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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sun Cheong Creative Development Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019 (the "**Current Period**"), together with the comparative figures for the corresponding period in 2018 (the "**Last Period**"). The interim financial results have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, Certified Public Accountants and the audit committee (the "**Audit Committee**") of the Company.

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

		Six months ended 30 June	
	Notes	**2019**	2018
		HK$'000	*HK$'000*
		(Unaudited)	*(Unaudited)*
Revenue	*3*	**167,522**	159,781
Gross profit		**56,843**	57,367
Profit for the period		**14,702**	16,546
Profit for the period attributable to owners of the Company		**14,702**	16,546
Earnings per share ("**EPS**") (HK cents per share)			
– basic	*9*	**2.72**	4.09
– diluted		**2.72**	4.09

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	*3*	**167,522**	159,781
Cost of sales		**(110,679)**	(102,414)
Gross profit		**56,843**	57,367
Other income	*4*	**432**	204
Reversal of impairment losses, net		**98**	–
Other gains and losses	*5*	**2,088**	(1,175)
Selling expenses		**(12,371)**	(10,348)
Administrative expenses		**(22,611)**	(15,432)
Listing expenses		**–**	(2,400)
Other expenses		**–**	(2,330)
Finance costs	*6*	**(7,232)**	(4,512)
Profit before tax		**17,247**	21,374
Income tax expense	*7*	**(2,545)**	(4,828)
Profit for the period	*8*	**14,702**	16,546
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss		**(4)**	1,017
Total comprehensive income for the period		**14,698**	17,563
Profit for the period attributable to:			
Owners of the Company		**14,702**	16,546
Non-controlling interests		**–**	–
Profit for the period		**14,702**	16,546
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**14,702**	17,691
Non-controlling interests		**(4)**	(128)
Total comprehensive income for the period		**14,698**	17,563
EARNINGS PER SHARE			
Basic (HK cents)	*9*	**2.72**	4.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**124,297**	94,932
Right-of-use-assets		**25,119**	–
Rental deposits		**2,290**	2,311
Deposits paid for acquisition of property, plant and equipment		**22,332**	53,722
Deferred tax assets		**1,009**	–
		175,047	150,965
CURRENT ASSETS			
Inventories		**56,442**	29,805
Trade and other receivables	*11*	**110,859**	134,372
Restricted bank deposits		**40,310**	71,674
Bank balances and cash		**148,046**	178,139
		355,657	413,990
CURRENT LIABILITIES			
Trade and other payables	*12*	**74,718**	74,260
Tax payable		**19,269**	27,253
Bank and other borrowings	*13*	**204,477**	221,974
Bank overdrafts	*13*	**4,266**	5,049
Contract liabilities		**1,022**	1,488
Obligations under finance leases		**–**	2,487
Lease liabilities		**10,893**	–
		314,645	332,511
NET CURRENT ASSETS		**41,012**	81,479
TOTAL ASSETS LESS CURRENT LIABILITIES		**216,059**	232,444
NON-CURRENT LIABILITIES			
Bank and other borrowings	*13*	**3,999**	6,159
Obligations under finance leases		**–**	252
Deferred tax liabilities		**11**	355
Lease liabilities		**12,173**	–
		16,183	6,766
NET ASSETS		**199,876**	225,678

	Notes	**As at 30 June 2019** *HK$'000* ***(Unaudited)***	As at 31 December 2018 *HK$'000* *(Audited)*
CAPITAL AND RESERVES			
Share capital	*14*	**5,400**	5,400
Reserves		**189,159**	214,957
Equity attributable to owners of the Company		**194,559**	220,357
Non-controlling interests		**5,317**	5,321
TOTAL EQUITY		**199,876**	225,678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and the interpretation, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and the interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises and directors' quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- amounts expected to be paid under residual value guarantees; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

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

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

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected 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 standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amount equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6.2%.

