90, 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 2018 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 2019, the material develpoment that affect the Group and the Company's operating and financial performance as of the date of this report, was disclosed in note 37 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

8 April 2019

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 2018, 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 2018, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 21 on inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 December 2018, the Group held inventories of HK$591 million, which represented approximately 43% 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, a write down of inventories amounting to HK$16.3 million 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

Please refer to notes 3(j) and 3(w) on the relevant accounting policies, note 4(d) on key sources of estimation uncertainties, note 22 on trade and bills receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 December 2018, the Group has trade and bills receivables with aggregate value of HK$235.3 million before the allowance for doubtful debts of HK$18.1 million. The Group generally allows credit period about 90 days for its customers. Management performed periodic assessment on the recoverability of the trade and bills receivables and the sufficiency of allowance for doubtful debts based on information including credit profile of different customers, aging of the trade and bills receivables, 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 receivable of HK$6.8 million was charged to profit or loss. We focused on this area due to the impairment assessment of trade and bills receivables 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 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 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.

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.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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

8 April 2019

Engagement partner: Goh Swee Hong

RSM Hong Kong
Certified Public Accountants

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

8 April 2019

Engagement partner: Liu Eugene

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	9	**1,563,299**	1,363,944
Cost of sales		**(1,437,688)**	(1,257,715)
Gross profit		**125,611**	106,229
Other income, gains and (losses)	10	**119,365**	22,373
Impairment loss on trade and other receivables		**(35,558)**	-
Selling and distribution expenses		**(26,765)**	(18,995)
Administrative expenses		**(109,490)**	(81,139)
Profit from operations		**73,163**	28,468
Finance costs	11	**(15,757)**	(12,612)
Profit before tax		**57,406**	15,856
Income tax expense	12	**(4,651)**	(3,775)
Profit for the year, net of tax	13	**52,755**	12,081
Profit for the year attributable to:			
Owners of the Company		**52,747**	10,489
Non-controlling interests		**8**	1,592
		52,755	12,081
Basic earnings per share (HK cents)	16	**163.16**	32.45

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK$'000	2017 HK$'000
Profit for the year, net of tax	**52,755**	12,081
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(11,655)**	25,877
Other comprehensive income for the year, net of tax	**(11,655)**	25,877
Total comprehensive income for the year	**41,100**	37,958
Total comprehensive income for the year attributable to:		
Owners of the Company	**41,232**	36,213
Non-controlling interests	**(132)**	1,745
	41,100	37,958

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	Group 2018 HK$'000	Group 2017 HK$'000	Company 2018 HK$'000	Company 2017 HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	17	**225,769**	207,501	**-**	-
Investments in subsidiaries	18	**-**	-	**461,263**	461,263
Goodwill	19	**1,927**	1,927	**-**	-
Total non-current assets		**227,696**	209,428	**461,263**	461,263
Current assets					
Current tax assets		**1,753**	925	**-**	-
Inventories	21	**590,787**	525,127	**-**	-
Trade and bills receivables	22	**217,189**	260,793	**-**	-
Prepayments, deposits and other receivables	23	**157,254**	135,679	**-**	-
Financial assets at fair value through profit or loss ("FVTPL")	20	**78,055**	-	**-**	-
Bank and cash balances	24,33	**89,872**	73,064	**1,125**	1,125
		1,134,910	995,588	**1,125**	1,125
Assets classified as held for sale	25	**-**	43,446	**-**	-
Total current assets		**1,134,910**	1,039,034	**1,125**	1,125
Total assets		**1,362,606**	1,248,462	**462,388**	462,388
LIABILITIES AND EQUITY					
Non-current liabilities					
Borrowings	29	**67,500**	-	**-**	-
Deferred tax liabilities	26	**2,650**	2,650	**-**	-
Total non-current liabilities		**70,150**	2,650	**-**	-
Current liabilities					
Current tax liabilities		**6,259**	6,096	**-**	-
Trade and bills payables	27	**209,573**	212,657	**-**	-
Amount due to subsidiaries	18	**-**	-	**11,319**	11,319
Accruals and other payables	28	**174,373**	212,598	**-**	-
Borrowings	29	**261,985**	215,295	**-**	-
Total current liabilities		**652,190**	646,646	**11,319**	11,319
Total liabilities		**722,340**	649,296	**11,319**	11,319
Equity attributable to owners of the Company					
Share capital	30	**242,456**	242,456	**242,456**	242,456
Reserves	31	**386,765**	345,533	**208,613**	208,613
		629,221	587,989	**451,069**	451,069
Non-controlling interests		**11,045**	11,177	**-**	-
Total equity		**640,266**	599,166	**451,069**	451,069
Total liabilities and equity		**1,362,606**	1,248,462	**462,388**	462,388

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company								
	Share capital	Share premium	Statutory reserve (Note)	Capital redemption 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
At 1 January 2017	242,456	26,488	2,033	1,665	(19,097)	298,231	551,776	9,432	561,208
Total comprehensive income for the year	-	-	-	-	25,724	10,489	36,213	1,745	37,958
Changes in equity for the year	-	-	-	-	25,724	10,489	36,213	1,745	37,958
At 31 December 2017 and 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	242,456	26,488	2,033	1,665	(4,888)	361,467	629,221	11,045	640,266

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 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**57,406**	15,856
Adjustments for:			
Depreciation		**47,036**	44,633
Loss on disposals of property, plant and equipment		**3,084**	88
Impairment loss on trade and other receivables		**35,558**	-
Impairment loss on property, plant and equipment		**4,129**	-
Write down of inventories		**16,296**	-
Bad debts written off		**-**	560
Gain on disposals of subsidiaries		**(138,387)**	-
Fair value loss on financial assets at FVTPL		**250**	-
Interest income		**(393)**	(57)
Finance costs		**15,757**	12,612
Operating profit before working capital changes		**40,736**	73,692
Increase in inventories		**(81,956)**	(13,901)
Decrease in trade and bills receivables		**36,813**	20,002
Increase in prepayments, deposits and other receivables		**(50,546)**	(19,903)
(Decrease)/increase in trade and bills payables		**(3,084)**	77,183
(Decrease)/increase in accruals and other payables		**(38,225)**	94,606
Cash (used in)/generated from operations		**(96,262)**	231,679
Interest paid		**(15,757)**	(12,612)
Income taxes paid		**(5,314)**	(3,048)
Net cash (used in)/generated from operating activities		**(117,333)**	216,019
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(77,871)**	(56,356)
Purchases of financial assets at FVTPL		**(78,305)**	-
Proceeds from disposals of property, plant and equipment		**447**	-
Net cash inflow from disposals of subsidiaries	32(a)	**182,035**	-
Interest received		**393**	57
Net cash generated from/(used in) investing activities		**26,699**	(56,299)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new loans		**82,000**	-
Net advance/(repayment) of trust receipts and import loans		**32,190**	(133,647)
Net cash generated from/(used in) financing activities		**114,190**	(133,647)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**23,556**	26,073
Net effect of exchange rate changes on cash and cash equivalents held		**(6,748)**	3,602
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**73,064**	43,389
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	33	**89,872**	73,064

