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SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED
新昌創展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1781)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Sun Cheong Creative Development Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**") and together with the comparative figures for the previous year.

In this announcement "we", "us" and "our" refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

FINANCIAL PERFORMANCE HIGHLIGHTS

	NOTES	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*4*	**340,972**	325,814
Gross profit		**120,115**	112,877
Profit for the year		**33,837**	27,411
Profit for the year attributable to owners of the Company		**33,837**	27,411
Earnings per share ("**EPS**") (HK cents per share)			
– basic	*10*	**7.73**	6.77
– diluted		**7.73**	6.77

BUSINESS REVIEW AND OUTLOOK

Overall Business and Financial Performance of the Group

We primarily design, develop, manufacture and sell plastic household products with our headquarters in Hong Kong for more than 30 years. We have launched a wide range of products which include storage boxes, laundry and bathroom wares, food storage, rubbish bins, outdoor, gardenware and furniture, kitchenwares, office solutions, tool boxes, pet accessories and seasonal goods. Our products are sold to overseas countries which include Australia, the United Kingdom ("UK"), the United States of America ("USA"), New Zealand and Germany through (i) direct sales to renowned chain supermarkets, department stores and chain household products retailers; and (ii) importers/exporters. We sell our products under our brand "*clipfresh*" and on an original design manufacture ("ODM") basis.

The Group recorded a revenue of approximately HK$341.0 million for the year ended 31 December 2018 ("**Current Year**"), representing an increase of 4.7% compared with the year ended 31 December 2017 ("**Last Year**"). The Group's overall gross profit margin remained relatively stable at around 35.2% in the Current Year. Profit of the Group amounted to HK$33.8 million for the year ended 31 December 2018. Details of the performance of the Group is disclosed under the section headed "Management Discussion and Analysis". The year of 2018 has been a beneficial and challenging period for the Group. With the listing status of our Company, we upgraded aged machineries by acquiring new models of machineries with higher processing speed and developed new moulds to be responsive to the new product trends. To implement technological advancement, we acquired 29 intelligent injection moulding machines for the year ended 31 December 2018. In the Current Year, we offered a comprehensive range of approximately 1,070 types of products and registered 34 self-designed patents. In terms of market strategy, we are active in seeking new markets and clients. In 2018, we have 33 new clients in over 20 countries.

Future Prospects

Product innovation is expected to remain one of key success factors over the coming years. Our innovative and diversified product portfolio gives us an important competitive advantage. However, there are still many uncertainties and risks, such as the "trade war" between the PRC and USA, changes in political and economic policies of the Chinese Government and increases in the prices or the unstable supply of raw materials. The Board is aware of these risks and the Company will manage these risks through formulating business strategies. To sustain in the intensely competitive household products market, the Group is coming up with new product design and subsequent launches. Moreover, we are implementing technological advancements, such as using intelligent injection moulding machines and planning to use automation line for production and packing in the coming year. Such recent innovations of the Group have been successful in raising the sales of the Group which is driving the growth of the overall net profit for the Current Year. Our innovative and diversified product portfolio will continue to offer us the opportunity to develop new product categories through a combination of manufacturing techniques and cross-promotion of existing as well as new products thus increasing further our scale, strengthening our existing relationships and winning us new customers. Our design and development and mould design team will also explore new features of our products and the use of different and new types of materials. We are confident that the Group is now better equipped to tap long-term growth opportunities in the household products worldwide market.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the year ended 31 December 2018, profit of the Group and profit for the year attributable to owners of the Company amounted to HK$33.8 million, representing an increase of HK$6.4 million as compared with HK$27.4 million in 2017.

Revenue

For the year ended 31 December 2018, revenue of the Group amounted to HK$341.0 million, representing an increase of HK$15.2 million or 4.7% as compared with HK$325.8 million in 2017.

By geographical region

The increase in revenue was primarily due to the increase in the sales to Australia and USA, partially offset by the decrease in the sales to UK and Germany. The increase in the sales to Australia was mainly due to the increase in the sales to one of our top five customers in Australia. The increase in the sales to USA was mainly due to the increase in the sales to a customer in USA by approximately HK$5.8 million. The decrease in the sales to UK and Germany was mainly due to the decrease in the sales to two of our top five customers in these regions.