	Notes	**At 1 January 2019** ***HK$'000***
Operating lease commitments disclosed as at 31 December 2018		**29,322**
Lease liabilities discounted at relevant incremental borrowing rates		**28,082**
Less: Recognition exemption – short-term leases		**(3,721)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	*(a)*	**24,361**
Add: Obligations under finance leases recognised at 31 December 2018		**2,739**
Accrued lease payments included in trade and other payables recognised at 31 December 2018	*(b)*	**1,519**
Lease liabilities as at 1 January 2019		**28,619**
Analysed as:		
Current		**13,472**
Non-current		**15,147**
		28,619

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		**24,361**
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance leases	*(a)*	**5,610**
		29,971
By class:		
Land and buildings		**29,971**

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$5,610,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$2,487,000 and HK$252,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(b) These relate to accrued lease payments included in trade and other payables at 31 December 2018. The carrying amount of the lease incentive liabilities as at 1 January 2019 was adjusted to lease liabilities at transition.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 *HK$'000*	Adjustments *HK$'000*	**Carrying amounts under HKFRS 16 at 1 January 2019** ***HK$'000***
Non-current Assets				
Property, plant and equipment	*(a)*	94,932	(5,610)	**89,322**
Rental deposits		–	29,971	**29,971**
Current Liabilities				
Trade and other payable	*(b)*	61,152	(1,519)	**59,633**
Lease liabilities		–	13,472	**13,472**
Obligations under finance leases	*(a)*	2,487	(2,487)	**–**
Non-current liabilities				
Lease liabilities		–	15,147	**15,147**
Obligations under finance leases	*(a)*	252	(252)	**–**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. 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 period, 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 the People's Republic of China (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 2 and no further segment information is presented.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Type of goods or services		
Sale of plastic household products	**167,522**	159,781

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:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Australia	**114,739**	113,620
Hong Kong	**18,435**	10,173
UK	**5,240**	5,062
USA	**3,329**	4,370
New Zealand	**8,486**	7,345
Germany	**1,317**	7,317
Others	**15,976**	11,894
	167,522	159,781

Information about major customers

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Customer A	**73,726**	79,296
Customer B	**39,654**	38,580

4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Bank interest income	**130**	34
Others	**302**	170
	432	204

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Gain (loss) on foreign exchanges	**1,655**	(1,069)
Gain on release of financial guarantee contracts	**470**	8
Reversal of credit loss allowance	**–**	35
Others	**(37)**	(149)
	2,088	(1,175)

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest expenses on:		
– bank and other borrowings and overdrafts	**6,427**	4,467
– finance leases	**–**	45
– lease liabilities	**805**	–
	7,232	4,512

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
– Hong Kong Profits Tax	**2,242**	3,027
– PRC EIT	**1,656**	1,557
	3,898	4,584
Deferred tax	**(1,353)**	244
	2,545	4,828

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
– Fees	**–**	–
– Other emoluments, salaries and other benefits	**3,349**	939
– Retirement benefit scheme contributions	**36**	36
	3,385	975
Other staff salaries and allowances	**20,701**	19,573
Retirement benefit scheme contributions, excluding those of Directors	**2,332**	1,499
Total employee benefits expenses	**26,418**	22,047
Auditor's remuneration	**500**	13
Cost of inventories recognised as an expense	**110,679**	102,414
Research and development expenses	**393**	642
Depreciation of property, plant and equipment	**9,291**	5,612
Depreciation of right-of-use assets	**4,852**	–

9. EARNINGS PER SHARE

The calculation of the basic earnings per share during the period is based on the earnings attributable to owners of the Company and the weighted average number of ordinary shares of 540,000,000 (six months ended 30 June 2018: 405,000,000, which has been adjusted retrospectively for the effect of the capitalisation issue as detailed in note 14(ii) as if the capitalisation issue had been effective since 1 January 2018).

No diluted earnings per share is presented for the current interim period and six months ended 30 June 2018 as the Company did not have any potential dilutive share in issue.

10. INTERIM DIVIDENDS

During the current interim period, a final dividend and a special dividend of HK4.0 cents and HK3.5 cents per share respectively, in respect of the year ended 31 December 2018 (2018: HK$3,000 per share in respect of the year ended 31 December 2017) was declared and paid to the shareholders of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK$40,500,000 (2018: HK$30,000,000).

Subsequent to the end of the current interim period, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2019.

11. TRADE AND OTHER RECEIVABLES

	At **30 June** **2019** ***HK$'000*** ***(Unaudited)***	At 31 December 2018 *HK$'000* *(Audited)*
Trade receivables – goods	**19,362**	30,872
Prepayments to suppliers	**87,286**	99,482
Other tax recoverable	**1,949**	2,798
Other receivables	**2,344**	1,400
	110,941	134,552
Less: impairment loss allowance	**(82)**	(180)
	110,859	134,372

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.