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 Xin Cheng 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 2018 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 18 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 number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following new or revised IFRSs are relevant to the Group's consolidated financial statements:

(i) IFRS 9 Financial Instruments; and
(ii) IFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

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

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

The adoption of IFRS 9 resulted in the following changes to the Group's accounting policies.

2. STATEMENT OF COMPLIANCE (cont'd)

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

IFRS 9 Financial instruments (cont'd)

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") or FVTPL, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2. STATEMENT OF COMPLIANCE (cont'd)

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

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade, bills and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of IFRS 9 on the Group.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Note	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39 HK$'000	Carrying amount under IFRS 9 HK$'000
Trade, bills and other receivables	(a)	Loans and receivables	Amortised cost	374,554	374,554

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 January 2018.

(a) Trade, bills and other receivables that were classified as loans and receivables under IAS 39 are now measured at amortised cost.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

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

The Group manufactures and sells toys and premium products; moulds and model; and machinery and premium goods. Sales are recognised either when control of the products has transferred, being when the products are delivered to the customers; or when a performance obligation is satisfied over time by reference to the progress towards complete satisfaction.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. For revenue recognised over time, payment is not due from the customer until the products are delivered and therefore a contract asset is recognised over the period in which the goods and services are performed representing the entity's right to consideration for the goods and services performed to date.

2. STATEMENT OF COMPLIANCE (cont'd)

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

IFRS 15 Revenue from contracts with customers (cont'd)

IFRS 15 does not have material impact to the Group's consolidated financial statements except the presentation of contract liabilities in the Group's financial position. Further details are set out below:

(i) Presentation of contract liabilities

Under IFRS 15, a contract liability, rather than a payable, 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.

Previously, contract balances relating to trade deposits received from customers were included in "mould and trade deposits received" under "accruals and other payables" in the Group's statement of financial position.

To reflect these changes in presentation, "trade deposits" amounting to HK$9,994,000 are now disclosed as "contract liabilities" at 1 January 2018, as a result of the adoption of IFRS 15.

(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 2018. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRSs 2015 - 2017 Cycle	1 January 2019

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 the Group has identified some aspects of IFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that first quarter financial statement and dividend announcement report.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office and factory property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

2. STATEMENT OF COMPLIANCE (cont'd)

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

IFRS 16 Leases (cont'd)

As disclosed in note 35, the Group's future minimum lease payments under non-cancellable operating leases for its office and factory properties amounted to HK$24,229,000 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation of IAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Consolidation (cont'd)

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 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Foreign currency translation (cont'd)

(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 (classified as finance leases), held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Cost includes acquisition cost and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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:

Land and 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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Operating leases - as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Operating leases - as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant 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 liabilities

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.

Policy prior to 1 January 2018

Amounts received before the related work was performed were presented as "mould and trade deposits received" under "accruals and other payables". These balances have been reclassified as on 1 January 2018 as shown in note 2(a).

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Recognition and derecognition of financial instruments (cont'd)

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 expected credit losses ("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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of the asset's previous carrying amount or fair value less costs to sell.

(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) Trade and other payables

Trade 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.

(p) 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.

(q) Revenue recognition

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.

For the sales that is recognised at over time, revenue is recognised based on the stage of completion of the contract. 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").

Interest income is recognised as it accrues using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

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

Policy prior to 1 January 2018

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that future economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Revenue recognition (cont'd)

Policy prior to 1 January 2018 (cont'd)

Rental income is recognised on a straight-line basis over the lease terms.

Mould engineering income is recognised when the mould engineering services are rendered.

(r) 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.

(s) Borrowing costs

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

(t) 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.

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.

(u) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Taxation (cont'd)

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.

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.

(v) 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.

(w) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade and bills receivables. 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. The expected credit losses 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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.

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Definition of default (cont'd)

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.

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; 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.

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.

Policy prior to 1 January 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Policy prior to 1 January 2018 (cont'd)

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(x) 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.

(y) 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.

(z) 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 SPPI 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.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (cont'd)

Critical judgements in applying accounting policies (cont'd)

(b) Significant increase in credit risk

As explained in note 3(w), 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.

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 2018 was HK$225,769,000 (2017: HK$207,501,000).

(b) Impairment of property, plant and equipment

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of CGUs if applicable is measured based on the fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year is affected by the assumption is HK$4,129,000 (2017: HK$ Nil).

(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 (2017: HK$1,927,000) after accumulated impairment loss of HK$490,000 (2017: HK$490,000) was recognised. Details of the impairment loss calculation are provided in note 19 to the consolidated financial statements.

(d) Impairment of trade and bills receivables

Prior to the adoption of IFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade and bills receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade and bills receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2017, the carrying amount of trade and bills receivables is HK$260,793,000 (net of allowance for doubtful debts of HK$11,336,000).

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (cont'd)

Key sources of estimation uncertainties (cont'd)

(d) Impairment of trade receivables (cont'd)

Since the adoption of IFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade and bills receivables based on the credit risk of trade and bills receivables. 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 2018, the carrying amount of trade and bills receivables is HK$217,189,000 (net of allowance for doubtful debts of HK$18,127,000).

(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 2018, allowance for slow-moving inventories amounted to HK$24,956,000 (2017: HK$8,675,000).