By products types

Our revenue from our "*clipfresh*" brand products and ODM products increased by approximately HK$5.1 million and approximately HK$10.1 million from approximately HK$82.8 million and approximately HK$243.0 million for the year ended 31 December 2017 to approximately HK$87.9 million and approximately HK$253.1 million for the year ended 31 December 2018, respectively. Such increase in revenue from our "*clipfresh*" brand products was mainly due to the increase in revenue from the plastic series products as a result of the increase in sales volume. Such increase in revenue from ODM products was mainly due to the combined effect of (i) increase in sales of kitchenwares products and storage boxes products due to an increase in the average selling price and sales volume; (ii) decrease in sales of laundry and bathroom wares products due to the decrease in sales volume; and (iii) decrease in sales of food storage products due to the decrease in the average selling price and sales volume.

Cost of Sales

Cost of sales for the year ended 31 December 2018 was HK$220.9 million, representing an increase of 3.7% from HK$212.9 million for the year ended 31 December 2017. The increase was in line with the overall increase in sales.

Gross Profit

Gross profit for the year ended 31 December 2018 was HK$120.1 million, representing an increase of 6.4% from HK$112.9 million as compared with the figures in 2017. The increase in gross profit was mainly due to increase in sales of our "*clipfresh*" brand products, which had a relatively higher gross profit margin.

Other Gains and Losses

We recorded other net losses of approximately HK$3.2 million for the year ended 31 December 2017, while we recorded other net gains of approximately HK$6.5 million for the year ended 31 December 2018. The change was mainly due to the foreign exchange gains as a result of the fluctuation of Renminbi denominated payable balances for the year ended 31 December 2018.

Selling Expenses

Selling expenses for the year ended 31 December 2018 amounted to HK$22.5 million, representing an increase of HK$0.9 million or 3.9% from HK$21.7 million in 2017. This was primarily due to the combined effect of increased transportation costs and reduced marketing costs as a result of adjustments in marketing strategies.

Administrative Expenses

During the Current Year, administrative expenses amounted to HK$37.3 million, representing an increase of HK$5.5 million or 17.5% from HK$31.7 million in 2017, which was primarily due to (i) the additional professional service fee and related disbursement amounted to HK$1.1 million, (ii) the additional insurance expenses of HK$0.5 million, and (iii) the increase in staff costs of HK$1.9 million and rental expenses of HK$2.0 million as a result of new production facility acquired for the year ended 31 December 2018.

Finance Costs

Our finance costs increased from approximately HK$8.2 million for the year ended 31 December 2017 to approximately HK$9.7 million for the year ended 31 December 2018, representing an increase of approximately HK$1.5 million or 18.6%. Such increase was primarily due to the increase in interest expenses on bank and other borrowings and overdrafts.

Income Tax Expenses

Our income tax expenses decreased by HK$0.7 million or 6.4% from approximately HK$11.6 million for the year ended 31 December 2017 to approximately HK$10.8 million for the year ended 31 December 2018, primarily due to the over-provision for income tax expense in respect of prior year incurred in 2017. The effective tax rate for the year ended 31 December 2018 was 24.3%, as compared to 29.7% for the year ended 31 December 2017.

Profit for the year Attributable to Owners of the Company for the Reporting Period

For the year ended 31 December 2018, profit for the year attributable to owners of the Company amounted to HK$33.8 million, representing an increase of HK$6.4 million or 23.4% as compared to HK$27.4 million in 2017. The increase was primarily due to an increase in profit from operation as a result of increased revenue and gross profit.

Liquidity and Source of Funding

As of 31 December 2018, the current assets of the Group amounted to HK$414.0 million, which mainly comprised cash and bank balances (including restricted bank deposits), inventories and trade and other receivables, in the amount of HK$249.8 million, HK$29.8 million and HK$134.4 million, respectively. Current liabilities of the Group amounted to HK$332.5 million, of which HK$227.0 million was bank loans, HK$2.5 million was obligation under finance leases, HK$74.3 million was trade and other payables and HK$27.3 million was tax payable. As of 31 December 2018, the current ratio (the current assets to current liabilities ratio) of the Group was 1.2, representing an increase of 9.1% as compared with 1.1 times as of 31 December 2017. The change in the current ratio was primarily due to higher net cash balance resulting from improvement in working capital position.

The Group does not have other debt financing obligations as of 31 December 2018 or the date of this annual results announcement and does not have any breaches of financial covenants.

