Sample Company Limited

Directors' report and financial statements
For the year ended 31 December 2018

LAM Chi Yuen Nelson • MOK Yu Kwan Stephanie
林智遠 • 莫如君

[1] This set of Sample Financial Statements is designed for a fictitious company, Sample Company Limited, with the assumption that it is incorporated in Hong Kong and has no subsidiary. All the entities, persons and figures in the statements are fictitious and are used only as a basis for discussion. It is not intended to cover all accounting practices generally accepted in Hong Kong nor designed for a particular entity or industry. Endeavour has been made to provide accurate information but no guarantee can be made to ensure that the information is accurate and complete all the times. Users of this set of statements should have their own research and analysis and exercise their own judgements. Appropriate professional advice on their situation would be required before using or acting on the information.

Sample Company Limited
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For the year ended 31 December 2018

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[2] Additional notes and/or notes with more details may be required depending on specific circumstances, say contingent assets, events after the reporting period and etc.

Sample Company Limited
Directors' report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2018.

Principal activities

CO 390(1)(b)
HKAS 1.136b

The company's principal activities are the manufacturing and sale of garment products and rental business on its property investment.

Share capital

Cap. 622D S.5

Details of share capital of the company are set out in note 27 to the financial statements.

Result and dividend

The profit of the company for the year ended 31 December 2018 and the state of the company's affairs as at that date are set out in the financial statements on pages 6 to 45.

Cap. 622D S. 7

An interim dividend of HK$[ ] (2017: HK$[ ]) per share was paid on [ ]. The directors recommend the payment of a final dividend of HK$[ ] (2017: HK$[ ]) per share for 2018.

Charitable donations

Cap. 622D S.4

Charitable donations of HK$[ ] (2017: HK$[ ]) were made by the company during the year.

Property, plant and equipment

Movements in property, plant and equipment are set out in note 13 to the financial statements.

Directors

CO 390(1)

The directors during the financial year and up to the date of this report were:
Miss Bonnie Hung
Miss Melody Lam (appointed on 4 June 2018)
Mr. Tony Ton (resigned on 1 April 2018)

There is no provision in the company's articles of association for the retirement and rotation of directors. All the existing directors continue in office.

Directors' interests in transactions, arrangements or contracts

Except for those disclosed in the financial statements, no other transactions, arrangements or contracts of significance in relation to the company's business to which the company, and any of its fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

Arrangements to acquire shares or debentures

At no time during the year was the company, any of its holding companies or fellow subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Business review

CO 388(1)(b)

The company prepared a special resolution which is passed by the members to the effect that the company is exempted from preparing the business review.

Auditors

Nelson CPA retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Nelson CPA as the company's auditors is to be proposed at the forthcoming annual general meeting.

By order of the board

CO 391

Mei Mei King
Secretary
Hong Kong, [Date]

Independent auditor's report

HKSA 700.21-22

To the Members of Sample Company Limited

(Incorporated in Hong Kong with limited liability)

HKSA 700.23-24
CO 406

Opinion

We have audited the financial statements of Sample Company Limited ("the company") set out on pages 6 to 46, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance (Cap. 622).

HKSA 700.28

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

HKSA 700.32
HKSA 720.21-22

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all information included in the directors' report and financial statements, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

HKSA 700.33-36

Responsibilities of directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

HKSA 700.37-40 **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. *[This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report].*[3]

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

HKSA 700.47 Nelson CPA
Certified Public Accountants
HKSA 700.48-49 [Address], [Date]

[3] The revised paragraph is based on the recommendation found in the Professional Risk Management Bulletin, *Auditors' Duty of Care to Third Parties and the Audit Report*, issued by the HKICPA in May 2003 (http://www.hkicpa.org.hk/professionaltechnical/riskmanagement/duty_of_care.pdf).

HKAS 1.10b & 1.51

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018[4]

(In Hong Kong dollars)

		Note	2018 HK$	2017 HK$
HKAS 1.113 HKAS 1.51e				
HKAS 1.82a	**Revenue**	6		
HKAS 1.99	Cost of sales			
HKAS 1.99	Gross profit			
HKAS1.82(a)	Other income	7		
HKAS 1.99	Administrative expenses			
HKAS 1.99	Distribution costs			
HKAS 1.99	Other expenses			
	Operating profit			
HKAS 1.82b	Finance costs	8		
HKAS 1.82c	Share of profits less losses of associates	16		
HKAS 1.82c	Share of profits less losses of joint ventures	17		
	Profit before tax	9		
HKAS 1.82d HKAS 12.77	Income tax expense	10		
HKAS 1.81A(a)	**Profit for the year**			
HKAS 1.81A(b)	**Other comprehensive income:**			
HKAS 1.82A(a)	Items that will not be reclassified subsequently to profit or loss:			
	Equity investments at fair value through other comprehensive income – fair value changes during the year	18		-
HKAS 1.82A	Items that may be reclassified subsequently to profit or loss:			
	Available-for-sale financial assets	18		
HKAS 32.94h(ii)	- Fair value changes during the year		-	
HKAS 1.92	- Reclassification adjustments for gain included in profit or loss		-	
HKAS 1.90	- Income tax		-	
	Other comprehensive income for the year			
HKAS 1.82A(c)	**Total comprehensive income for the year**			

The notes on pages 10 to 46 are part of these financial statements. Details of dividend payable to the equity shareholders of the company attributable to the profit for the year are set out in note 12.

[4] Per HKAS 1.81, An entity shall present all items of income and expense recognised in a period: (a) in a single statement of profit or loss and other comprehensive income, or (b) in two statements: a statement displaying components of profit or loss (separate statement of profit or loss) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of profit or loss and other comprehensive income). The presentation in this statement is a single statement of profit or loss and other comprehensive income. Per HKAS 1.99, the analysis of expenses can be based on either their nature or their function within the entity. The analysis in this statement is based on the function of expenses.

Statement of financial position as at 31 December 2018

HKAS 1.10a, & 1.51 (In Hong Kong dollars)

		Note	2018 HK$	2017 HK$
HKAS 1.113				
HKAS 1.51e				
HKAS 1.60	**Non-current assets**			
HKAS 1.54a	Property, plant and equipment	13		
HKAS 1.54b	Investment property	14		
HKAS 1.55	Lease premium for land	15		
HKAS 1.54e & 28.38e	Interests in associates	16		
HKAS 1.54e	Interests in joint ventures	17		
HKAS 1.54d	Non-current financial assets	18		
HKAS 1.60	**Current assets**			
HKAS 1.60	Trading securities	19		
HKAS 1.54g	Inventories	20		
	Contract assets	21		
HKAS 1.54h	Trade and other receivables	21		
HKAS 1.54i	Cash and cash equivalents	22		
HKAS 1.69	**Current liabilities**			
HKAS 1.54k	Trade and other payables	23		
	Contract liabilities	21		
HKAS 1.54m	Bank loans and overdrafts	24		
HKAS 1.54m	Obligations under finance leases	25		
HKAS 1.54n	Current tax payable	26		
	Net current assets			
	Total assets less current liabilities			
HKAS 1.69	**Non-current liabilities**			
HKAS 1.54m	Bank loans	24		
HKAS 1.54m	Obligations under finance leases	25		
HKAS 1.54o	Deferred tax liabilities	26		
	NET ASSETS			
	EQUITY			
HKAS 1.54r	Share capital	27		
HKAS 1.54r	Reserves			
HKAS 1.54r	**TOTAL EQUITY**			
CO 387				

The financial statements were approved and authorised for issue by the board of directors on [Date].