(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 2018, the deferred tax liabilities are HK$2,650,000 (2017: HK$2,650,000).

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.

5. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Foreign currency risk (cont'd)

At 31 December 2018, 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$1,125,000 (2017: HK$1,276,000) lower, arising mainly as a result of the net foreign exchange loss on bank and cash balances, mould and trade deposits received, trade and bills payables and accruals and other payables denominated in RMB. If the HK$ 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$1,125,000 (2017: HK$1,276,000) higher, arising mainly as a result of the net foreign exchange gain on bank and cash balances, mould and trade deposits received, 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 loans.

At 31 December 2018, 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$1,124,000 (2017: HK$848,000) 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$1,124,000 (2017: HK$848,000) 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.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Trade and bills receivables

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 within 0-90 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.

The Group measures loss allowances for trade and bills receivables 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 as at 31 December 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

5. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Credit risk (cont'd)

Trade and bills receivables (cont'd)

Expected loss rates are based on actual loss experience over the past 4 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.

Prior to 1 January 2018

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade and bills receivables of HK$11,336,000 was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 HK$'000
Neither past due nor impaired	165,182
Up to 3 months	35,725
Over 3 months	59,886
	260,793

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	2018 **HK$'000**	2017 HK$'000
At 31 December under IAS 39	**11,336**	11,740
Impairment losses recognised for the year	**6,791**	-
Amounts written off during the year	**-**	(404)
At 31 December	**18,127**	11,336

(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.

5. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Liquidity risk (cont'd)

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
At 31 December 2018					
Trade and bills payables	**-**	**209,573**	**-**	**-**	**-**
Accruals and other payables	**-**	**174,373**	**-**	**-**	**-**
Borrowings	**252,159**	**18,417**	**22,416**	**48,188**	**-**
At 31 December 2017					
Trade and bills payables	-	212,657	-	-	-
Accruals and other payables	-	212,598	-	-	-
Borrowings	217,030	-	-	-	-

(e) Categories of financial instruments at 31 December 2018 and 2017

	2018 **HK$'000**	2017 HK$'000
Financial assets:		
Financial assets measured at amortised cost	**333,201**	-
Loans and receivables (including cash and cash equivalents)	**-**	390,811
Financial assets measured at FVTPL	**78,055**	-
Financial liabilities:		
Financial liabilities at amortised cost	**676,122**	591,472

(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.

6. FAIR VALUE MEASUREMENTS (cont'd)

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 2018:

	Fair value Hierarchy	Fair value	
		2018	2017
		HK$'000	HK$'000
Financial assets at FVTPL – Investment products	Level 2	**78,055**	-

There were no transfers between levels 1 and 2 during the year.

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.

7. SEGMENT INFORMATION

For management purposes, 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.

The accounting policies of the operating segments are the same as those described in note 3(x) to the financial statements. Segment profits or losses do not include corporate income or expenses. Segment assets do not include bank and cash balances, financial assets at FVTPL, 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.

7. SEGMENT INFORMATION (cont'd)

Information about reportable segment profit or loss, assets and liabilities:

	ODM/OEM HK$'000	Moulds and Tooling HK$'000	Trading HK$'000	Total HK$'000
Year ended 31 December 2018				
Revenue from external customers	**1,360,543**	**55,867**	**146,889**	**1,563,299**
Intersegment revenue	**-**	**858**	**-**	**858**
Segment profit	**42,649**	**39,098**	**1,808**	**83,555**
Interest revenue	**362**	**17**	**14**	**393**
Interest expense	**13,971**	**1,137**	**649**	**15,757**
Depreciation	**45,497**	**927**	**612**	**47,036**
Income tax expense	**3,084**	**439**	**1,128**	**4,651**
Additions to segment non-current assets	**66,009**	**11,849**	**13**	**77,871**
As at 31 December 2018				
Segment assets	**1,106,366**	**54,191**	**27,220**	**1,187,777**
Segment liabilities	**330,283**	**36,682**	**16,981**	**383,946**
Year ended 31 December 2017				
Revenue from external customers	1,133,049	59,948	170,947	1,363,944
Intersegment revenue	-	3,072	-	3,072
Segment profit	28,657	2,456	3,084	34,197
Interest revenue	41	4	12	57
Interest expense	11,436	903	273	12,612
Depreciation	40,904	3,107	622	44,633
Income tax expense/(credit)	7,844	(5,374)	1,305	3,775
Additions to segment non-current assets	61,106	3,553	30	64,689
As at 31 December 2017				
Segment assets	1,054,793	73,203	41,204	1,169,200
Segment liabilities	356,112	44,737	24,406	425,255

7. SEGMENT INFORMATION (cont'd)

Reconciliations of reportable segment revenue and profit or loss:

	2018 HK$'000	2017 HK$'000
Revenue		
Total revenue of reportable segments	**1,564,157**	1,367,016
Elimination of intersegment revenue	**(858)**	(3,072)
Consolidated revenue	**1,563,299**	1,363,944
Profit or loss		
Total profit or loss of reportable segments	**83,555**	34,197
Staff costs	**(1,183)**	(1,174)
Interest expense	**(15,757)**	(12,612)
Other profit or loss	**(13,860)**	(8,330)
Consolidated profit for the year	**52,755**	12,081

Reconciliation of segment assets and liabilities:

	2018 HK$'000	2017 HK$'000
Assets		
Total assets of reportable segments	**1,187,777**	1,169,200
Bank and cash balances	**89,872**	73,064
Financial assets at FVTPL	**78,055**	-
Other assets	**6,902**	6,198
Consolidated total assets	**1,362,606**	1,248,462
Liabilities		
Total liabilities of reportable segments	**383,946**	425,255
Borrowings	**329,485**	215,295
Other liabilities	**8,909**	8,746
Consolidated total liabilities	**722,340**	649,296
Other material items		
Depreciation	**47,036**	44,633
Interest expense	**15,757**	12,612
Additions of property, plant and equipment	**77,871**	64,689

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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia				
Greater China (including PRC, Hong Kong, Macau and Taiwan)	**1,074,257**	970,130	**133,215**	148,778
Indonesia	**-**	-	**94,481**	60,650
Other countries	**1,370**	5,598	**-**	-
	1,075,627	975,728	**227,696**	209,428
Middle East				
Dubai	**290,058**	202,767	**-**	-
	290,058	202,767	**-**	-
North America				
United States	**24,519**	23,420	**-**	-
Canada	**372**	-	**-**	-
	24,891	23,420	**-**	-
Europe				
Germany	**87,434**	99,949	**-**	-
Switzerland	**71,377**	50,742	**-**	-
Other countries	**13,912**	11,338	**-**	-
	172,723	162,029	**-**	-
Consolidated total	**1,563,299**	1,363,944	**227,696**	209,428

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

Revenue from major customers:

	2018	2017
	HK$'000	HK$'000
ODM/OEM		
Customer a	**809,159**	656,295
Customer b	**290,058**	220,593

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.

