PERFECTECH INTERNATIONAL HOLDINGS LIMITED
(威發國際集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00765)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS

The board (the "Board") of directors (the "Directors", and each a "Director") of Perfectech International Holdings Limited (the "Company") hereby announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with the comparative figures for 2017 are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	3 & 4	**145,251**	186,789
Cost of sales		**(130,158)**	(140,290)
Gross profit		**15,093**	46,499
Other income, gains and losses	5	**4,848**	1,505
Distribution costs		**(3,168)**	(3,681)
(Loss) gain from changes in fair value of an investment property		**(1,000)**	3,300
Administrative expenses		**(54,246)**	(53,274)
Finance costs	6	**(124)**	(35)
Loss before tax	7	**(38,597)**	(5,686)
Income tax credit (expense)	8	**217**	(4,910)
Loss for the year		**(38,380)**	(10,596)

* *For identification purposes only*

	Notes	**2018** **HK$'000**	2017 HK$'000
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas operations		**(2,105)**	1,636
Other comprehensive (expense) income, net of tax		**(2,105)**	1,636
Total comprehensive expense for the year		**(40,485)**	(8,960)
(Loss) profit for the year attributable to:			
Owners of the Company		**(36,424)**	(11,408)
Non-controlling interests		**(1,956)**	812
Loss for the year		**(38,380)**	(10,596)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(38,268)**	(10,064)
Non-controlling interests		**(2,217)**	1,104
Total comprehensive expense for the year		**(40,485)**	(8,960)
Loss per share	10		
Basic (HK cents per share)		**(11.14)**	(3.49)
Diluted (HK cents per share)		**(11.14)**	(3.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**85,194**	59,131
Investment property		**—**	36,000
Deferred tax assets		**8,678**	8,090
		93,872	103,221
CURRENT ASSETS			
Inventories		**11,866**	17,363
Trade and other receivables	11	**21,472**	23,186
Tax recoverable		**664**	58
Bank balances and cash		**73,946**	103,498
		107,948	144,105
CURRENT LIABILITIES			
Trade and other payables	12	**17,800**	24,771
Bank borrowings		**7,000**	—
Bank overdraft		**2,478**	—
Tax liabilities		**—**	6,959
		27,278	31,730
NET CURRENT ASSETS		**80,670**	112,375
TOTAL ASSETS LESS CURRENT LIABILITIES		**174,542**	215,596
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**62**	95
NET ASSETS		**174,480**	215,501

	Notes	**2018**	2017
		HK$'000	*HK$'000*
CAPITAL AND RESERVES			
Share capital		**32,692**	32,692
Reserves		**125,619**	163,887
Equity attributable to owners of the Company		**158,311**	196,579
Non-controlling interests		**16,169**	18,922
TOTAL EQUITY		**174,480**	215,501

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

The principal activities of the Group are the manufacture and sale of novelties, decoration and toy products.

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

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

Amendments to HKFRSs that became effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

The Group adopted HKFRS 15 Revenue from contracts with customers on its effective date of 1 January 18. HKFRS 15 replaces HKAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from HKAS 18 to HKFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting HKFRS 15 for the Group.

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined

According to the preliminary assessment, other than the assessment results of HKFRS 16 stated below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of HK$28,477,000 which excluded short-term leases and leases of low value assets. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts during the year.

	2018	2017
	HK$'000	*HK$'000*
Novelties and decoration products	**17,670**	17,503
Toy products	**127,581**	169,286
	145,251	186,789

4. SEGMENTS REPORTING

For management purposes, the Group is currently organised into two operating segments, namely the manufacture and sale of novelties and decoration products and the manufacture and sale of toy products.

The following is an analysis of the Group's revenue and results by reportable segments:

2018

	Novelties and decoration products *HK$'000*	Toy products *HK$'000*	Consolidated *HK$'000*
REVENUE			
External sales and total revenue	**17,670**	**127,581**	**145,251**
RESULT			
Segment results	**(6,236)**	**(17,393)**	**(23,629)**
Loss from changes in fair value of an investment property			**(1,000)**
Unallocated corporate expenses, net			**(13,844)**
Finance costs			**(124)**
Loss before tax			**(38,597)**
Income tax credit			**217**
Loss for the year			**(38,380)**

	Novelties and decoration products *HK$'000*	Toy products *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	**14,187**	**62,270**	**76,457**
Unallocated corporate assets			**125,363**
Consolidated total assets			**201,820**
LIABILITIES			
Segment liabilities	**4,740**	**21,382**	**26,122**
Unallocated corporate liabilities			**1,218**
Consolidated total liabilities			**27,340**