Bonnie Hung, Director

Melody Lam, Director

The notes on pages 10 to 46 are part of these financial statements.

HKAS 1.10c & 1.51

Statement of changes in equity
for the year ended 31 December 2018
(In Hong Kong dollars)

		Note	Share capital HK$	Fair value reserves HK$	Retained earnings HK$	Total equity HK$
HKAS 1.106d						
HKAS 1.51e						
HKAS 1.106d & 8.28f(i)	**Balance at 1 January 2017** as previously reported					
HKAS 1.106b	Changes in accounting policies[5]	4				
	Balance at 1 January 2017 as restated					
HKAS 1.106d	**Changes in equity for 2017**					
	Profit for the year					
	Other comprehensive income					
HKAS 1.106a	Total comprehensive income for the year					
HKAS 1.106c & 107	Dividends	12				
HKAS 1.106d	**Balance at 31 December 2017**					
HKAS 1.106d & 8.28f(i)	**Balance at 1 January 2018** as previously reported					
HKAS 1.106b	Changes in accounting policies:	4				
	Balance at 1 January 2018 as restated					
HKAS 1.106d	**Changes in equity for 2018**					
	Profit for the year					
	Other comprehensive income					
HKAS 1.106a	Total comprehensive income for the year					
HKAS 1.106d(iii) & 107	Dividends	12				
HKAS 1.106d	**Balance at 31 December 2018**					

The notes on pages 10 to 46 are part of these financial statements.

[5] HKAS 1.10(f) requires that a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively (i.e. a change in accounting policy) or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. This set of statements has not presented a statement of financial position as at beginning of the earliest comparative period because it assumes the change in accounting policy having no effect on the statement of financial position.

HKAS 1.10d and 1.51

Statement of cash flows
for the year ended 31 December 2018
(In Hong Kong dollars)

		Note	2018 HK$	2017 HK$
HKAS 1.106d HKAS 1.51e				
HKAS 7.18b	**Cash flows from operating activities**			
	Profit before tax			
	Adjustments for:			
	- Depreciation			
	- Finance costs			
	- Foreign exchange loss/(gain)			
	- Investment income			
	- Loss/(gain) on sale of property, plant and equipment			
	- Net gain on sale of available-for-sale financial assets (transferred from equity)			
	Operating profit before working capital changes			
	(Increase)/decrease in inventories			
	Increase in trade and other receivables			
	Decrease in trade and other payables			
	Cash generated from operations			
	Interest paid			
HKAS 7.35	Hong Kong income taxes paid			
HKAS 7.10	*Net cash from/(used in) operating activities*			
HKAS 7.21	**Cash flows from investing activities**			
HKAS 7.31	Dividends received			
HKAS 7.31	Interest received			
	Proceeds from sale of equipment			
	Purchase of equity securities			-
	Purchase of available-for-sale financial assets		-	
HKAS 7.31	Purchase of property, plant and equipment			
HKAS 7.31	Purchase of trading securities			
HKAS 7.10	*Net cash used in investing activities*			
HKAS 7.21	**Cash flows from financing activities**			
HKAS 7.31	Dividends paid			
	Payment of finance lease liabilities	22a		
HKAS 7.31	Proceeds from interest-bearing borrowings	22a		
HKAS 7.10	*Net cash from financing activities*			
HKAS 7(App)	**Net increase in cash and cash equivalents**			
	Cash and cash equivalents at beginning of the year	22b		
	Cash and cash equivalents at end of the year	22b		

The notes on pages 10 to 46 are part of these financial statements.

HKAS 1.10e

Notes to financial statements
for the year ended 31 December 2018
(In Hong Kong dollars)

1. General information

HKAS 1.138

Sample Company Limited ("the company") is a limited liability company domiciled and incorporated in Hong Kong. The address of its registered office and principal place of business are [*Room 1801-02, 18th Floor, Tung Wah Mansion, 199 – 203 Hennessy Road, Wan Chai, Hong Kong*].[6] Its principal activities are the manufacturing and sale of garment products and rental business on its property investment.

2. Statement of compliance with Hong Kong Financial Reporting Standards

CO Sch. 4 &
HKAS 1.16

The company's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies adopted by the company is set out in note 3.

In 2018, the company has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective [or available for early adoption] for accounting periods beginning on or after 1 January 2018. A summary of the changes in accounting policies resulting from the company's application of these HKFRSs is set out in note 4.

HKAS 1.117

3. Summary of significant accounting policies

a. Basis of preparation of the financial statements

HKAS 1.117a

The measurement basis used in preparing the financial statements is historical cost, except for financial assets, which are stated at fair value (see note 3f), and non-current assets and disposal groups held for sale, which are stated at the lower of carrying amount and fair value less costs to sell (see note 3p).

[6] HKAS 1.138 requires that "an entity shall disclose …… if not disclosed elsewhere in information published *with* the financial statements ……". It is an understanding that it is not a mandatory requirement to disclose the domicile, the address of registered office, the principal place of business and etc. in the financial statements. Since they can be instead disclosed in elsewhere published together with the financial statements, say the directors' report, chairman's statement, if any, and etc.

HKAS 1.117

3. Summary of significant accounting policies (continued)

b. Property, plant and equipment

HKAS 16.73a

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

HKAS 16.73b& 16.73c

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

- Buildings: 50 years or the unexpired term of lease, if any and shorter
- Plant and machinery: 5 - 8 years
- Furniture and equipment: 3 - 5 years

The residual value and the useful life of an asset are reviewed at least at each financial year-end.

The company assesses at the end of each reporting period whether there is any indication that any items of property, plant and equipment may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the company estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, or a reversal of impairment loss is recognised immediately in profit or loss.[7]

Gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

c. Investment property

HKAS 40.75a

Investment properties, being properties owned or held under finance leases to earn rentals,[8] are stated at cost less accumulated depreciation and impairment losses, if any.[9]

Depreciation and impairment loss are calculated and recognised in the same manner as the depreciation and impairment loss on property, plant and equipment as set out in note 3b.

HKAS 40.75a

Gain or loss arising from the retirement or disposal of an investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

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[7] The current set of statements has combined the accounting policy on individual asset with the corresponding impairment requirements. If a separate accounting policy on impairment of assets is set out, it will be better to delete the corresponding impairment policy embedded in those accounting policies in order to avoid overlapping.

[8] The definition of investment property in HKAS 40 has a wider scope and includes “for capital appreciation or both”. In case the small and medium sized companies may not have such property, it is better to restrict it to rental purpose only. If there are such other kinds of investment property, the accounting policy should be modified accordingly to include such property.

[9] Under HKAS 40, the fair value model can also be chosen with specified restriction but the cost model (instead of fair value model) is also adopted in the statements.

HKAS 1.117 **3. Summary of significant accounting policies** (continued)

d. Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the company. All other leases are classified as operating leases.

i) Finance leases

Assets held under finance leases are recognised at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as property, plant and equipment, except for those properties held to earn rental income which are classified as investment property.

Depreciation and impairment loss[10] are calculated and recognised in the same manner as the depreciation and impairment loss on property, plant and equipment as set out in note 3b, except for the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

ii) Leases of land and building

When a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately in the same way as leases of other assets.

Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease.

If the lease payments on a lease of land and building cannot be allocated reliably between the land and building elements at the inception of the lease, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

iii) Operating leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

[10] HKAS 17.30 requires the assessment of impairment on leased assets in accordance with HKAS 36.