	At **30 June** **2019** ***HK$'000*** ***(Unaudited)***	At 31 December 2018 *HK$'000* *(Audited)*
Trade receivables		
1 – 30 days	**18,798**	21,462
31 – 60 days	**67**	8,463
61 – 90 days	**32**	523
91 – 180 days	**301**	269
181 – 365 days	**164**	155
	19,362	30,872

12. TRADE AND OTHER PAYABLES

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Trade payables	**48,575**	42,047
Payroll payable	**5,041**	3,546
Surcharge levied on tax payment by instalments	**2,155**	2,701
Financial guarantee obligations *(Note)*	**72**	542
Accrued issue costs/listing expenses	**1,908**	9,901
Other accrued expenses	**3,579**	3,210
Other payables	**13,388**	12,313
	74,718	74,260

Note: The amount represented financial guarantee contracts provided by Chase On Development Limited ("**Chase On**") to its related companies. Mr. Tong Ying Chiu and Ms. Ng Siu Kuen Sylvia (collectively referred to as 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:

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Trade payables		
1 – 30 days	**12,065**	10,726
31 – 60 days	**4,902**	8,680
61 – 90 days	**3,688**	3,445
91 – 180 days	**16,853**	10,759
181 – 365 days	**8,070**	7,405
Over 1 year	**2,997**	1,032
	48,575	42,047

13. BANK AND OTHER BORROWINGS AND BANK OVERDRAFTS

During the current interim period, the Group obtained new bank loans amounting to HK$93,663,000 (six months ended 30 June 2018: HK$175,225,000). The loans carry interest at market rates of 3.63%-5.63% and are repayable within one year.

14. 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 2018	38,000,000	380
Increase during the period *(Note i)*	1,962,000,000	19,620
At 31 December 2018 and 30 June 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2018	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 and 30 June 2019	540,000,000	5,400

	HK$'000
Shown in the consolidated statement of financial position	
At 30 June 2019	5,400
At 31 December 2018	5,400

* 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.

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 40 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$167.5 million for the six months ended 30 June 2019 ("**Current Period**"), representing an increase of 4.8% compared with the corresponding period in 2018 ("**Last Period**"). The Group's overall gross profit margin slightly decreased to 33.9% in the Current Period. Profit of the Group amounted to HK$14.7 million for the Current Period. Details of the performance of the Group is disclosed under the section headed "Management Discussion and Analysis".

Future Prospects

Going forward, the Group will continue to enhance its overall competitiveness and market share by solidifying its long-term relationship established with existing customers and exploring new customers, diversifying and enhancing our products and providing more customised support to customers. The Group expects the operating environment in the near future will be increasingly challenging in view of the prolonged trade disputes between the United States and China and political tensions, slowing economic growth around the world and currency fluctuations. With the Group's proven track record, experienced management team and innovative products, the Group is well-positioned and well-equipped to sustain its development amid the increasingly challenging external business environment. The Group will keep close track of the economic environment and evaluate its business strategies from time to time to adapt to the challenging market for the sustainable and stable development of the Group and grasp the opportunities to enhance the long-term potential growth in the future to safeguard the interest of the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the Current Period, profit of the Group and profit for the Current Period attributable to owners of the Company amounted to HK$14.7 million, representing an decrease of HK$1.8 million as compared with HK$16.5 million in the Last Period.

Revenue

For the Current Period, revenue of the Group amounted to HK$167.5 million, representing an increase of HK$7.7 million or 4.8% as compared with HK$159.8 million in the Last Period.

By geographical region

The increase in revenue was primarily due to the increase in the sales to Hong Kong and New Zealand, partially offset by the decrease in the sales to Germany and USA. The increase in the sales to Hong Kong was mainly due to the increase in the sales to one of new customers in Hong Kong. The increase in the sales to New Zealand was mainly due to the increase in the sales to one of our top five customers. The decrease in the sales to Germany and USA was mainly due to the decrease in the sales to two of our top ten customers in these regions.

By products types

Our revenue from our "*clipfresh*" brand products and ODM products decreased by approximately HK$5.6 million and increased approximately HK$13.4 million from approximately HK$41.5 million and approximately HK$118.2 million for the Last Period to approximately HK$35.9 million and approximately HK$131.6 million for the Current Period, respectively. Such decline in revenue from our "*clipfresh*" brand products was mainly due to the decrease in revenue from the plastic series products as a result of the drop in sales volume. Such increase in revenue from ODM products was mainly due to the combined effect of (i) decrease in sales of kitchenwares products and storage boxes products due to a decrease in the sales volume; (ii) decrease in sales of laundry and bathroom wares products due to the decrease in sales volume; and (iii) increase in sales of food storage products due to the increase in the average selling price and sales volume.