Capital Expenditure

For the year ended 31 December 2018, the capital expenditure of the Group amounted to approximately HK$104.3 million, representing an increase of HK$96.9 million compared with HK$7.4 million in 2017. The increase in the capital expenditure was primarily due to the acquisition of new moulds and machineries for the new production facility established in Mainland during the Current Year.

Net Gearing Ratio

Our gearing ratio decreased to approximately 1.5 times as at 31 December 2018 from approximately 3.0 times as at 31 December 2017, mainly due to the increase of total equity to HK$225.7 million after the capitalisation issue and our listing on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Details of the Capitalisation Issue and Share Offer are set out in the prospectus of the Company dated 21 September 2018 (the "**Prospectus**").

Capital Structure

As at 31 December 2018, the Company had a total of 540,000,000 issued shares (the "**Shares**", each, a "**Share**") at HK$0.01 each (2017: 10,000 shares).

The Company listed its shares on the Stock Exchange on 4 October 2018, and issued 135,000,000 shares, at a price of HK$1.1 each.

The Group generally finances its ordinary operations with internally generated resources and banking facilities. The interest rates of most of the borrowings and finance lease arrangement, if applicable, are charged by reference to prevailing market rates.

Material Investments

For the year ended 31 December 2018, the Group spent approximately HK$104.3 million in acquisition of plant and equipment. (2017: HK$7.4 million)

Save as disclosed above, the Group did not have any significant acquisition or disposal of subsidiaries and associated companies during the Current Year.

Pledge of Assets

Certain of the Group's borrowings are secured by assets of the Group. Apart from the pledged bank deposits of HK$71.7 million and HK$92.3 million as of 31 December 2018 and 31 December 2017, respectively, the Group also pledged property, plant and equipment carried at aggregated carrying amounts of approximately HK$8.3 million as at 31 December 2018.

In addition, certain of the Group's bank and other borrowings are secured by assets held by the management of the Group and/or their family members and the related companies which are controlled by the management of the Group and/or their family members and a key management personnel of the Group. In addition, certain of the Group's bank and other borrowings are personally guaranteed by the management of the Group and their family members and a key management personnel of the Group.

Contingent Liabilities

As at 31 December 2017 and 2018, the Group issued financial guarantees to banks in respect of banking facilities granted to related parties of an aggregate amount of HK$34.0 million respectively. The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which HK$33.5 million (2017: HK$34.0 million) has been utilised by the related parties respectively. Financial guarantees are initially recognized at fair value. As at 31 December 2017 and 2018, amounts of HK$564,000 and HK$542,000, respectively have been recognised as financial guarantee obligations in the consolidated statement of financial position.

Foreign Exchange Exposure

The Group's sales and purchases are mainly denominated in US dollars and Renminbi. The sales of our Group are mainly denominated in US dollars or Hong Kong dollars. Some of our polypropylene resins are sourced from overseas and settled in US dollars. As our production base is in the PRC, the rental payment and the related staff costs are paid in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial foreign currency risk 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 any financial instrument for the hedging of foreign currency.

Employment and Remuneration Policy

At 31 December 2018, the Group had 452 employees in Hong Kong and the PRC. The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonuses may be granted to reward and motivate those well-performed employees.

FINANCIAL INFORMATION

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	4	**340,972**	325,814
Cost of sales		**(220,857)**	(212,937)
Gross profit		**120,115**	112,877
Other income	5	**833**	446
Reversal of impairment losses, net		**2,443**	–
Other gains and losses	6	**6,533**	(3,231)
Selling expenses		**(22,504)**	(21,653)
Administrative expenses		**(37,254)**	(31,706)
Listing expenses		**(13,436)**	(10,205)
(Other expenses) reversal of other expenses		**(2,330)**	667
Finance costs	7	**(9,724)**	(8,201)
Profit before tax		**44,676**	38,994
Income tax expense	8	**(10,839)**	(11,583)
Profit for the year	9	**33,837**	27,411
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss		**(756)**	1,062
Total comprehensive income for the year		**33,081**	28,473
Profit for the year attributable to:			
Owners of the Company		**33,837**	27,411
Non-controlling interests		**–**	–
Profit for the year		**33,837**	27,411
Total comprehensive income (expense) attributable to:			
Owners of the Company		**33,375**	28,084
Non-controlling interests		**(294)**	389
Total comprehensive income		**33,081**	28,473
EARNINGS PER SHARE			
Basic (HK cents)	10	**7.73**	6.77