HKAS 1.117

3. Summary of significant accounting policies (continued)

e. Associates and joint ventures

HKAS 28.2

An associate is an entity in which the company has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

HKFRS 11.16

A joint venture is an arrangement whereby the company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture[11] is accounted for using the equity method and is initially recognised at cost and adjusted thereafter for the post-acquisition change in the company's share of net assets of the associate or joint venture, unless it is classified as held for sale or included in a disposal group held for sale (see note 3p). The profit or loss of the company includes its share of the profit or loss of the associate or joint venture.

If the company's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or the joint venture, the company discontinues recognising its share of further losses. The interest in an associate or a joint venture is the carrying amount of the investment in the associate or the joint venture under the equity method together with any long-term interests that, in substance, form part of the company's net investment in the associate or the joint venture. After the company's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the company has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.[12]

Profits and losses resulting from the company's transactions with the associate or the joint venture are eliminated to the extent of the company's relevant interests in the associate or the joint venture, except where the losses provide evidence of an impairment of the asset transferred in which case losses are recognised immediately for the impairment.

HKFRS 7.21

f. Investments

HKFRS 7.21

Investments are recognised and derecognised on the trade date when the company becomes party to the contractual provisions of the investments and are initially measured at fair value plus, in the case of investments other than trading securities, transaction costs. Investments are further categorised into the following classifications for the measurement after initial recognition.

[11] Equity method is not required when the associate or joint venture is classified as held for sale or is included in a disposal group in accordance with HKFRS 5 *Non-current assets held for sale and discontinued operations*.

[12] Goodwill may arise from the acquisition of associates or joint ventures but the current statements have made the assumption that there is no goodwill relating to the associates and joint ventures.

HKAS 1.117

3. Summary of significant accounting policies (continued)

HKFRS 9 para. 4.1.4 and B5.7.1

i) Investments in equity instruments – after the adoption of HKFRS 9

An investment in equity instruments is classified as fair value through profit or loss, except for those investments in equity instrument not held for trading and are designated as financial assets at fair value through other comprehensive income. The company makes an irrevocable election at initial recognition for the investment in equity instruments to present subsequent changes in fair value in other comprehensive income. This election is made on an instrument-by-instrument (i.e. share-by-share) basis. Amounts presented in other comprehensive income for such investment are not be subsequently transferred to profit or loss until the investment is disposed of. At the time of disposal of an investment in equity instruments, the cumulative gain or loss of the investment is transferred from fair value reserves to retained earnings.

HKFRS 9 para. 4.1.4 and B5.7.1

ii) Investments in non-equity instruments – after the adoption of HKFRS 9

An investment in non-equity instruments is classified as at:

a) *Amortised cost* – if the investment is held within a business model whose objective is to hold the investment in order to collect contractual cash flows, and the contractual terms of the investment give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) *Fair value through other comprehensive income* – if the investment is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on an investment in non-equity instruments measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the investment is derecognised. When such investment is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from fair value reserves equity to profit or loss as a reclassification adjustment.

c) *Fair value through profit or loss* – if the investments are not classified as at amortised cost and at fair value through other comprehensive income.

iii) Trading securities – before the adoption of HKFRS 9

Investments in securities held for trading are classified as trading securities included in current assets and are stated at fair value. Any attributable transaction costs and gain or loss on the fair value changes of trading securities are recognised in profit or loss.

iv) Available-for-sale financial assets – before the adoption of HKFRS 9

Investments other than those held for trading are classified as available-for-sale financial assets and are stated at fair value. Gain or loss on the fair value changes of available-for-sale financial assets is recognised directly in equity in the fair value reserves, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in profit or loss. At the end of each reporting period, the company assesses whether there is any objective evidence that an investment or group of investments is impaired.

When the available-for-sale financial assets are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where the available-for-sale financial assets are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

HKAS 1.117

3. Summary of significant accounting policies (continued)

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

v) Fair value

HKFRS 13.9

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.

Fair value of an investment on initial recognition is normally the transaction price, unless it is estimated by using a valuation technique when part of the consideration given or received is for something other than the investments.

After initial recognition, the fair value of an investment quoted in an active market is based on the unadjusted quoted price and, for investments not quoted in an active market, the company establishes the fair value of such investment by using a valuation technique.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

vi) Impairment of investments and other financial assets– after the adoption of HKFRS 9

The company recognises loss allowances for expected credit loss on the financial instruments that are not measured at fair value through profit or loss. The company considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The company considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognised in profit or loss. The receivable is written off against the receivable impairment charges account when the company has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognised in profit or loss.

HKAS 1.117

3. Summary of significant accounting policies (continued)

HKFRS 7.21 & 7.B5e

g. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and the fair value is re-measured at the end of each reporting period. Gain or loss on the fair value changes are recognised in profit or loss.[13]

& HKAS 2.36a

h. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition and is assigned by using the weighted average cost formula.[14] Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

i. Trade and other receivables, contract assets and contract liabilities

HKFRS 7.21

A receivable is recognised when the company's right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the company has an unconditional right to consideration, the amount is presented as a contract asset. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(f)(vi)).

A contract asset is recognised when the company recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy set out in note 2(f)(vi) and are reclassified to receivables when the right to the consideration has become unconditional. A contract liability is recognised when the customer pays consideration, or has an unconditional right to consideration (in such case, a corresponding receivable is recognised), before the company recognises the related revenue.

Before 2018, ~~A~~at the end of each reporting period, the company assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on trade and other receivables are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

[13] If hedge accounting is adopted, the accounting policy on derivative financial instruments will be revised.
[14] Alternatively, first-in, first-out (FIFO) cost formula can be used in accordance with HKAS 2 *Inventories*.

HKAS 1.117

3. Summary of significant accounting policies (continued)

j. Cash and cash equivalents

HKAS 7.46

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, bank overdrafts which are repayable on demand form an integral part of the company's cash management are included as a component of cash and cash equivalents.

HKFRS 7.21

k. Trade and other payables

HKFRS 7.21

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

HKFRS 7.21

l. Interest-bearing borrowings

Interest-bearing borrowings, mainly bank loans and overdrafts, are measured initially at fair value less transaction costs and, after initial recognition, at amortised cost, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

m. Income tax

Income tax for the year includes current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent that the tax arises from a transaction or event which is recognised directly in equity. In the case if the tax relates to items that are recognised directly to equity, current tax and deferred tax are also recognised directly to equity.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for a period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

HKAS 1.117

3. Summary of significant accounting policies (continued)

At the end of each reporting period, the company reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted.

HKFRS 15.119, 125 & 126

n. Revenue and other income recognition

After the adoption of HKFRS 15, the company recognises revenue from contracts with customers when (or as) the company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the company recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation. Further details of the company's revenue and other income recognition policies are as follows:

i) Sales of goods
Revenue from the sales of good is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

ii) Rental income from investment properties
Rental income from operating leases is recognised as other income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

iii) Dividends
Dividend income is recognised as other income when the shareholder's right to receive payment is established.

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

HKAS 18.35a

Before the adoption of HKFRS 15, revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the company. Provided that it is probable that the economic benefits associated with the revenue transaction will flow to the company and the revenue and the costs, if any, in respect of the transaction can be measured reliably, revenue is recognised as follows:

i) Sales of goods
Revenue from the sales of good is recognised when the company has delivered the goods to the customers and the customer has accepted the goods together with the risks and rewards of ownership of the goods.

HKAS 1.117

3. Summary of significant accounting policies (continued)

ii) Rental income from investment properties
Rental income from operating leases is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

iii) Dividends
Dividend income is recognised when the shareholder's right to receive payment is established.