Cost of Sales

Cost of sales for the Current Period was HK$110.7 million, representing an increase of 8.1% from HK$102.4 million for the Last Period. The increase was relatively higher than those of revenue since more fixed costs such as depreciation expenses and direct labour costs were incurred compared to the Last Period.

Gross Profit

Gross profit for the Current Period was HK$56.8 million, representing a decrease of 0.9% from HK$57.4 million as compared with the Last Period. The decrease in gross profit was mainly due to the increase in cost of sales as a result of higher fixed production costs from increment in salary of labours and addition in plant and machineries for the Current Period.

Other Gains and Losses

We recorded other net losses of approximately HK$1.2 million for the Last Period, while we recorded other net gains of approximately HK$2.1 million for the Current Period. The change was mainly due to the foreign exchange gains as a result of the fluctuation of average Renminbi denominated payable balances and release of partial financial guarantee granted to related parties for the Current Period.

Selling Expenses

Selling expenses for the Current Period amounted to HK$12.4 million, representing an increase of HK$2.0 million or 19.6% from HK$10.3 million in the Last Period. It was primarily due to the increased transportation costs from higher sales volume and increased marketing expenses from more sizable promotion campaigns.

Administrative Expenses

During the Current Period, administrative expenses amounted to HK$22.6 million, representing an increase of HK$7.2 million or 46.5% from HK$15.4 million in the Last Period, which was primarily due to (i) the increased auditor's remuneration and other charges of professional parties amounted to HK$2.3 million after listing, (ii) the increased bank charges of HK$0.7 million for higher level of utilization in trade finance facilities, and (iii) the increased staff costs of HK$2.0 million and depreciation expenses of HK$0.6 million attributable to production facilities acquired in late of the last financial year.

Finance Costs

Our finance costs increased from approximately HK$4.5 million for the Last Period to approximately HK$7.2 million for the Current Period, representing an increase of approximately HK$2.7 million or 60.3%. Such increase was primarily due to the increase in interest expenses on bank and other borrowings and overdrafts and finance costs recognized resulting from new adoption of HKFRS 16.

Income Tax Expenses

Our income tax expenses decreased by HK$2.3 million or 47.3% from approximately HK$4.8 million for the Last Period to approximately HK$2.5 million for the Current Period primarily due to the decline in profit before tax. The effective tax rate for the Current Period was 14.8%, as compared to 22.6% for the Last Period.

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

For the Current Period, profit for the year attributable to owners of the Company amounted to HK$14.7 million, representing a decrease of HK$1.8 million or 11.1% as compared to HK$16.5 million in the Last Period. The decrease was primarily due to the decrease in profit resulting from decline in gross profit and the increased administrative expenses.

Liquidity and Source of Funding

As of 30 June 2019, the current assets of the Group amounted to HK$355.7 million, which mainly comprised cash and bank balances (including restricted bank deposits), inventories and trade and other receivables, in the amount of HK$188.4 million, HK$56.4 million and HK$110.9 million, respectively. Current liabilities of the Group amounted to HK$314.6 million, of which HK$208.7 million was bank loans, HK$10.9 million was lease liabilities, HK$74.7 million was trade and other payables and HK$19.3 million was tax payable. As of 30 June 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 1.1, representing an decrease of 8.3% as compared with 1.2 times as of 31 December 2018. The change in the current ratio was primarily due to higher payable resulting from adoption of HKFRS 16 for new lease liabilities of the existing rental leases.

The Group does not have other debt financing obligations as of 30 June 2019 or the date of this interim results announcement and does not have any breaches of financial covenants.

Capital Expenditure

For the Current Period, the capital expenditure of the Group amounted to approximately HK$44.3 million, representing an increase of HK$18.9 million compared with HK$25.4 million in the Last Period. The capital expenditure was primarily due to the acquisition of new moulds and plant and machineries for the production line established in the PRC.

Net Gearing Ratio

Our gearing ratio increased to approximately 1.7 times as at 30 June 2019 from approximately 1.5 times as at 31 December 2018, mainly due to final dividend declared and paid in the interim period partially offset by the decrease in bank and other borrowings.