8. RELATED PARTY TRANSACTIONS (cont'd)

Key management compensation

	2018 HK$'000	2017 HK$'000
Salaries and other short-term employee benefits	**12,772**	11,595

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

	2018 HK$'000	2017 HK$'000
Remunerations of directors of the Company	**4,951**	3,694
Fees to directors of the Company	**1,183**	1,174

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

During the year, the Group had been granted an option to subscribe for 1,111 fully paid redeemable ordinary shares representing 10% of the share capital of Crownington. The independent director of the Group, Mr. Ning Li, holds 60% of the Crownington's shares; whilst executive director of the Group, Mr. Simon Chiu, is the sole director of the Crownington and holds 10% of the Crownington's shares.

At 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 within the scope of IFRS 15 by major products or service lines for the year.

	2018 HK$'000	2017 HK$'000
Sales of toys and premium products ("Toys")	**1,360,543**	1,133,049
Sales of the moulds and model ("Tooling")	**55,867**	59,948
Sales of machineries ("Machinery")	**146,889**	170,947
Sales of goods	**1,563,299**	1,363,944

Sales of Tooling and Machinery 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.

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IFRS 18 and IAS 11.

10. OTHER INCOME, GAINS AND (LOSSES)

	2018 HK$'000	2017 HK$'000
Interest income on bank deposits	**393**	57
Miscellaneous receipts	**7,448**	11,801
Mould engineering income, net	**21,529**	7,394
Rebate from suppliers	**-**	198
Rental income	**425**	371
Sales of scrap materials	**1,566**	2,552
Gain on disposals of subsidiaries	**138,387**	-
Government grants	**2,013**	-
Write down of inventories	**(16,296)**	-
Provision for severance pay	**(35,850)**	-
Fair value loss on financial assets at FVTPL	**(250)**	-
	119,365	22,373

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

	2018 HK$'000	2017 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**15,757**	12,612

12. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax expenses		
- The PRC	**3,351**	3,647
Under-provision in prior years	**1,300**	128
	4,651	3,775

No provision for Hong Kong Profits Tax is required for the years ended 31 December 2018 and 2017 since the Group has no assessable profit for both years.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

For the years ended 31 December 2018 and 2017, 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.

12. INCOME TAX EXPENSE (cont'd)

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$6,868,000 (2017: HK$6,226,000). 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% (2017: 16.5%) to profit before tax as a result of the following differences:

	2018 **HK$'000**	2017 HK$'000
Profit before tax	**57,406**	15,856
Income tax expense at Hong Kong Profits Tax rate	**9,472**	2,616
Tax effect of income that is not taxable	**(26,346)**	(878)
Tax effect of expenses that are not deductible	**16,890**	116
Tax effect of temporary differences not recognised	**(3,964)**	(436)
Tax effect of utilisation of tax losses not previously recognised	**-**	(545)
Tax effect of tax losses not recognised	**2,845**	1,411
Effect of different tax rates of subsidiaries	**4,454**	1,363
Under-provision of current tax expenses in prior years	**1,300**	128
Income tax expense	**4,651**	3,775

13. PROFIT FOR THE YEAR

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

	2018 **HK$'000**	2017 HK$'000
Bad debts written off	**-**	560
Depreciation expenses	**47,036**	44,633
Loss on disposals of property, plant and equipment	**3,084**	88
Impairment loss on property, plant and equipment	**4,129**	-
Exchange loss, net	**3,816**	3,531
Operating lease expenses	**25,748**	19,949

14. EMPLOYEE BENEFITS EXPENSES

	2018 **HK$'000**	2017 HK$'000
Employee benefits expenses including directors	**467,737**	407,796
Contributions to defined contribution scheme	**41,178**	36,782
Provision for severance pay	**35,850**	-
Employee benefits expenses	**544,765**	444,578

15. DIVIDENDS

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2018 of SGD0.05 per share has been proposed by the directors and is subject to approval by the shareholder at the forthcoming general meeting.

16. EARNINGS PER SHARE

Basic earning per share is calculated by dividing the profit for the year attributable to owners of the Company of approximately HK$52,747,000 (2017: HK$10,489,000) by the weighted average number of ordinary shares of 32,327,400 (2017: 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 2018 and 2017.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and 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 2017	81,454	599,817	32,658	51,225	15,249	23,487	803,890
Additions	515	57,716	3,994	1,661	803	-	64,689
Transfer from construction in progress	23,487	-	-	-	-	(23,487)	-
Disposals	-	(5,584)	-	-	(863)	-	(6,447)
Transfer to assets classified as held for sale (note 25)	(75,368)	(121,926)	-	-	-	-	(197,294)
Exchange differences	1,908	12,293	6,819	711	225	-	21,956
At 31 December 2017 and 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	30,568	581,938	42,878	55,762	16,567	-	727,713

17. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group (cont'd)

	Land and 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
Accumulated depreciation and impairment							
At 1 January 2017	75,672	418,840	31,727	45,462	12,896	-	584,597
Charge for the year	221	39,752	1,886	1,649	1,125	-	44,633
Disposals	-	(5,496)	-	-	(863)	-	(6,359)
Transfer to assets classified as held for sale (note 25)	(72,986)	(80,862)	-	-	-	-	(153,848)
Exchange differences	1,633	7,557	478	429	173	-	10,270
At 31 December 2017 and 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	4,754	400,986	33,813	48,996	13,395	-	501,944
Carrying amount							
At 31 December 2018	25,814	180,952	9,065	6,766	3,172	-	225,769
At 31 December 2017	27,456	162,525	9,380	6,057	2,083	-	207,501