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**94,932**	52,102
Rental deposits		**2,311**	2,043
Deposits paid for acquisition of property, plant and equipment		**53,722**	997
Deferred tax assets		**–**	95
		150,965	55,237
CURRENT ASSETS			
Inventories		**29,805**	18,277
Trade and other receivables	*12*	**134,372**	54,078
Amount due from a director		**–**	22,052
Restricted bank deposits		**71,674**	92,262
Bank balances and cash		**178,139**	124,705
		413,990	311,374
CURRENT LIABILITIES			
Trade and other payables	*13*	**74,260**	61,152
Tax payable		**27,253**	29,736
Bank and other borrowings	*14*	**221,974**	177,999
Bank overdrafts	*14*	**5,049**	1,937
Contract liabilities		**1,488**	1,603
Obligations under finance leases		**2,487**	566
		332,511	272,993
NET CURRENT ASSETS		**81,479**	38,381
TOTAL ASSETS LESS CURRENT LIABILITIES		**232,444**	93,618
NON-CURRENT LIABILITIES			
Bank and other borrowings	*14*	**6,159**	1,211
Obligations under finance leases		**252**	613
Deferred tax liabilities		**355**	231
		6,766	2,055
NET ASSETS		**225,678**	91,563

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

At 31 December 2018

	NOTE	**2018** **HK$'000**	2017 *HK$'000*
CAPITAL AND RESERVES			
Share capital	*15*	**5,400**	–
Reserves		**214,957**	85,948
Equity attributable to owners of the Company		**220,357**	85,948
Non-controlling interests		**5,321**	5,615
Total equity		**225,678**	91,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 March 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Stock Exchange on 4 October 2018. Its parent is Uni-Pro Limited (incorporated in the British Virgin Islands) and its ultimate parent is Sun Cheong Creative Development Limited (incorporated in Hong Kong). Its ultimate controlling party is Mr. Tong Ying Chiu ("Mr. Tong") and Ms. Ng Siu Kuen Sylvia ("Ms. Ng"), spouse of Mr. Tong (collectively referred to as the "Controlling Shareholders"). Mr. Tong is the Chairman and one of the Executive Directors of the Company while Ms. Ng is also an Executive Director of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company referred to as the "Group") are designing, developing, manufacturing and selling plastic household products.

The functional currency of the Company is United States Dollar ("US$"), as the sales activities of the Group are mainly denominated in US$ and the presentation currency of the Group is Hong Kong Dollar ("HK$"), as the Directors of the Company consider HK$ can provide more meaningful information to the Company's investors.

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

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

The Group has consistently applied all the new and amendments to HKFRSs that are effective for the Group's accounting period beginning on 1 January 2018, for the years ended 31 December 2017 and 2018, except that the Group has applied HKFRS 9 *Financial Instruments* on 1 January 2018 as detailed below and HKAS 39 *Financial Instruments: Recognition and Measurement* for the year ended 31 December 2017.

HKFRS 9 Financial Instruments

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

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

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

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

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

HKFRS 9 Financial Instruments – continued

Financial Instruments: Recognition and Measurement

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

The table below illustrates the classification and measurement of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Summary of effects arising from initial application of HKFRS 9

		Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 *HK$'000*	Additional loss allowance recognised under HKFRS 9 *HK$'000*	New carrying amount under HKFRS 9 *HK$'000*
1.	Trade and other receivables	Loans and receivables	Financial assets at amortised cost	17,277	(66)	17,211
2.	Amount due from a director	Loans and receivables	Financial assets at amortised cost	22,052	(23)	22,029
3.	Restricted bank deposits	Loans and receivables	Financial assets at amortised cost	92,262	(973)	91,289
4.	Bank balances and cash	Loans and receivables	Financial assets at amortised cost	124,705	(1,561)	123,144
5.	Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(61,152)	–	(61,152)
6.	Bank and other borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(179,210)	–	(179,210)
7.	Bank overdrafts	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(1,937)	–	(1,937)
	Total			13,997	(2,623)	11,374

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

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

HKFRS 9 Financial Instruments – continued

Financial Instruments: Recognition and Measurement – continued

Summary of effects arising from initial application of HKFRS 9 – continued

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables are assessed individually for each debtor.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including amount due from a director, restricted bank deposits, and bank balances and cash, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantees to banks in respect of banking facilities granted to related parties of an aggregate amount of HK$34,000,000, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12m ECL basis.