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

o. Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. At the end of each reporting period, monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair value was determined. Exchange gains and losses are recognised in profit or loss.[15]

p. Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

HKFRS 7.21

q. Financial guarantee contracts[16]

A financial guarantee contract is a contract that requires the company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The company has asserted, through its communications with customers, contracts, business documentation or financial statements, that it regards the financial guarantee contracts as insurance contracts and used accounting applicable to insurance contracts. The company elects to apply HKFRS 4 to such contracts. The election applies to all existing contracts and new contracts on a contract-by-contract basis, but is irrevocable for each contact elected.

The company discloses the financial guarantee contracts as a contingent liability. Provisions are recognised when it is probable that the company has obligations under such contracts and an outflow of resources embodying economic benefits will be required to settle the obligations.

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[15] HKAS 21.53 requires that "when the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of the functional currency and the reason for using a different presentation currency". As no difference is assumed, no such separate disclosure is set out in this set of statements.

[16] Different case should have different particular circumstances and different disclosure should be required. Note 3q should also be considered and amended with note 34 together.

HKAS 1.117 **3. Summary of significant accounting policies** (continued)

r. Related parties

(a) A person or a close member of that person's family is related to the company if that person:
  (i) has control or joint control of the company;
  (ii) has significant influence over the company; or
  (iii) is a member of the key management personnel of the company or of a parent of the company.

(b) An entity is related the company if any of the following conditions applies:
  (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  (iii) Both entities are joint ventures of the same third party.
  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  (v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
  (vi) The entity is controlled or jointly controlled by a person identified in (a).
  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

HKAS 8.28

4. Changes in accounting policies[17]

In 2018, the company has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2018 and are relevant to the company's financial statements, including:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The effects of the application of these HKFRSs are summarised below.

HKAS 8.28a

a. HKFRS 9, Financial instruments

HKAS 8.28c

Before 2018, the company applied HKAS 39, *Financial instruments: recognition and measurement* and its investments were classified as trading securities and available-for-sale financial assets, and impairment losses on financial assets, except for trading securities, were recognised in profit or loss when there was objective evidence that an impairment loss had been incurred at the end of each reporting period. Fair value changes on available-for-sale financial assets was recognised directly in equity.

HKAS 8.28c & f

From 2018, after the adoption of HKFRS 9, which replaces HKAS 39, the company's available-for-sale financial assets of HK$[ ] have been reclassified to financial asset at fair value through other comprehensive income. The accounting for financial asset at fair value through other comprehensive income remains largely the same, except that gains or losses realised upon the disposal of financial asset at fair value through other comprehensive income will no longer be transferred to profit or loss upon disposal, but instead reclassified from fair value reserves to retained earnings.

HKAS 8.28c

For impairment losses on [trade and other receivables, contract assets and financial guarantee contracts], HKFRS 9 introduces a new "expected credit loss" model that replaces the "incurred loss" impairment model in HKAS 39, with the result that a loss event will no longer need to occur before an impairment allowance is recognised. Under the new "expected credit loss" model, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, the company always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

HKAS 8.28b, d & f

The adoption of HKFRS 9 has resulted in changes in accounting policies. The company has applied HKFRS 9 retrospectively and taken the transitional provisions in HKFRS 9 not to restate comparative information with respect to classification and measurement (including impairment) requirements. The adoption of HKFRS 9 [does not have any material effects on the company's financial performance and positions].

HKAS 8.28a

b. HKFRS 15, Revenue from contracts with customers

HKAS 8.28c

Before 2018, the company applied HKAS 18, *Revenue* and its revenue was measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the company and, provided that it was probable that the economic benefits associated with the revenue transaction would flow to the company and the revenue and the costs, if any, in respect of the transaction could be measured reliably, revenue was recognised when the company had delivered the goods to the customers and the customer had accepted the goods together with the risks and rewards of ownership of the goods.

[17] The current statements set out some relevant changes for the year. An entity may have more or less disclosure requirements in view of its particular circumstances and situation. In addition, an entity may have more changes in accounting policies and this note and note 35 (comparative figures) should be considered and amended together.

HKAS 8.28

4. Changes in accounting policies (continued)

HKAS 8.28c

From 2018, after the adoption of HKFRS 15, which replaces HKAS 18, the company recognises revenue from contracts with customers when (or as) the company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the company recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation.

HKAS 8.28b, d & f

The adoption of HKFRS 15 has resulted in changes in accounting policies. The company has applied HKFRS 15 retrospectively with the cumulative effect of initially applying HKFRS 15 recognised at the date of initial application and taken the transitional provisions in HKFRS 15 not to restate comparative information. The adoption of HKFRS 15 [does not have any material effects on the company's financial performance and positions].

HKAS 8.28a

c. HK(IFRIC) 22, Foreign currency transactions and advance consideration

HKAS 8.28c, d & f

HK(IFRIC) 22 addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. HK(IFRIC) 22 concludes that the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the company should determine a date of the transaction for each payment or receipt of advance consideration. The adoption of HK(IFRIC) 22 [does not have any material effects on the company's financial performance and positions].

HKAS 1.122 & 125

5. Critical accounting estimates and judgement

The company's management makes assumptions, estimates and judgements in the process of applying the company's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

HKAS 1.125

a. Key assumption and other key sources of estimation uncertainty

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 31. Other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out as follows:

i) Impairment on joint ventures[18]

As set out in note 17, impairment losses have been recognised on the interests in joint ventures and it is mainly related to a full impairment provision on the interest in a joint venture, Nelson JV Limited. The impairment was determined by using value-in-use calculations, which requires the use of estimates, including mainly the continuous loss making in the joint venture.

If the actual trading results of that joint venture were improved continuously in the future, the company would be able to reverse full or partial impairment provision then.

[18] Examples include: in the absence of recently observed market prices used to measure the following assets and liabilities, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. (HKAS 1.117)

HKAS 1.122 & 125

5. Critical accounting estimates and judgement (continued)

HKAS 1.122

b. Critical judgements in applying the company's accounting policies[19]

Certain critical judgements in applying the company's accounting policies are set out as follows:

HKAS 1.122

i) Significant increase in credit risk

HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the company takes into account qualitative and quantitative reasonable and supportable forward looking information.

6. Revenue

		2018 HK$	2017 HK$
	Revenue from contracts with customers: [20]		
HKFRS 15.113a	Sales of garments		
	Revenue from other sources:		
HKAS 40.75f(i)	Rental income from investment property		

7. Other income

		2018 HK$	2017 HK$
HKFRS 7.20b	Total interest ~~income~~revenue on financial assets ~~not at fair value through profit or loss~~measured at amortised cost		
	Dividend income from securities		
	Net gain on sale of property, plant and equipment		
HKFRS 7.20a	Net gain on financial assets at fair value through profit or loss - financial assets held for trading		
HKFRS 7.20a	Net gain on financial assets measured at amortised cost		-
HKFRS 7.20a	Net gain on sale of available-for-sale financial assets transferred from equity	-	
HKFRS 7.20a	Net gain on loans and receivables	-	
HKFRS 7.20a	Net gain on financial liabilities measured at amortised cost		
HKFRS 7.20c	Fee income arising from trust and other fiduciary activities		

8. Finance costs

		2018 HK$	2017 HK$
	Interest on bank loans and other borrowings		
	Finance charges on obligations under finance leases		
	Other interest expenses		
HKFRS 7.20b	Total interest expenses on financial liabilities not at fair value through profit or loss		

[19] Examples include: (a) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities; (b) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and (c) whether the substance of the relationship between the entity and a special purpose entity indicates that the special purpose entity is controlled by the entity. (HKAS 1.114)

[20] In accordance with HKFRS 15, including HKFRS 15.113(a), 114, 115, and B87 to B89, additional disclosure of disaggregated revenue may be required when, for example, nature (say, major products), amount, timing (say, recognised at a point in time or over time), and uncertainty of revenue and cash flows affected by economic factors.