	Novelties and decoration products *HK$'000*	Toy products *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Additions of property, plant and equipment	**—**	**3,043**	**5**	**3,048**
Depreciation	**579**	**5,361**	**1,115**	**7,055**
Interest income	**7**	**20**	**165**	**192**

2017

	Novelties and decoration products *HK$'000*	Toy products *HK$'000*	Consolidated *HK$'000*
REVENUE			
External sales and total revenue	17,503	169,286	186,789
RESULT			
Segment results	(5,872)	6,839	967
Gain from changes in fair value of an investment property			3,300
Unallocated corporate expenses, net			(9,918)
Finance costs			(35)
Loss before tax			(5,686)
Income tax expense			(4,910)
Loss for the year			(10,596)

	Novelties and decoration products *HK$'000*	Toy products *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	21,235	80,586	101,821
Unallocated corporate assets			145,505
Consolidated total assets			247,326
LIABILITIES			
Segment liabilities	2,228	28,259	30,487
Unallocated corporate liabilities			1,338
Consolidated total liabilities			31,825

	Novelties and decoration products *HK$'000*	Toy products *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Additions of property, plant and equipment	288	4,521	24	4,833
Depreciation	922	5,091	1,366	7,379
Interest income	14	82	9	105

Segment result represents the result produced by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than the financial assets, investment property, and land and building held for own use. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to operating segments other than the other financial liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Geographical Information

The Group's revenue from external customers by location of operations are detailed below:

	2018	2017
	HK$'000	*HK$'000*
Sales revenue by geographical market:		
Hong Kong	**10,061**	17,274
Europe	**19,899**	47,189
United States of America	**19,007**	35,336
Asia (other than Hong Kong)	**95,857**	85,038
Others	**427**	1,952
	145,251	186,789

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**154,595**	172,506	**272**	68
The People's Republic of China (the "PRC")	**47,225**	74,820	**2,776**	4,765
	201,820	247,326	**3,048**	4,833

Information about major customer

Included in revenue arising from sales of toy products of approximately HK$127,581,000 (2017: HK$169,286,000) is revenue of approximately HK$119,674,000 (2017: HK160,714,000) which arose from sales to the Group's largest customer, representing 82% (2017: 86%) of the total revenue.

5. OTHER INCOME, GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Included in other income, gains and losses are:		
Bad debt recovered	**—**	148
Interest income from financial assets held for cash management purposes	**192**	105
Rental income	**—**	239
Scrap sales	**2,061**	1,277
(Loss) gain on disposal of property, plant and equipment	**(1,176)**	287
Gain on deregistration of subsidiary	**881**	—
Net foreign exchange gains (losses)	**833**	(1,509)
Others	**2,057**	958
	4,848	1,505

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	**93**	35
Bank overdraft	**31**	—
	124	35

7. LOSS BEFORE TAX

	2018	2017
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging (crediting):		
Auditor's remuneration	**1,075**	1,075
Bad debt recovered	**—**	(148)
Cost of inventories recognised as an expense	**44,750**	47,523
Depreciation of property, plant and equipment	**7,055**	7,379
Operating lease rentals in respect of rented premises	**4,785**	5,528
Research and development expenses	**3,600**	2,290
Gross rental income from investment property	**—**	(239)
Less:		
Direct operating expenses incurred for investment property that generated rental income during the year	**—**	53
Direct operating expenses incurred for investment property that did not generate rental income during the year	**—**	38
	—	(148)
Write down of inventories	**—**	1,238
Staff costs		
— Salaries and allowances (including Directors' emoluments)	**89,615**	88,820
— Compensation for removal of a factory	**508**	3,763

8. INCOME TAX CREDIT (EXPENSE)

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**454**	2,755
PRC Enterprise Income Tax	**30**	249
	484	3,004
(Over) under provision in prior years:		
Hong Kong Profits Tax	**(80)**	2,302
PRC Enterprise Income Tax	**—**	157
	(80)	2,459
Deferred tax		
Current year	**(621)**	(553)
Total income tax (credit) expense recognised in profit or loss	**(217)**	4,910

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. The tax (credit) charge for the year can be reconciled to the loss before tax as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(38,597)**	(5,686)
Tax at Hong Kong Profits Tax rate of 16.5%	**(6,368)**	(938)
Tax effect of income not taxable for tax purposes	**(1,172)**	(1,285)
Tax effect of expenses not deductible for tax purposes	**5,190**	2,668
Tax effect of temporary differences not recognised	**347**	156
Tax effect of tax losses not recognised	**2,651**	2,395
Utilisation of tax losses not previously recognised	**182**	(82)
(Over) under provision in respect of prior years	**(80)**	2,459
Effect of different tax rates of subsidiaries operating in the PRC	**(967)**	(463)
Tax (credit) charge for the year	**(217)**	4,910

9. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Interim paid — nil (2017: nil)	**—**	—

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the Group's loss for the year attributable to owners of the Company of approximately HK$36,424,000 (2017: HK$11,408,000) and the weighted average number of ordinary shares of 326,923,607 (2017: 326,923,607).