As at 1 January 2018, additional credit loss allowance of HK$2,623,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset. None of the respective asset has ending impairment allowances as at 31 December 2017 under HKAS 39.

New and amendments to HKFRSs in issued but not yet effective

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

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

[3] Effective for annual periods beginning on or after 1 January 2021.

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

[5] Effective for annual periods beginning on or after 1 January 2020.

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

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

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

HKFRS 16 Leases

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

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$29,322,000 as disclosed in note 16. 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.

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

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

In addition, the Group currently considers refundable rental deposits paid of HK$2,311,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the Directors of the Company (the "CODM"), in order to allocate resources to segments and to assess their performance. During the year, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in designing, developing, manufacturing and selling plastic household products. Therefore, the management considers that the Group only has one operating segment. The Group mainly operates in Hong Kong and the PRC and the Group's non-current assets are mainly located in the PRC.

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies set out in note 3 and no further segment information is presented.

An analysis of the Group's revenue during the year is as follows:

	2018	2017
	HK$'000	HK$'000
Type of goods or services		
Sale of plastic household products	**340,972**	325,814

Geographical information

The Group's revenue is mainly derived from customers located in Australia, Hong Kong, UK, USA, New Zealand and Germany. The Group's revenue by the geographical locations of the customers, determined based on the destination of good delivered, irrespective of the origin of goods, is detailed below:

	2018	2017
	HK$'000	*HK$'000*
Australia	**253,840**	217,938
Hong Kong	**22,618**	21,389
UK	**7,782**	12,908
USA	**10,365**	4,533
New Zealand	**15,894**	17,523
Germany	**2,501**	18,114
Others	**27,972**	33,409
	340,972	325,814

Information about major customers

Revenue from customers of corresponding years contributing over 10% of the total sales of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**162,819**	157,540
Customer B	**79,991**	59,281

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**115**	331
Others	**718**	115
	833	446

6. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Gain (loss) on foreign exchanges	**6,706**	(4,029)
Gain on release of financial guarantee contracts	**22**	555
Government subsidies	**–**	499
Others	**(195)**	(256)
	6,533	(3,231)

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on:		
– bank and other borrowings and overdrafts	**9,506**	8,100
– finance leases	**218**	101
	9,724	8,201

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**7,133**	6,587
– PRC EIT	**3,487**	2,453
Underprovision in prior years:		
– Hong Kong Profits Tax	**–**	1,911
	10,620	10,951
Deferred tax	**219**	632
	10,839	11,583

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors of the Group considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessed profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration:		
– Fees	**180**	–
– Other emoluments, salaries and other benefits	**2,484**	3,961
– Retirement benefit scheme contributions	**72**	59
	2,736	4,020
Other staff salaries and allowances	**43,395**	36,123
Retirement benefit scheme contributions, excluding those of directors	**4,406**	3,048
Total employee benefits expenses	**50,357**	43,191
Auditor's remuneration	**1,900**	33
Cost of inventories recognised as an expense	**220,857**	212,937
Research and development expenses	**1,459**	1,440
Depreciation of property, plant and equipment	**14,186**	11,492
Donations	**121**	–

10. EARNINGS PER SHARE

The calculation of the basic earnings per share during the year is based on the earnings attributable to owners of the Company and the weighted average number of ordinary shares of 437,918,000 (2017: 405,000,000), which has been adjusted retrospectively for the effect of the capitalisation issue as detailed in note 15(ii) as if the capitalisation issue had been effective since 1 January 2017.

No diluted earnings per share is presented for both 2018 and 2017 as the Company did not have any potential dilutive share in issue.

11. DIVIDENDS

During the year ended 31 December 2018, an interim dividend of HK$3,000 (2017: HK$1,000) per share amounting to HK$30,000,000 (2017: HK$10,000,000) was recognised as distribution by the Company to its shareholders whose names appeared on the register of members of the Company on 31 December 2017.