9. Profit before tax

Profit before tax is arrived at after charging/(crediting):

		2018 HK$	2017 HK$
HKAS 1.104	*Staff costs*		
HKAS 19.53	- Contributions to defined contribution plan		
	- Salaries, wages and other benefits		
CO Sch. 4	Auditors' remuneration		
	- audit services		
	- other services		
	Amortisation of lease premium for land		
HKAS 2.36d	Cost of inventories		
HKAS 1.104	Depreciation		
	- assets held for use under operating leases		
	- other assets		
	Impairment losses		
HKAS 36.126a	- property, plant and equipment		
HKAS 36.126a	- investment properties		
	- trade and other receivables		
HKAS 21.52a	Net foreign exchange loss/(gain)		
HKAS 17.35c	Operating lease charges		
	- hire of plant and machinery		
	- hire of other assets (including property rentals)		
HKAS 36.126b	Reversal of impairment losses		

10. Income tax in the statement of profit or loss and other comprehensive income

		2018 HK$	2017 HK$
HKAS 12.79	*a. Taxation in the statement of profit or loss and other comprehensive income represents:*		
	Current tax – Hong Kong profits tax		
HKAS 12.80	Provision for the year is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year		
HKAS 12.80b	Under/(over) provision in respect of previous years		
	Deferred tax		
HKAS 12.80c	Origination and reversal of temporary differences		

HKAS 12.81c *b. Reconciliation between tax expense and accounting profit at applicable tax rates:*

	2018 HK$	2017 HK$
Profit before tax		
Tax at the applicable tax rate of 16.5% (2017: 16.5%)		
Tax effect of non-deductible expenses		
Tax effect of non-taxable revenue		
Tax effect of unused tax losses not recognised		
Under/(over) provision in previous years		
Others		
Income tax expense		

11. Emoluments and other matters relating to directors

CO 383(1) & HKAS 24.17

a. Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2018 HK$	2017 HK$
Directors' fees		
Salaries, allowances and benefits other than in cash		
Discretionary bonuses		
Contributions to defined contribution plan		

There were no payments made or benefit provided in respect of the termination of the service of directors, whether in the capacity of directors or in any other capacity while directors.

b. Loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and other connected entities
Loans to directors and bodies corporates controlled by them were set out in note 29.

c. Directors' material interests in transactions, arrangements or contracts
The directors were of the opinion that no transactions, arrangements and contracts of significance in relation to the company's business to which the company was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year and the previous year.

d. Guarantees to banks for loans granted to directors of the company
The company had not paid or incurred any liability for the purpose of fulfilling the guarantee or discharging the security given to banks for loans granted to the directors during the year and the previous year.

e. There were no consideration provided to or receivable by third parties for making available the services of a person as director or in any other capacity while director.

12. Dividends

HKAS 1.107

a. Dividends payable attributable to the current year

	2018 HK$	2017 HK$
Interim dividend declared and paid of HK$[ ] (2017: HK$[ ]) per share		
HKAS 1.137a & HKAS 10.13 Final dividend proposed after the end of the reporting period of HK$[ ] (2017: HK$[ ]) per share		

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

b. Dividends payable attributable to the previous financial year, approved and paid during the year

	2018 HK$	2017 HK$
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$[ ] (2017: HK$[ ]) per share		

13. Property, plant and equipment

		Building HK$	Plant and machinery HK$	Furniture & equipment HK$	Total HK$
	Cost:				
HKAS 16.73d	At 1 January 2017				
HKAS 16.73e.i	Additions				
HKAS 16.73e.ii	Disposals				
HKAS 16.73d	At 31 December 2017				
	Accumulated depreciation:				
HKAS 16.73d	At 1 January 2017				
HKAS 16.73e	Charge for the year				
HKAS 16.73e.ii	Written back on disposals				
	At 31 December 2017				
HKAS 16.73d	*Net book value:*				
	At 31 December 2017				
	Cost:				
HKAS 16.73d	At 1 January 2018				
HKAS 16.73e.i	Additions				
HKAS 16.73e.ii	Disposals				
HKAS 16.73d	At 31 December 2018				
	Accumulated depreciation:				
HKAS 16.73d	At 1 January 2018				
HKAS 16.73e	Charge for the year				
HKAS 16.73e.ii	Written back on disposals				
	At 31 December 2018				
HKAS 16.73d	*Net book value:*				
	At 31 December 2018				

HKAS 17.31a & HKAS 17.31e

The buildings located in the land held under operating lease are considered to be held under finance leases. In addition, the net book value of plant and machinery held under finance leases was HK$[ ] (2017: HK$[ ]).

14. Investment property

	2018 HK$	2017 HK$
Cost:		
At 1 January		
Additions		
Disposals		
At 31 December		
Accumulated depreciation:		
At 1 January		
Charge for the year		
Written back on disposals		
At 31 December		
Net book value:		
At 31 December		

14. Investment property (continued)

HKAS 17.56a to 17.56c

The company leases out investment property under operating leases. The lease term for a property is normally for a period of 3 years. Lease payments would be reviewed after the expiry of the lease to reflect market rentals. No contingent rent is incorporated in the leasing arrangement.

The future minimum lease income under those non-cancellable operating leases in the aggregate and for each of the following periods are:

	2018 HK$	2017 HK$
Not later than one year		
Later than one year and not later than five years		
Later than five years		

HKAS 17.79e

At the end of the reporting period, the fair value of the investment property was HK$[ ] (2017: HK$[ ]), which was determined by the directors based on independent valuations on the basis of depreciated replacement cost on the property.[21]

15. Lease premium for land

	2018 HK$	2017 HK$
Cost:		
At 1 January		
Additions		
Disposals		
At 31 December		
Accumulated amortisation:		
At 1 January		
Charge for the year		
Written back on disposals		
At 31 December		
Net book value:		
At 31 December		
Representing:		
In Hong Kong		
- long leases		
- medium-term leases		

HKAS 17.31e & 35d

[21] In accordance with HKAS 40, only building portion of a lease considered as a finance lease can be classified as investment property and carried at cost. The cost is measured in accordance with the cost model under HKAS 16. Under HKAS 16.33, if there is no market-based evidence of fair value because of the specialised nature of the item of property, plant and equipment and the item is rarely sold (for example the building of a lease of land and building), except as part of a continuing business, an entity may need to estimate fair value using an income or a depreciated replacement cost approach.

16. Interests in associates

	2018 HK$	2017 HK$
Share of net assets of associates:		
Balance at 1 January		
Share of profits less losses of associates		
- Share of profits less losses before tax		
- Share of tax expenses		
Balance at 31 December		
Unlisted shares, at cost[22]		

HKFRS 12.21

The particulars of the company's material associates, all of which are unlisted and limited liability companies whose quoted market price is not available, are set out as follows:

Name	*Particulars of issued and paid up capital*	*Percentage of interest held*	*Principal activity and relationship with the company*	*Place of incorporation and business*
Stephanie Associate Limited	10,000 ordinary shares	40%	Garment manufacturing for the part of the company's manufacturing process	Hong Kong

HKFRS 12.21(b)(i)

All of the associates are accounted for using the equity method in the company's financial statements.