Diluted loss per share for the year ended 31 December 2018 and 2017 was the same as basic loss per share as there were no dilutive potential ordinary shares in issue for the both years.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**21,677**	20,564
Less: impairment loss on trade receivables	**(4,524)**	(4,524)
	17,153	16,040
Other receivables		
Prepayment	**1,433**	3,766
Rental, utility and other deposits	**1,499**	1,710
Cash deposit in broker's account	**8**	8
Sundry debtors and others *(Note a)*	**1,379**	1,662
	4,319	7,146
	21,472	23,186

Note a: Included in sundry debtors and others were mainly export tax rebates receivables in Mainland China.

The Group allows an average credit period of 60 days to its trade customers.

The following is an aging analysis of the Group's trade receivables, presented based on invoice dates and net of allowance for doubtful debts at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
0–60 days	**15,883**	15,554
61–90 days	**1,162**	209
91–120 days	**29**	—
Over 120 days	**79**	277
	17,153	16,040

Trade receivables disclosed above included amounts which are past due at the end of reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offsetting against any amounts owed by the Group to the counterparty.

The following is an aging analysis of the Group's trade receivables that were past due but not impaired at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Overdue by:		
0–60 days	**4,372**	5,138
61–90 days	**108**	—
91–120 days	**—**	277
Over 120 days	**—**	—
	4,480	5,415

The following is the movement in the allowance for doubtful debts:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**4,524**	6,809
Amounts recovered during the year	**—**	(148)
Amounts written off during the year as uncollectible	**—**	(2,137)
At 31 December	**4,524**	4,524

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The fair value of the Group's trade and other receivables at 31 December 2018 approximates the corresponding carrying amount.

The following is an aging analysis of the Group's impaired trade receivables:

	2018	2017
	HK$'000	*HK$'000*
Overdue by:		
Over 120 days	**4,524**	4,524

12. TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables, presented based on invoice dates at the end of reporting period:

	2018	2017
	HK$'000	*HK$'000*
Trade payables		
0–60 days	**7,257**	7,153
61–90 days	**611**	1,830
91–120 days	**22**	95
Over 120 days	**407**	521
	8,297	9,599
Other payables		
Accrued salary, bonus and commission	**5,750**	7,710
Contract liabilities	**1,128**	3,989
Accrued expenses and others	**2,625**	3,473
	9,503	15,172
	17,800	24,771

The average credit period on purchases of certain goods is 45 to 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. The fair value of the Group's trade and other payables at 31 December 2018 approximates the corresponding carrying amount.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of shareholders to attend and vote at the AGM, the Register of Members will be closed from 28 May 2019, Tuesday, to 3 June 2019, Monday (both dates inclusive). During the closure period, no share transfer will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong at Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 27 May 2019, Monday.

BUSINESS REVIEW

For the year ended 31 December 2018, the revenue of the Group amounted to approximately HK$145,251,000 (2017: HK$186,789,000), representing a decrease of about 22%, and that the Group recorded a loss for the year attributable to owners of the Company of approximately HK$36,424,000 (2017: of HK$11,408,000). Basic loss per share was approximately 11.14 HK cents (2017: 3.49 HK cents). As mentioned in the announcement of the Company dated 22 March 2019, the increase in consolidated net loss for the year was primarily due to (i) the recent Sino-American trade disputes which led to a decrease in sales as the demand from a major customer dropped; and (ii) changes in fair value of an investment property held by the Group.

Administrative expenses maintained quite stable and increased slightly by about 2% to approximately HK$54,246,000 (2017: HK$53,274,000), including expense for development of mobile phone game of approximately HK$3,600,000 (2017: HK$2,290,000). On the other hand, distribution costs decreased by about 14% to HK$3,168,000 (2017: HK$3,681,000).

Finance costs increased by about 254% to approximately HK$124,000 (2017: HK$35,000) as the Group has utilized certain banking facilities during the year.

FUTURE PLAN & PROSPECT

In order to consolidate the production facilities of the Group, the production plant in Shenzhen is under planning to be relocated to Zhongshan. In the short run, expenses in relation to the relocation may be incurred and further deteriorate the results of the Group. Nevertheless, huge benefits resulted from the synergy effect in the long run are expected. Meanwhile, the Group will also actively identify good merger and acquisition opportunities in order to acquire new business or assets that will bring additional value and new income streams to the Group.