The depreciation expense is charged as follows:

	Cost of sales HK$'000	Administrative expenses HK$'000	Total HK$'000
Financial year ended 31 December 2018	43,110	3,926	47,036
Financial year ended 31 December 2017	41,972	2,661	44,633

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	2017
	HK$'000	HK$'000
Unlisted investments, at cost	**310,205**	310,205
Loans to subsidiaries	**151,058**	151,058
	461,263	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 2018 are as follows:

Name	Date and place of incorporation / establishment	Principal activities	Issued and paid-up / registered capital 2018	Issued and paid-up / registered capital 2017	Effective interests held by the Group 2018 %	Effective interests held by the Group 2017 %
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*	4 August 2009 Cayman Islands	Investment holding	**USD1**	USD1	**100**	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
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

18. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name	Date and place of incorporation / establishment	Principal activities	Issued and paid-up / registered capital 2018	Issued and paid-up / registered capital 2017	Effective interests held by the Group 2018 %	Effective interests held by the Group 2017 %
Indirectly held (cont'd)						
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.*	8 August 2000 Samoa	Investment holding and trading of electronics parts for the toys	**USD100**	USD100	**70**	70
东莞成乐电子有限公司 (Bliss Electronic (China) Company Limited) ***	5 August 2003 Dongguan, Guangdong, PRC	Manufacturing of electronics parts	**HK$25,361,000**	HK$25,361,000	**70**	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
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 **	22 March 2000 Hong Kong	Trading of machinery and tools	**HK$1,000,000**	HK$1,000,000	**60**	60

18. INVESTMENTS IN SUBSIDIARIES (cont'd)

Particulars of the subsidiaries as at 31 December 2018 are as follows: (cont'd)

Name	Date and place of incorporation / establishment	Principal activities	Issued and paid-up / registered capital		Effective interests held by the Group	
			2018	**2017**	**2018 %**	**2017 %**
Indirectly held (cont'd)						
联信行贸易(深圳)有限公司 (Unifaith Trading (Shenzhen) Company Limited) ***	12 March 2003 Shenzhen, Guangdong, PRC	Trading of machinery and tools	**HK$4,000,000**	HK$4,000,000	**60**	60
Hopewell Precision Machine Tools Company Limited **	8 October 2001 Hong Kong	Trading of machinery	**HK$1,000,000**	HK$1,000,000	**60**	60
明望精机贸易(深圳)有限公司 (Hopewell Precision Trading (Shenzhen) Company Limited) ***	23 January 2014 Shenzhen, Guangdong, PRC	Trading of machinery	**HK$500,000**	HK$500,000	**60**	60
河源联弘玩具礼品有限公司 (Heyuan Loong Run Toys Company Limited) Δ	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
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 2018 Cangwu, Guangxi, PRC	Manufacturing and trading of plastic toys	**HK$50,000,000**	-	**100**	N/A
东莞忠信企业管理有限公司 (Dongguan Zhong Xin Business Management Co., Ltd.)	24 April 2017 Dongguan, Guangdong, PRC	Inactive/Dormant	**-**	HK$5,121,650	**N/A**	100
东莞联志企业管理有限公司 (Dongguan Lian Zhi Business Management Co., Ltd.)	24 April 2017 Dongguan, Guangdong, PRC	Inactive/Dormant	**-**	HK$17,447,600	**N/A**	100

18. INVESTMENTS IN SUBSIDIARIES (cont'd)

Particulars of the subsidiaries as at 31 December 2018 are as follows: (cont'd)

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 2018 were audited by RSM Hong Kong.

*** The statutory financial statements for the year ended 31 December 2018 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.

Δ The statutory financial statements for the year ended 31 December 2018 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 2018 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 2018 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.

18. INVESTMENTS IN SUBSIDIARIES (cont'd)

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.	
	2018	2017	**2018**	2017	**2018**	2017
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**	1,092	**252**	412	**2,214**	2,962
Current assets	**60,801**	69,526	**9,723**	14,867	**14,886**	19,614
Non-current liabilities	**-**	-	**-**	-	**-**	-
Current liabilities	**(15,694)**	(27,658)	**(31,165)**	(33,238)	**(13,035)**	(18,654)
Net assets/(liabilities)	**45,752**	42,960	**(21,190)**	(17,959)	**4,065**	3,922
Accumulated NCI	**18,301**	17,184	**(8,476)**	(7,184)	**1,220**	1,177
Year ended 31 December:						
Revenue	**124,462**	132,900	**23,079**	39,002	**49,295**	50,774
Profit/(loss)	**3,265**	5,796	**(3,196)**	(4,288)	**(68)**	3,295
Total comprehensive income	**2,792**	6,314	**(3,230)**	(4,065)	**143**	2,816
Profit/(loss) allocated to NCI	**1,306**	2,318	**(1,278)**	(1,715)	**(20)**	989
Total comprehensive income allocated to NCI	**1,117**	2,526	**(1,292)**	(1,626)	**43**	845
Dividends paid to NCI	**-**	-	**-**	-	**-**	-
Net cash generated from/(used in) operating activities	**5,952**	(13,859)	**(701)**	12,809	**(6,204)**	6,586
Net cash generated from/(used in) investing activities	**2**	(20)	**(1)**	3	**(119)**	(70)
Net cash (used in)/generated from financing activities	**(3,802)**	12,268	**473**	(12,633)	**-**	-
Exchange difference	**(317)**	515	**(35)**	224	**291**	(99)
Net increase/(decrease) in cash and cash equivalents	**1,835**	(1,096)	**(264)**	403	**(6,032)**	6,417

As at 31 December 2018, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to HK$9,059,765 (2017: HK$9,838,154). 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.

19. GOODWILL

	Group
	HK$'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	2,417
Accumulated impairment losses	
At 1 January 2017, 31 December 2017, 1 January 2018 and and 31 December 2018	490
Carrying amount	
At 31 December 2018 and 31 December 2017	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 (2017: 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 (2017: 12% and 5%). This rate does not exceed the average long term growth rate for the relevant markets.