HKFRS 12.21(b)(ii)

Summarised financial information about the material associate, i.e. Stephanie Associate Limited, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the company's financial statements, are disclosed below:

	2018 HK$	2017 HK$
HKFRS 12.B12	Gross amounts of the associate	
	Current assets	
	Non-current assets	
	Current liabilities	
	Non-current liabilities	
	Equity	
	Revenue	
	Profit from continuing operations	
	Post-tax profit or loss from discontinued operations	
	Other comprehensive income	
	Total comprehensive income	
	Dividend received from the associate	
HKFRS 12.B14	Reconciled to the company's interests in the associate	
	Gross amounts of net assets of the associate	
	The company's effective interest	
	The company's share of net assets of the associate	
	Carrying amount in the company's financial statements	

[22] HKFRS 12.21(b)(iii) requires, if the joint venture or associate is accounted for using the equity method, the disclosure of the fair value of its investment in the joint venture or associate, if there is a quoted market price for the investment.

16. Interests in associates (continued)

HKFRS 12.21(c)

Aggregate information of associates that are not individually material:

	2018 HK$	2017 HK$
HKFRS 12.B16 Aggregate carrying amount of individually immaterial associates in the company's financial statements		
Aggregate amounts of the company's share of those associates		
Profit from continuing operations		
Post-tax profit or loss from discontinued operations		
Other comprehensive income		
Total comprehensive income		

17. Interests in joint ventures

	2018 HK$	2017 HK$
Share of net assets of joint ventures:		
Balance at 1 January		
Share of profits less losses of joint ventures		
- Share of profits less losses before tax		
- Share of tax expenses		
Less: Impairment losses		
Balance at 31 December		
Unlisted shares, at cost		

HKFRS 12.21

The particulars of the company's material joint ventures, all of which are unlisted and limited liability companies whose quoted market price is not available, are set out as follows:

Name	*Particulars of issued and paid up capital*	*Percentage of interest held*	*Principal activity and relationship with the company*	*Place of incorporation and business*
Nelson JV Limited	10,000 ordinary shares	50%	Trading of garment products for facilitating the company's sales	Hong Kong

HKFRS 12.21(b)(i)

All of the joint ventures are accounted for using the equity method in the company's financial statements.

17. Interests in joint ventures (continued)

HKFRS 12.21(b)(ii)

Summarised financial information about the material joint venture, i.e. Nelson JV Limited, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the company's financial statements, are disclosed below:

	2018 HK$	2017 HK$
HKFRS 12.B12 — Gross amounts of the joint venture		
Current assets		
Non-current assets		
Current liabilities		
Non-current liabilities		
Equity		
Revenue		
Profit from continuing operations		
Post-tax profit or loss from discontinued operations		
Other comprehensive income		
Total comprehensive income		
Dividend received from the associate		
HKFRS 12.B14 — Reconciled to the company's interests in the joint venture		
Gross amounts of net assets of the joint venture		
The company's effective interest		
The company's share of net assets of the joint venture		
Carrying amount in the company's financial statements		

HKFRS 12.B13

Additional summarised financial information about the material joint venture (included in the above assets, liabilities and profit of the material joint venture):

	2018 HK$	2017 HK$
Cash and cash equivalents		
Current financial liabilities (excluding trade and other payables and provisions)		
Non-current financial liabilities (excluding trade and other payables and provisions)		
Depreciation and amortisation		
Interest income		
Interest expense		
Income tax expense or income		

HKFRS 12.21(c) and 12.B16

Aggregate information of joint ventures that are not individually material:

	2018 HK$	2017 HK$
Aggregate carrying amount of individually immaterial joint ventures in the company's financial statements		
Aggregate amounts of the company's share of those joint ventures		
Profit from continuing operations		
Post-tax profit or loss from discontinued operations		
Other comprehensive income		
Total comprehensive income		

18. Non-current financial assets

		2018 HK$	2017 HK$
HKFRS 7.8a	*Financial assets measured at fair value through profit or loss:*		
	- Listed equity securities in Hong Kong		
HKFRS 7.8h & HKAS 1.77	*Equity securities designated at fair value through other comprehensive income:*		
	- Unlisted equity securities		-
	- Listed equity securities outside Hong Kong		-
	Available-for-sale financial assets, at fair value:		
	- Unlisted equity securities	-	
HKAS 39.105	- Listed equity securities in Hong Kong	-	

HKFRS 7.11A Unlisted equity securities are investments in equity securities issued by DEF Limited, incorporated in Hong Kong and listed equity securities are investments in equity securities issued by GHI Limited, incorporated and listed in the United States. All these investments are designated as at fair value through other comprehensive income because they are held for strategic purposes. No dividend were received on these investments during the year.

19. Trading securities

	2018 HK$	2017 HK$
Listed equity securities, at market value		
- in Hong Kong		
- outside Hong Kong		

HKAS 2.36b

20. Inventories

	2018 HK$	2017 HK$
Raw materials		
Work in progress		
Finished goods		
Goods in transit		
HKAS 2.36h Inventories pledged as security for liabilities		
HKAS 2.36d *The amount of inventories recognised as an expense during the year:*		
Carrying amount of inventories sold		
HKAS 2.36e Write-down of inventories		
HKAS 2.36f Reversal of write-down of inventories		

HKAS 2.36g The reversal of write-down of inventories made in previous years arose due to an increase in the estimated net realisable value of certain garment goods as a result of the fact that the goods had been disposed of.

21. Trade and other receivables, contract assets and contract liabilities

		2018 HK$	2017 HK$
HKAS 1.77	Amounts due from fellow subsidiaries		
HKAS 24.18d	Amounts due from associates		
HKAS 24.18e	Amounts due from joint ventures		
	Bills receivable		
	Debtors, deposits and prepayments, net of credit losses (note 31a)		
	Allowance account for credit losses:		
HKFRS 7.16	Balance at 1 January		
	Impairment loss made during the year		
	Reversal of impairment loss		
	Balance written off		
	Balance at 31 December		
HKFRS 15.116a	Receivables from contracts with customers, included in trade and other receivables		
	– Balance at 1 January		
	– Balance at 31 December		
HKFRS 15.116a	Contract assets		
	– Balance at 1 January		
	– Balance at 31 December		
HKFRS 15.116a	Contract liabilities		
	– Balance at 1 January		
	– Balance at 31 December		
HKFRS 15.116b	Revenue recognised during the year that was included in the opening contract liability balance		
HKFRS 15.116c	Revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous periods		
	– from changes in transaction price		
	– from other changes		

22. Notes to cash flow statements

HKAS 7.44A - 44E

a. Reconciliation of liabilities arising from financing activities

		Bank loans and overdrafts HK$	Obligations under finance leases HK$	Total HK$
	At 1 January 2017			
HKAS 7.44A and 44Ba	*Changes from cash flows:*			
	Proceeds from interest-bearing borrowings			
	Payment of finance lease liabilities			
HKAS 7.44A	*Non-cash changes:*			
HKAS 7.44Be	Other changes			
	- New leases			
	- Finance charges on obligations under finance leases			
	- Interest expenses			
HKAS 7.44Bc	Effect of changes in foreign exchange rates			
HKAS 7.44Bd	Changes in fair value			
	At 31 December 2017			
	At 1 January 2018			
HKAS 7.44A and 44Ba	*Changes from cash flows:*			
	Proceeds from interest-bearing borrowings			
	Payment of finance lease liabilities			
HKAS 7.44A	*Non-cash changes:*			
HKAS 7.44Be	Other changes			
	- New leases			
	- Finance charges on obligations under finance leases			
	- Interest expenses			
HKAS 7.44Bc	Effect of changes in foreign exchange rates			
HKAS 7.44Bd	Changes in fair value			
	At 31 December 2018			