Subsequent to the end of the reporting period, a final dividend and special dividend, in respect of the year ended 31 December 2018 of HK4.0 cents and HK3.5 cents per ordinary share respectively, with an aggregate amount of HK$40,500,000 has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables – goods	**30,872**	15,478
Prepayments to suppliers	**99,482**	30,910
Other tax recoverable	**2,798**	967
Other receivables	**1,400**	1,799
Deferred issue costs	**–**	4,924
	134,552	54,078
Less: impairment loss allowance	**(180)**	–
	134,372	54,078

The Group allows credit periods mainly ranging from cash on delivery to 90 days to its customers.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
1 – 30 days	**21,462**	11,270
31 – 60 days	**8,463**	3,418
61 – 90 days	**523**	550
91 – 180 days	**269**	195
181 – 365 days	**155**	45
	30,872	15,478

13. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**42,047**	35,471
Payroll payable	**3,546**	6,529
Surcharge levied on tax payment by instalments	**2,701**	1,188
Financial guarantee obligations *(Note)*	**542**	564
Accrued issue costs/listing expenses	**9,901**	4,495
Other accrued expenses	**3,210**	4,293
Other payables	**12,313**	8,612
	74,260	61,152

Note: The amount represented financial guarantee contracts provided by Chase On Development Limited ("Chase On") to its related companies. The Controlling Shareholders and/or their family members have control or beneficial interests in these related companies.

The aged analysis of the trade payables presented based on the goods receipt date at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
Trade payables		
1 – 30 days	**10,726**	9,473
31 – 60 days	**8,680**	10,904
61 – 90 days	**3,445**	4,342
91 – 180 days	**10,759**	8,129
181 – 365 days	**7,405**	2,305
Over 1 year	**1,032**	318
	42,047	35,471

14. BANK AND OTHER BORROWINGS AND BANK OVERDRAFTS

	2018 *HK$'000*	2017 *HK$'000*
Bank and other loans	**228,133**	178,660
Bank borrowings from factoring of trade receivables with full recourse	**–**	550
Total bank and other borrowings	**228,133**	179,210
Bank overdrafts	**5,049**	1,937
	233,182	181,147
Analysed as:		
Secured	**227,112**	174,871
Unsecured	**6,070**	6,276
	233,182	181,147
The carrying amounts of the above bank and other borrowings and bank overdrafts are repayable*:		
– within one year	**227,023**	179,936
– within a period of more than one year but not exceeding two years	**4,370**	985
– within a period of more than two years but not exceeding five years	**1,789**	226
	233,182	181,147
Less: Amounts due within one year shown under current liabilities	**(227,023)**	(179,936)
Amounts shown under non-current liabilities	**6,159**	1,211

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

15. SHARE CAPITAL

Details of movements of share capital of the Company are as follow:

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017 and 31 December 2017	38,000,000	380
Increase during the year *(Note i)*	1,962,000,000	19,620
At 31 December 2018	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2017 and 31 December 2017	10,000	–*
Shares to be issued pursuant to the capitalisation issue *(Note ii)*	404,990,000	4,050
Issue of shares upon listing *(Note iii)*	135,000,000	1,350
At 31 December 2018	540,000,000	5,400

	HK$'000
Shown in the consolidated statement of financial position	
At 31 December 2018	5,400
At 31 December 2017	–*

* Balance is below HK$1,000

(i) Pursuant to the written resolution passed by the shareholders of the Company on 16 August 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each by the creation of an additional 1,962,000,000 shares of HK$0.01 each, ranking pari passu with the existing then shares in all aspects.

(ii) Pursuant to the written resolution passed by the shareholders of the Company on 16 August 2018, the Directors of the Company were authorised to capitalise an amount of HK$4,049,900 standing to the credit of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par 404,990,000 shares for allotment and issue to the shareholder.

(iii) On 4 October 2018, the Company issued 135,000,000 ordinary shares of HK$0.01 each pursuant to the Listing at the price of HK$1.1 per ordinary shares.

16. OPERATING LEASES COMMITMENT

The Group as lessee

	2018	2017
	HK$'000	*HK$'000*
Minimum lease payments paid/payable under operating leases during the year in respect of rented premises	**11,567**	7,063

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**12,405**	9,429
In the second to fifth year inclusive	**16,917**	22,765
	29,322	32,194

Operating lease payments represent rentals payable by the Group for certain of its office premises, directors' quarters and the production plant. Leases are negotiated for a term of one to five years (2017: one to five years).

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

Except for the shares issued on 4 October 2018 pursuant to the prospectus of the Company dated 21 September 2018, 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 or otherwise.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board. During the year ended 31 December 2018, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Full details of the Company's corporate governance practices will be set out in the Company's 2018 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Year Under Review.