20. FINANCIAL ASSETS AT FVTPL

	2018	2017
	HK$'000	HK$'000
Fair value at 1 January	**-**	-
Additions on investment products	**78,305**	-
Decrease in FVTPL under other income, gains and losses	**(250)**	-
Fair value at 31 December	**78,055**	-

Financial assets at FVTPL are denominated in the following currencies:

	2018	2017
	HK$'000	HK$'000
USD	**78,055**	-

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.

21. INVENTORIES

	Group	
	2018	2017
	HK$'000	HK$'000
Raw materials, consumables and supplies	**93,253**	**80,974**
Work in progress	**353,010**	**303,941**
Finished goods	**169,480**	**148,887**
Less: Allowance for impairment	**(24,956)**	**(8,675)**
	590,787	**525,127**

	Group	
	2018	2017
	HK$'000	HK$'000
The cost of sales includes the following:		
Changes in inventories of finished goods and work in progress	**69,662**	39,867
Raw materials and consumables used	**703,335**	590,961

The movement of allowance for inventories is as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
At 1 January	**8,675**	8,675
Allowance for the year	**16,296**	-
Exchange differences	**(15)**	-
At 31 December	**24,956**	8,675

22. TRADE AND BILLS RECEIVABLES

The average credit period generally granted to non-related trade and bills receivables customers for the year ended 31 December 2018 is about 90 days (2017: 90 days).

As of 31 December 2018, trade receivables of approximately HK$59,101,000 (2017: HK$95,611,000) 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	
	2018	2017
	HK$'000	HK$'000
Up to 3 months	**30,694**	35,725
Over 3 months	**28,407**	59,886
	59,101	95,611

22. TRADE AND BILLS RECEIVABLES (cont'd)

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	
	2018	2017
	HK$'000	HK$'000
RMB	**14,871**	26,265
USD	**121,810**	114,596
Euro ("EUR")	**1,383**	1,383

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2018	2017
	HK$'000	HK$'000
Prepayments	**33,101**	21,918
Mould and trade deposits paid	**30,472**	21,756
Utility and other deposits	**67,540**	35,051
Value added tax receivables	**9,143**	6,854
Advancement to suppliers and subcontractors	**4,410**	6,064
Other receivables	**41,355**	44,036
Provision of impairment loss	**(28,767)**	-
	157,254	135,679

The movement of provision of impairment loss is as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
At 1 January	**-**	-
Impairment losses recognised for the year	**28,767**	-
At 31 December	**28,767**	-

24. 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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**68,071**	4,334	**-**	-
RMB	**11,186**	10,316	**-**	-
Japanese Yen ("JPY")	**86**	53	**-**	-
EUR	**236**	249	**-**	-
Swiss Franc ("CHF")	**77**	77	**-**	-
SGD	**1,198**	1,198	**1,122**	1,122
IDR	**2,743**	547	**-**	-

The rate of interest for the cash on interest earning balances ranged from 0.01% to 0.30% (2017: 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.

25. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2018	2017
	HK$'000	HK$'000
Land and building	**-**	2,382
Plant and machinery	**-**	41,064
	-	43,446

During the year ended 31 December 2017, the Group entered into two share transfer agreements with an independent third party to dispose two parcels of land and building and plant and machinery with a carrying amount of HK$43,446,000 by disposing of the entire equity interests of two newly incorporated subsidiaries in 2017 which held the above-mentioned land and building and plant and machinery for a consideration of RMB160 million. The assets were located in Xin Cheng Ind. District, Heng Li Zhen, Dongguan, Guangdong Province, the PRC and were used for the Group's ODM/OEM and moulds and tooling operations. No impairment loss was recognised neither on reclassification of the assets as held for sale, nor at 31 December 2017 as the Management expected that the fair value less costs to sell would be higher than the carrying amounts. The transactions were completed during the year.

26. 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 2017, 31 December 2017, 1 January 2018 and 31 December 2018	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	
	2018	2017
	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$42,311,572 (2017: HK$30,394,000) 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.

27. TRADE AND BILLS PAYABLES

	Group	
	2018	2017
	HK$'000	HK$'000
Bills payables, secured (note 34)	**17,941**	17,528
Trade payables	**191,632**	195,129
	209,573	212,657

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

	Group	
	2018	2017
	HK$'000	HK$'000
USD	**14,312**	27,794
RMB	**101,452**	104,407
SGD	**17**	65

The average credit period taken to settle non-related trade payables for the year ended 31 December 2018 is about 30 to 60 days (2017: 30 to 60 days).

28. ACCRUALS AND OTHER PAYABLES

	Group	
	2018	2017
	HK$'000	HK$'000
Accruals	**128,208**	82,300
Mould and trade deposits received	**19,875**	49,077
Contract liability (note a)	**17,434**	-
Other payables	**8,856**	24,730
Deposit received for assets held for sale	**-**	56,491
	174,373	212,598

Note a: 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

	HK$'000
At 1 January 2017	**-**
Effect of adoption of IFRS 15	**9,994**
At 1 January 2018 under IFRS 15 (restated)	**9,994**
Decrease in contract liability as a result of recognising revenue during the year	**(9,994)**
Increase in contract liability as a result of billing in advance	**17,434**
At 31 December 2018	**17,434**

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

29. BORROWINGS

	Group	
	2018	2017
	HK$'000	HK$'000
Trust receipts and import loans, secured (note 34)	**247,485**	215,295
Term loans	**82,000**	-
	329,485	215,295

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

	Group	
	2018	2017
	HK$'000	HK$'000
USD	**20,944**	20,923

29. BORROWINGS (cont'd)

The average interest rates at 31 December were as follows:

	Group	
	2018	2017
Trust receipts and import loans, secured	**4.71%**	3.36%
Term loans	**4.59%**	-

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

	Group	
	2018	2017
	HK$'000	HK$'000
Current	**261,985**	215,295
Non-current	**67,500**	-
	329,485	215,295

30. SHARE CAPITAL

	Company	
	Number of shares	Amount
		HK$
Authorised:		
Ordinary shares of HK$7.50 (2017: HK$7.50) each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	100,000,000	750,000,000
Issued and fully paid:		
Ordinary shares of HK$7.50 (2017: HK$7.50) each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	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.