HKAS 7.45

b. Cash and cash equivalents

	2018 HK$	2017 HK$
Cash at bank and on hand		
Deposits with banks		
- Floating-rate deposits		
- Fixed rate deposits		
Cash and cash equivalents in the statement of financial position		
Bank overdrafts (note 24)		
Cash and cash equivalents in the statement of cash flows		

HKAS 1.77

23. Trade and other payables

	2018 HK$	2017 HK$
HKAS 24.18d Amounts due to associates		
HKAS 24.18e Amounts due to joint ventures		
HKAS 1.77 Amounts due to ultimate holding company and fellow subsidiaries		
Creditors and accruals		

HKFRS 7.7 & 31

24. Bank loans and overdrafts

At 31 December 2018, the bank loans and overdrafts were repayable as follows:

	2018 HK$	2017 HK$
Within 1 year or on demand		
After 1 year		

At 31 December 2018, the bank loans and overdrafts were secured as follows:

HKFRS 7.7 & 31

	2018 HK$	2017 HK$
Unsecured bank overdrafts		
Bank loans		
- secured		
- unsecured		

HKAS 16.74a
HKFRS 7.7 & 31

At 31 December 2018, the company's buildings, investment property and leasehold land with an aggregate carrying value of HK$[ ] (2017: HK$[ ]) were pledged to secure the banking facilities amounted to HK$[ ] (2017: HK$[ ]).

The banking facilities are subject to common lending arrangements with the banks. In case the company contravened any condition of the arrangement or associated covenant, the outstanding balances of the facilities would become payable on demand. The facilities utilised by the company up to 31 December 2018 were HK$[ ] (2017: HK$[ ]) and none of the conditions and covenants had been contravened.

25. Obligations under finance leases

HKAS 17.31b &
HKFRS 7.39a

At 31 December 2018, the company had obligations under finance leases repayable, i.e. minimum lease payments, as follows:

	2018			2017		
	Present value HK$	Finance charge HK$	Total HK$	Present value HK$	Finance charge HK$	Total HK$
Not later than one year						
Later than one year and not later than five years						
Later than five years						

26. Income tax in the statement of financial position

a. Current tax in the statement of financial position represents:

	2018 HK$	2017 HK$
Provision for Hong Kong profits tax for the year		
Provisional profits tax paid		
Provision for Hong Kong profits tax relating to previous years		

b. Deferred tax assets and liabilities recognised:

HKAS 12.81g(i)

The components of deferred tax (assets)/liabilities recognised in the statement of financial position and the movements during the year are arising from depreciation allowances in excess of the related depreciation as follows:[23]

	HK$
At 1 January 2017	
HKAS 12.81g(ii) Deferred tax expense/(income) recognised in the statement of profit or loss and other comprehensive income	
At 31 December 2017	
At 1 January 2018	
HKAS 12.81g(ii) Deferred tax expense/(income) recognised in the statement of profit or loss and other comprehensive income	
At 31 December 2018	

c. Deferred tax assets not recognised:

HKAS 12.81e

The company has not recognised deferred tax assets in respect of deductible temporary differences of [ ] (2017: [ ]) and unused tax losses of [ ] (2017: [ ]) and there is no expiry date for these items.

27. Share capital

	2018		2017	
	No. of shares	HK$	No. of shares	HK$
HKAS 1.106d 1.79a(ii)&(iv) *Issued and fully paid:* Ordinary shares at 1 January and 31 December				

Optional

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

[23] Other categories, say tax losses and provision for product warranties not deductible, may be further provided.

HKAS 1.134

28. Capital disclosure

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the year of 2017 and 2018.

The company monitors capital using a gearing ratio, which is the company's total liabilities over its total assets. The company's policy is to keep the gearing ratio at a reasonable level. The company's gearing ratio as at 31 December 2018 was [ ] (2017: [ ]).

Cap. 622G S.15

29. Loans to directors and bodies corporate controlled by them[24]

Particulars of loans to the directors, including loans to bodies corporate controlled by them, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622) and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

a. Loans to the directors

Name of directors	Balance at 31.12.2018 HK$	Balance at 31.12.2017 and 1.1.2018 HK$	Balance at 1.1.2017 HK$	Maximum balance outstanding during 2018 HK$	Maximum balance outstanding during 2017 HK$
Ms. TT Tong					
Mr. Tony Ton					

The loans to officers are unsecured, non-interest bearing and repayable on demand.

b. Guarantees to loans made by a third parties to the directors

		Maximum liability under the guarantee		
Name of directors	Particulars of guarantee	At 31.12.2018 HK$	At 1.1.2018 and 31.12.2017 HK$	At 1.1.2017 HK$
Ms. Bonnie Hung	Guarantee given to a bank for a property mortgage of HK$[ ] expiring on [ ]			
Mr. Tony Ton	Guarantee given to a bank for a general banking facilities amounting to HK$[ ] expiring on [ ]			

Up to 31 December 2018, the company had not paid or incurred any liability for the purpose of fulfilling the guarantee or discharging the security. The directors consider that it is remote for the company to pay and incur any liability on the guarantees given to the officers.

[24] The Companies (Disclosure of Information about Benefits of Directors) Regulations (Cap. 622G) has extended the disclosure requirements to the directors' loans, quasi-loans and other dealings, including credit transactions and guarantees and security in relation to a loan, quasi-loan and credit transaction.

30. Commitments

HKAS 16.74c

a. At 31 December 2018, the capital commitments outstanding not provided for in the financial statements were as follows:

	2018 HK$	2017 HK$
Contracted for		
Authorised but not contracted for		

HKAS 17.35a

b. At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases for each of the following periods were:

	2018		2017	
	Properties HK$	Other assets HK$	Properties HK$	Other assets HK$
Not later than one year				
Later than one year and not later than five years				
Later than five years				

HKFRS 7.31

31. Financial instruments

HKFRS 7.8a to 8d

The company has classified its financial assets in the following categories:

	Fair value through profit loss (held for trading) HK$'000	Financial assets at amortised costs HK$'000	Equity securities designated at other comprehensive income HK$'000	Total HK$'000
2018				
Non-current financial assets (note 18)				
Trading securities (note 19)				
Trade and other receivables (note 21)				
Cash and cash equivalents (note 22b)				

	Fair value through profit loss (held for trading) HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
2017				
Non-current financial assets (note 18)				
Trading securities (note 19)				
Trade and other receivables (note 21)				
Cash and cash equivalents (note 22b)				

HKFRS 7.31

31. Financial instruments (continued)

HKFRS 7.8e to 8f

The company has classified its financial liabilities in the following categories:

	Fair value through profit loss (held for trading) HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
2018			
Trade and other payables (note 23)			
Bank loans and overdrafts (note 24)			
2017			
Trade and other payables (note 23)			
Bank loans and overdrafts (note 24)			

HKFRS 7.32 & 33

The company is exposed to credit risk, liquidity risk and market risk arising in the normal course of its business and financial instruments. The company's risk management objectives, policies and processes mainly focus on minimising the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

HKFRS 7.31-38
HKFRS 7.33a & 33b

a. Credit risk

The company is exposed to credit risk on financial assets, mainly attributable to trade and other receivables and contract assets. It sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit. In addition, the overseas customers would normally be required to transact with the company by letter of credit in order to minimise the company's credit risk exposure.