AUDIT COMMITTEE

We established the Audit Committee on 16 August 2018 with written terms of reference in compliance with the Listing Rules. The Audit Committee consists of three Independent Non-executive Directors, namely Mr. Cheung Ting Kin, Mr. Yuen Chi Ping and Mr. Leung Leslie Yau Chak. The Audit Committee is chaired by Mr. Cheung Ting Kin.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2018. The Audit Committee has also discussed with senior management members, matters with respect to the accounting policies and practices adopted by the Company and internal control and risk management.

USE OF PROCEEDS FROM THE SHARE OFFER

On 4 October 2018, the Company issued a total of 135,000,000 shares by way of Hong Kong public offering and placing at a price of HK$1.1 each, and successfully listed its shares on the Main Board of the Stock Exchange.

The actual proceeds amounted to HK$97.7 million after deducting fees in relation to the issuance expenses. According to the purpose set out in the section "Future Plans and Use of Proceeds" in the Prospectus, 28.5% of the proceeds received from the Share Offer will be used for purchasing or development of moulds and related parts of moulds, 23.8% of the proceeds will be used for acquisition and replacement of production machineries and equipment, approximately 5.7% of the proceeds will be used for enhancement and upgrade of our ERP system, 14.8% of the proceeds will be used for repayment of interest-bearing bank loan, 9.5% of the proceeds will be used for strengthening our product design and development capabilities and increasing our product offerings, 8.2% of the proceeds will be used for enhancing brand recognition and awareness and promoting our corporate reputation, and 9.5% of the proceeds will be used for additional working capital and other general corporate purposes.

At the end of 2018, the Company had settled and used HK$31.1 million, of which approximately HK$2.9 million was used for purchasing or development of moulds and related parts of moulds, approximately HK$2.4 million for acquisition and replacement of production machineries and equipment, approximately HK$14.5 million for repayment of interest-bearing bank loan, approximately HK$1.0 million for product design and development, approximately HK$1.1 million for advertising and promotion campaign, and approximately HK$9.3 million for replenishment of our working capital. The remaining proceeds of HK$66.6 million will continue to be used for the purposes set out in the section "Future Plans and Use of Proceeds" in the Prospectus.

FINAL AND SPECIAL DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Proposed special dividend of HK3.5 cents (2017: Nil) per ordinary share	**18,900**	–
Proposed final dividend of HK4.0 cents (2017: Nil) per ordinary share	**21,600**	–
	40,500	–

The Board proposes the payment of a final dividend of HK4.0 cents per share (2017: Nil) and a special dividend of HK3.5 cents per share (2017: Nil) for the year ended 31 December 2018 to the shareholders subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Tuesday, 4 June 2019. This proposed distribution is not reflected as a dividend payable as of 31 December 2018, but will be recorded as a distribution out of retained earnings in the year ending 31 December 2019.

The date of closure of the register of members of the Company regarding the proposed distribution and payment date of proposed final dividend and proposed special dividend is set out in the paragraph headed "Closure of Register of Members" of this announcement.

ANNUAL GENERAL MEETING

It is proposed that the 2019 annual general meeting of the Company (the "**2019 AGM**") will be held on Tuesday, 4 June 2019. Notice of the 2019 AGM will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.clip-fresh.com) and despatched to the shareholders of the Company ("**Shareholders**") in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 30 May 2019 to Tuesday, 4 June 2019 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the 2019 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 29 May 2019.

The register of members of the Company will be closed from Wednesday, 12 June 2019 to Friday, 14 June 2019 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement in the proposed final dividend and proposed special dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, by not later than 4:00 p.m. on Tuesday, 11 June 2019. The proposed final dividend and proposed special dividend will be payable on or around Wednesday, 26 June 2019 to the Company's shareholders whose names appear on the register of the members of the Company on Friday, 14 June 2019.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.clip-fresh.com. The annual report of the Group for the year ended 31 December 2018 will be published on the aforesaid websites and will be dispatched to the Company's shareholders in due course.

By order of the Board
Sun Cheong Creative Development Holdings Limited
Tong Ying Chiu
Chairman and Executive Director

Hong Kong, 26 March 2019

As at the date of this announcement, the Executive Directors of the Company are Mr. Tong Ying Chiu, Ms. Ng Siu Kuen Sylvia, Mr. Tong Bak Nam Billy and Mr. Chan Kam Hon Ivan; and the Independent Non-executive Directors of the Company are Mr. Yuen Chi Ping, Mr. Leung Leslie Yau Chak and Mr. Cheung Ting Kin.