With the joint efforts of all of its employees, the Group endeavors to work well with its customers, business partners and shareholders to maximise its corporate value and deliver promising returns to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL RESULTS

Novelties and decoration

The revenue of this segment had a slight increase of about 1% to approximately HK$17,670,000 (2017: HK$17,503,000), and the segment recorded a loss of approximately HK$6,236,000 (2017: HK$5,872,000).

Toy products

The revenue of this segment decreased by about 25% to approximately HK$127,581,000 (2017: HK$169,286,000), and the segment recorded a loss of approximately HK$17,393,000 (2017: gain of HK$6,839,000). The performance of the segment weakened a lot as a result of drop in revenue due to the decrease in demand for the products from a major customer as a result of the recent Sino-American trade disputes.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar. As all of its factories are located in the PRC, expenses incurred there are denominated in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in this area, and will closely monitor the trend of Renminbi to see if any action is required.

As at 31 December 2018, the Group had not entered into any financial instrument for the hedging of foreign currency.

Liquidity and financial resources

As at 31 December 2018, the Group had short term bank borrowings of HK$7,000,000 (2017: nil) and bank overdraft of HK$2,478,000 (2017: nil). The gearing ratio of the Group, measured by the total of short term bank borrowings and bank overdraft and divided by equity attributable to owners of the Company, was 6% (2017: nil).

As at 31 December 2018, the Group had bank balances and cash of approximately HK$73,946,000 (2017: HK$103,498,000). With total current assets as at 31 December 2018 of HK$107,948,000 (2017: HK$144,105,000) as well as available banking facilities, the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

Pledge of Assets

As at 31 December 2018, the Group had pledged its leasehold land and buildings with carrying value of approximately HK$61,436,000 (2017: HK$27,581,000) but had not pledged any of its investment property (2017: HK$36,000,000) to secure banking facilities granted to the Group.

Net asset value

The net asset value per share as at 31 December 2018 was approximately HK$0.48 (2017: HK$0.60), calculated based on equity attributable to equity holders of the Company of HK$158,311,000 (2017: HK$196,579,000) divided by the number of shares in issue on that date of 326,923,607 (2017: 326,923,607).

Employees and remuneration policies

As at 31 December 2018, the Group employed approximately 860 (2017: 832) full time employees. The Group remunerates its employees largely based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

Directors' Securities Transactions

The Company has adopted a code of conduct governing the Directors' transactions in securities of the Group on terms no less exacting than the standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") contained in Appendix 10 to the Listing Rules.

Following specific enquiry by the Group, all Directors have confirmed that throughout the year 2018, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2018, the Company has complied with the code provisions (the "Code Provisions") set out in the "Corporate Governance Code and Corporate Governance Report" in Appendix 14 (the "Code") to the Listing Rules save for the following deviation:

Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company had no formal letter of appointment for Ms. Xie Yinuo at the time of her appointment. It was because the management of the Company was of the view that the Director clearly understood the appointment arrangement in place. Also, all Directors, including those without a letter of appointment, shall be subject to retirement by rotation in the manner prescribed under the bye-laws of the Company and on re-election of the retiring Directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors. Besides, all Directors are required to comply with the requirements under statutes and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. In this regard, the Company is of the view that such requirements are sufficient to meet the underlying objectives of the relevant code provision. In any event, Ms. Xie Yinuo resigned as an executive Director with effect from 20 December 2018 and this code provision has been complied with since then.

AUDIT COMMITTEE

The Company has established an audit committee which comprises all the independent non-executive Directors ("INEDs"), namely Mr. Lam Tak Leung, Mr. Xie Xiaohong and Mr. Lau Shu Yan (who is also the chairman of the committee).

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group, and matters related to risk management and internal controls systems and financial reporting, and has reviewed the audited consolidated financial statements for the year ended 31 December 2018 of the Group now reported on.

SCOPE OF WORK OF MESSRS. HLM CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, Messrs. HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. HLM CPA Limited in this announcement.

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

During the year under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed its own shares through The Stock Exchange of Hong Kong Limited or otherwise.

APPRECIATION

Finally, I would like to take this opportunity to thank all my fellow Directors and the staff for their contribution and cordial support during the year under review.

On behalf of the Board
Gao Xiaorui
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the Board is composed of Mr. Li Shaohua and Mr. Poon Wai Yip, Albert as executive Directors, Mr. Gao Xiaorui as a non-executive Director and Mr. Lam Tak Leung, Mr. Lau Shu Yan and Mr. Xie Xiaohong as independent non-executive Directors.