30. SHARE CAPITAL (cont'd)

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).

	Group	
	2018	2017
	HK$'000	HK$'000
Total debts	**347,426**	232,823
Less: Cash and cash equivalents (note 33)	**(89,872)**	(73,064)
Net debts	**257,554**	159,759
Total equity	**640,266**	599,166

	Group	
	2018	2017
Debt-to-adjusted capital ratio	**40%**	27%

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 2018, 25.5% (2017: 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 2018 and 2017.

31. 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$'000 (note 31(c)(i))	Contributed surplus HK$'000 (note 31(c)(ii))	Capital redemption reserve HK$'000 (note 31(c)(iii))	Retained earnings HK$'000	Total HK$'000
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	26,488	130,205	1,665	50,255	208,613

(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.

31. RESERVES (cont'd)

(c) Nature and purpose of reserves (cont'd)

(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.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

As referred to in note 25 to the consolidated financial statements, the Group disposed of its equity interests in two subsidiaries to third parties during the year.

Net assets at the date of disposal were as follows:

	HK$'000
Assets held for sales (note 25)	43,446
Cash and cash equivalents	64
Other receivables	204
Tax payables	(2)
Net assets disposed of	43,712
Gain on disposals of subsidiaries (note 10)	138,387
Total consideration	182,099
Consideration satisfied by	
Cash	182,099
Net cash inflow arising on disposal:	
Cash consideration received	182,099
Cash and cash equivalents disposed of	(64)
	182,035

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

(b) 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 2018 HK$'000	Cash flows HK$'000	Interest expenses HK$'000	31 December 2018 HK$'000
Term loans (note 29)	-	82,000	-	82,000
Borrowings (note 29)	215,295	16,433	15,757	247,485
	215,295	98,433	15,757	329,485

33. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Bank and cash balances	**89,872**	73,064	**1,125**	1,125

34. BANKING FACILITIES

	Group	
	2018 **HK$'000**	2017 HK$'000
Total granted banking facilities, secured	**536,296**	1,108,096

The above banking facilities are secured by cross corporate guarantees executed by the group companies.

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's 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 2018, none (2017: none) of the covenants relating to drawn down facilities had been breached.

35. OPERATING LEASE PAYMENT COMMITMENTS

At the end of the reporting period, the total of future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
Not later than one year	**17,376**	15,991
Later than one year and not later than five years	**6,853**	14,855
	24,229	30,846

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 in the event that units produced by this leased asset less than a pre-determined production capacity.

36. CAPITAL COMMITMENTS

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

	Group	
	2018	2017
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	**20,068**	2,542
Authorised but not contracted for	**-**	23,994
	20,068	26,536

37. EVENTS AFTER THE REPORTING PERIOD

On 28 March 2019, the Group has entered into a sale and purchase agreement with Mr. Hung Kam Tim (the "Purchaser") to dispose 100% of the total issued and paid-up share capital of Faith and Hope Holdings Limited, a wholly- owned subsidiary of the Group, for an aggregate cash consideration of HK$14,832,869.

On 28 March 2019, the Group has entered into a sale and purchase agreement with Bliss Electronic (HK) Company Limited (the "Vendor"), to acquire 30% of the total issued and paid-up share capital of Million Favour Inc. for a cash consideration of HK$1,219,223.

STATISTICS OF SHAREHOLDINGS

AS AT 11 MARCH 2019

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	0.28	1	0.00
100 - 1,000	157	44.23	90,400	0.28
1,001 - 10,000	138	38.87	597,399	1.85
10,001 - 1,000,000	57	16.06	5,063,100	15.66
1,000,001 AND ABOVE	2	0.56	26,576,500	82.21
TOTAL	**355**	**100.00**	**32,327,400**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE.) LIMITED	24,888,900	76.99
2	PHILLIP SECURITIES PTE LTD	1,687,600	5.22
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	754,100	2.33
4	UOB KAY HIAN PRIVATE LIMITED	613,000	1.90
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	564,900	1.75
6	OCBC SECURITIES PRIVATE LIMITED	456,500	1.41
7	KOH CHIN HWA	302,000	0.93
8	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	199,800	0.62
9	GOH CHOON WEI OR CECILINE GOH	195,000	0.60
10	KAM TEOW CHONG	188,200	0.58
11	LIM KIM CHIN	171,500	0.53
12	LIEW WING ONN	150,000	0.46
13	DBS NOMINEES (PRIVATE) LIMITED	96,700	0.30
14	TAN ENG HONG	63,100	0.20
15	CHU CHOY HAR	63,000	0.19
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	62,000	0.19
17	SEE SHUN SHENG	60,000	0.19
18	KOH CHUAN LAI	58,000	0.18
19	SIOW CHER LIANG	55,800	0.17
20	HSBC (SINGAPORE) NOMINEES PTE LTD	50,600	0.16
	TOTAL	**30,680,700**	**94.90**

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 2019 (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 11 March 2019, 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 21 January 2019.*

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 held at 10 Collyer Quay, #27-00, Ocean Financial Centre, Singapore 049315 on 26 April 2019 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 2018. **(Resolution 1)**

2. To approve the payment of Directors' Fees of S$240,000 for the financial year ending 31 December 2019 (2018:S$200,000). **[See Explanatory Note (i)]** **(Resolution 2)**

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

4. 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 4)**

5. To declare a final tax-exempt one-tier dividend of S$5.0 cents per ordinary share in respect of the financial year ended 31 December 2018. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and, if deemed fit, to pass the following Resolutions with or without modifications:-

6. To appoint Mr. Wee Sung Leng 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 **[See Explanatory Note (iii)]** **(Resolution 6)**

7. 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) 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 outstanding or subsisting at the time of the passing of this Resolution, 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;

(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. **[see Explanatory Note (iv)]** **(Resolution 7)**

8. **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 after the relevant five-day period;:

"**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. **[See Explanatory Note (v)]** **(Resolution 8)**

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

By Order of the Board

Ng Joo Khin
Company Secretary

Singapore, 8 April 2019

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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 2019 ("**FY 2019**"). Should any Director hold office for only part of FY 2019 and not the whole of FY 2019, the Director's fee payable to him will be appropriately pro-rated.