Capital Structure

As at 30 June 2019, the Company had a total of 540,000,000 issued shares (the "**Shares**", each, a "**Share**") at HK$0.01 each (31 December 2018: 540,000,000 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 Current Period, the Group spent approximately HK$44.3 million in the acquisition of plant and equipment. (the Last Period: HK$25.4 million)

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

Contingent Liabilities

As at 30 June 2019 and 31 December 2018, the Group issued financial guarantees to banks in respect of banking facilities granted to related parties of an aggregate amount of HK$4.0 million (31 December 2018: HK$34.0 million). 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$2.8 million (31 December 2018: HK$33.5 million) has been utilised by the related parties respectively. Financial guarantees are initially recognized at fair value. As at 30 June 2019 and 31 December 2018, amounts of HK$0.07 million and HK$0.54 million, respectively have been recognised as financial guarantee obligations in the condensed consolidated statement of financial position.

Capital commitment

As at 30 June 2019 and 31 December 2018, the Group had a total of capital commitments in respect of the acquisition of property, plant and equipment amounted to HK$8.3 million and HK$15.4 million respectively.

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 30 June 2019, the Group had not entered any financial instrument for the hedging of foreign currency.

Employment and Remuneration Policy

At 30 June 2019, the Group had 472 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.

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, 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.

As of 30 June 2019, the Company had settled and used HK$45.8 million, of which approximately HK$8.9 million was used for purchasing or development of moulds and related parts of moulds, approximately HK$7.2 million for acquisition and replacement of production machineries and equipment, approximately HK$14.5 million for repayment of interest-bearing bank loan, approximately HK$0.4 million for enhancement and upgrade of our ERP system, approximately HK$2.6 million for product design and development, approximately HK$2.9 million for advertising and promotion campaign, and approximately HK$9.3 million for replenishment of our working capital. The remaining proceeds of HK$51.9 million will continue to be used for the purposes set out in the section "Future Plans and Use of Proceeds" in the Prospectus.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules at any time during the Current Period.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. The Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code during the Current Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the Current Period.

EVENTS AFTER THE REPORTING PERIOD

On 28 June 2019, the Company received a petition from United Crown Future (China) Co., Ltd. ("**United Crown**") (a wholly-owned subsidiary of United Crown Future Company Limited, of which China Innovation Investment Limited, a company listed on the Stock Exchange (stock code: 1217) has invested in) issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), which was filed against the Company for failure to settle the total amount of RMB1,200,982.42 (the "**Outstanding Amount for United Crown**") payable by the Company to United Crown under the guarantee. The Company then settled the Outstanding Amount for United Crown in full on 2 July 2019.

On 19 July 2019, the Company received a petition from Topsun Creation (China) Co., Ltd ("**Topsun**") (the "**Petitioner**") (a wholly-owned subsidiary of Topsun Creation Limited, of which China Innovation Investment Limited, a company listed on the Stock Exchange (stock code: 1217) has invested in） issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), which was filed against the Company for failure to settle the total amount of RMB2,827,224.00 (the "**Outstanding Amount for Topsun**") payable by the Company to the Petitioner under the guarantee. The Company had sent a cheque (the "**Cheque**") issued by Chase On Development limited ("**Chase On**") in the sum equal to the Outstanding Amount for Topsun for full settlement of the Outstanding Amount on 19 July 2019. As the Cheque issued by Chase On was not accepted by the Petitioner, Shenzhen Xincang Plastic Article Co., Ltd. has settled the Outstanding Amount for Topsun on 23 July 2019.

Upon the joint application of the Company (as the respondent) and Topsun (as the applicant) and United Crown (as the petitioner), the High Court of the Hong Kong Special Administrative Region ordered on 30 July 2019, inter alia, that the summons and the winding up petition filed by Topsun and United Crown against the Company be all withdrawn. The Company has fully settled the costs and disbursements in relation to the aforesaid legal proceedings within 5 days from the date of the aforesaid court order.

Please refer to the announcements of the Company published on 2 July 2019, 3 July 2019, 22 July 2019, 23 July 2019 and 14 August 2019 for details.

INTERIM DIVIDEND

During the current interim period, a final dividend and a special dividend of HK4.0 cents and HK3.5 cents per share respectively, in respect of the year ended 31 December 2018 (2018: HK$3,000 per share in respect of the year ended 31 December 2017) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK$40,500,000 (2018: HK$30,000,000).

Subsequent to the end of the current interim period, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2019.

AUDIT COMMITTEE

We established the Audit Committee on 16 August 2018 with written terms of reference (revised on 28 December 2018) 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 Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2019. The Audit Committee was satisfied that the unaudited condensed consolidated interim financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

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

Hong Kong, 28 August 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.