(ii) **Resolution 3:** Pursuant to Article 86 of the Company's Articles of Association, Mr. Chia Seng Hee, Jack, will retire at the forthcoming AGM and shall be eligible to offer himself for re-election at that meeting.

Details on Mr. Chia Seng Hee, Jack are as follows:

Date of First Appointment	28 March 2008
Date of last re-appointment (if applicable)	26 April 2016
Name of Person	Chia Seng Hee, Jack
Age	58
Country of principal residence	Singapore
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 Chia Seng Hee, Jack 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 Chairman Remuneration Committee Chairman
Professional qualifications	Fellow Chartered Accountant of Singapore 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
Working experience and occupation(s) during the past 10 years	Professional Independent Director in listed companies and business consulting for companies in fund raising
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)	None
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)**	Chairman, Remuneration Committee, Sunray Holdings Limited Chairman, Nominating and Remuneration Committees, China Hongcheng International holdings Limited Board Chairman and Chairman, Audit Committee, AGV Asia Holdings Limited Board Chairman and Lead Independent Director, Chairman, Nominating and Remuneration Committees, Shanghai Turbo Enterprises Limited Lead Independent Director and Audit Committee Chairman, Lifebrandz Ltd. Director, Jack Global Consulting Pte Ltd Director, Legami Pte Ltd
	Present	Independent Director, Chairman, Nominating and Remuneration Committees, Dukang Distillers Holdings Limited Independent Director, Chairman, Nominating Committee, Debao Property Development Ltd Independent Director and Audit Committee Chairman, mm2 Asia Ltd. Lead Independent Director, Chairman, Audit and Nominating Committees, Ying Li International Real Estate Limited Director, Derong Real Estate Holdings Pte. Ltd. Director, Dynamic Real Estate Holdings Pte. Ltd.
(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	

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(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	Please refer to above section on past and present directorships
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.	Not applicable
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).	Not applicable

(iii) **Resolution 6**: To appoint Mr. Wee Sung Leng as a director of the Company pursuant to Article 85(1) of the Articles of Association of the Company, in place of Mr. Ning Li, who has expressed his wish to retire and will be retiring as director as from the conclusion of the AGM.

Details on Mr. Wee Sung Leng are as follows:

Date of Appointment	26 April 2019
Date of last re-appointment (if applicable)	N/A
Name of Person	Wee Sung Leng
Age	53
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Having reviewed his qualifications and work experience, the nominating committee and the board of directors of the Company approved the appointment of Wee Sung Leng as an Independent Non-Executive Director.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

<table>
<tr><td>Whether appointment is executive, and if so, the area of responsibility</td><td colspan="2">Independent non-executive director</td></tr>
<tr><td>Job Title (e.g. Lead ID, AC Chairman, AC Member etc.</td><td colspan="2">Audit Committee Member
Nominating Committee Member
Remuneration Committee Member</td></tr>
<tr><td>Professional qualifications</td><td colspan="2">Bachelor of Accountancy</td></tr>
<tr><td>Working experience and occupation(s) during the past 10 years</td><td colspan="2">Nov 2013 to present
Independent Non-Executive director, Singapore Myanmar Investco Ltd

May 2018 to present
Chief Financial Officer, MoneyMax Financial Services Ltd

May 2014 to Feb 2016
General Manager, Head of Group Corporate Affairs Straits Corporation Pte. Ltd.

May 2013 to May 2014
Assistant Vice President, IL&FS Global Financial Services Pte Ltd

Sep 2008 to Oct 2012
Executive Director & Co-Head, Maybank Kim Eng Corporate Finance Pte. Ltd.

Aug 2002 to Sep 2008
Head, Corporate Finance, Investment Banking Division, HL Bank</td></tr>
<tr><td>Shareholding interest in the listed issuer and its subsidiaries</td><td colspan="2">None</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>IL&FS Global Financial Services Pte Ltd</td></tr>
<tr><td>Present</td><td>Independent Non-Executive director, Singapore Myanmar Investco Ltd

Chief Financial Officer, MoneyMax Financial Services Ltd

Director, Fortune Green Global Corp</td></tr>
</table>

(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:-	

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(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	Independent director of Singapore Myanmar Investco Ltd
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.	Has attended and will continue to attend as and when required
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).	Background as independent director and CFO in listed companies as well as track record of 18 years of corporate finance and experience as a banking professional.

(iv) **Resolution 7**: 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 outstanding or subsisting at the time of the passing of this resolution, provide 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.

(v) **Resolution 8**: 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. A member of the Company entitled to attend and vote at the AGM of the Company is entitled to appoint not more than two proxies to attend in his stead. Where a member appoints more than one proxy, he shall specify the proportion of shares to be represented by each proxy.

2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote at the AGM. A Relevant Intermediary is either:

    a) a banking corporation licensed under the Banking act (Cap 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

    b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap 289) and holds shares in that capacity; or

    c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap 36), in respect of shares purchased on behalf of CPF investors.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy must 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 not less than 48 hours before the time set for the holding of the AGM.

5. If a member is unable to attend the AGM and wishes to appoint a proxy to attend and vote at the AGM in his stead, then he should complete and sign the relevant Member Proxy Form and deposit the duly completed Member Proxy Form 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 not later than 48 hours before the time set for the holding of the AGM.

6. A Depositor whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore) as at a time not earlier than 48 hours prior to the time of the AGM who/which is (i)an individual but is unable to attend the AGM personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, at least 48 hours before the time of the AGM.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

7. If a member who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members of the Company is unable to attend the AGM and wishes to appoint a proxy, he should use the Depositor Proxy Form and the Member Proxy Form for, respectively, the Shares entered against his name in the Depository Register and the Shares registered in his name in the Register of Members of the Company.

8. A Depositor who is an individual and whose name is shown in the Depository Register as at a time not earlier than 48 hours prior to the time of the AGM and who wishes to attend the AGM in person need not take any further action and can attend and vote at the AGM as CDP's proxy without the lodgment of any proxy form.

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 Depositor(s)' responsibility to ensure that this Depositor Proxy Form is properly completed. Any decision to reject this Depositor 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, 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, 8 April 2019

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) 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 proxies and representatives appointed 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 (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.