HKFRS 7.34

Summary quantitative data

	2018 HK$'000	2017 HK$'000
Non-current financial assets (note 18)		
Trade and other receivables (note 21)		
Deposits with banks (note 22b)		

HKFRS 7.34c, 35B(a), 35F(c) & 36a

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the company has significant exposure to individual customers. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

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

At 31 December 2018, the company has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

HKFRS 7.31

31. Financial instruments (continued)

HKFRS 7.35G(a), 35M, 35N

The following table provides information about the company's exposure to credit risk and expected credit losses for trade receivables and contract assets as at 31 December 2018:

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
Past due up to:			
- 30 days			
- 31 to 60 days			
- 61 to 90 days			
- Over 90 days			

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

HKFRS 7.35B(b) & 35H & 42P

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

	2018 HK$'000	2017 HK$'000
Balance at 31 December under HKAS 39		
Impact on initial application of HKFRS 9		-
Adjusted balance at 1 January		
Amount written off during the year		
HKFRS 15.113(b) Impairment losses recognised during the year		
Balance at 31 December		

HKFRS 7.37a

Before 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivable of HK$[ ] was determined to be impaired. The analysis of the age of financial assets that were past due as at the reporting date but not impaired was as follows:

	2017 HK$'000
Past due up to:	
- 30 days	
- 31 to 60 days	
- 61 to 90 days	
- Over 90 days	

HKFRS 7.36c

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

HKFRS 7.34a

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

HKFRS 7.31

31. Financial instruments (continued)

HKFRS 7.31-35 & 39
HKFRS 7.33a & 33b

b. Liquidity risk

The company is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need. Various banking facilities and credit lines have also been arranged with different banks in order to fund any emergency liquidity requirements.

HKFRS 7.34, 39 and B11 to B16

Summary quantitative data

HKFRS 7.B11

	Not later than 1 month HK$'000	Later than 1 month and not later than 3 months HK$'000	Later than 3 month and not later than 1 year HK$'000	Later than 1 year and not later than 5 year HK$'000	More than 5 year HK$'000	Carrying amount HK$'000
2018						
Trade and other payables (note 23)						
Bank loans and overdrafts (note 24)						
2017						
Trade and other payables (note 23)						
Bank loans and overdrafts (note 24)						

HKFRS 7.31-35 & 40-42
HKFRS 7.31-35 & 40-42
HKFRS 7.33a

c. Market risk

i. Interest rate risk

The company's exposure on fair value interest rate risk mainly arises from its fixed deposits with banks, which are classified as cash and cash equivalents. It also has exposure on cash flow interest rate risk which is mainly arising from its deposits with banks and interest-bearing borrowings with the banks. It is a common practice in Hong Kong to have floating rate borrowings with the banks.

HKFRS 7.33b

The company mainly holds fixed deposits with banks with maturity within 3 months and the exposure is considered not significant. It also invests surplus funds in fixed rate debt securities only and such investments are not normally material. In consequence, no material exposure on fair value interest rate risk is expected. Even that, the company closely monitors the fair value fluctuation of the investments and disposes of them in case of significant increase in interest rate is foreseen.

In order to manage the cash flow interest rate risk, the company will repay the corresponding borrowings when it has surplus funds.

HKFRS 7.31

31. Financial instruments (continued)

HKFRS 7.34

Summary quantitative data

	2018 HK$'000	2017 HK$'000
Floating-rate financial assets/(liabilities)		
Cash at bank (note 22b)		
Deposits with banks (note 22b)		
Bank loans and overdrafts (note 24)		
Fixed-rate financial assets		
Deposits with bank (note 22b)		
Net interest-bearing assets/(liabilities)		

HKFRS 7.40

Sensitivity analysis

HKFRS 7.40a & IG36

At 31 December 2018, if interest rates at that date had been [100] basis points lower with all other variables held constant, the company profit for the year and retained earnings would have been HK$[ ] million (2017: HK$[ ] million) [higher/lower], and other components of equity would have been HK$[ ] million (2017: HK$[ ] million) [higher/lower].

HKFRS 7.40a & IG36

At 31 December 2018, if interest rates had been [100] basis points higher, with all other variables held constant, the company's profit after taxation and retained profits would have been HK$[ ] million (2017: HK$[ ] million) [higher/lower], and other components of equity would have been HK$[ ] million (2017: HK$[ ] million) [higher/lower].

HKFRS 7.40b

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the end of each reporting period and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represent management's assessment of a reasonably possible change in interest rates at that date over the period until the end of the next reporting period.

HKFRS 7.40c

The analysis is prepared on the same basis for 2017.

HKFRS 7.31-35 & 40-42

ii. Currency risk

HKFRS 7.33a

The company purchases and sells in various foreign currencies, mainly US dollars and Renminbi, that exposes it to currency risk arising from such purchases and sales and the resulting receivables and the payables.

HKFRS 7.33b

The company closely and continuously monitors the exposure on currency risk. Since HK dollars is pegged to US dollars, there is no significant exposure expected on US dollars transactions and balances. Even HK dollars is not pegged to Renminbi, the historical exchange rate fluctuation on Renminbi is insignificant. Thus, there is no significant exposure expected on Renminbi transactions and balances. In case of any significant fluctuation expected, the Renminbi transactions and balances would also be monitored and controlled in the same manner as other foreign currencies.

In respect of purchases and payables, the company controls its volume of purchase orders to a tolerable level and avoids concentrating the purchases in a single foreign currency by diversifying such foreign currency risk exposure.

In respect of sales and receivables, the company sets a prudent credit limit to individual customers who transact with it in other foreign currencies. The directors' approval is required on the exposure to an individual customer or transaction that exceeds the limit.

HKFRS 7.31

31. Financial instruments (continued)

HKFRS 7.34

Summary quantitative data

	US$ (HK$'000)	RMB (HK$'000)	Total (HK$'000)
2018			
Listed debt securities outside HK (note 18)			
Trade and other receivables (note 21)			
Cash at bank (note 22b)			
Deposits with bank (note 22b)			
2017			
Listed debt securities outside HK (note 18)			
Trade and other receivables (note 21)			
Cash at bank (note 22b)			
Deposits with bank (note 22b)			

HKFRS 7.40-41
HKFRS 7.40a & IG36

Sensitivity analysis

At 31 December 2018, if the HK dollar weakened [10%] against the Renminbi with all other variables held constant, the company's profit for the year and retained earnings would have been HK$[ ] million (2017: HK$[ ] million) [higher/lower]. Conversely, if the HK dollar had strengthened [10%] against the Renminbi with all other variables held constant, the company's profit for the year and retained earnings would have been HK$[ ] million (2017: HK$[2.3] million) [higher/lower].

HKFRS 7.40b

The sensitivity analysis has been prepared with the assumption that the change in foreign exchange rates had occurred at the end of each reporting period and had been applied to the exposure to currency risk for the relevant financial instruments in existence at that date. The changes in foreign exchange rates represent management's assessment of a reasonably possible change in foreign exchange rates at that date over the period until the end of the next reporting period.

HKFRS 7.40b

No sensitivity analysis for the company's exposure to currency risk arising from financial assets denominated in United States dollar is prepared since the management's assessment of reasonably changes in value of the HK dollar against the US dollar is insignificant.

HKFRS 7.40c

The analysis is prepared on the same basis for 2017.

HKFRS 7.31-35 & 40-42
HKFRS 7.33a & 33b

iii. Equity price risk

The investments in equity securities classified as financial assets measured at fair value through profit or loss, financial assets designated at fair value through other comprehensive income and trading securities (2017: as available-for-sale financial assets and trading securities) expose the company to price risk. As the company's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the company's financial position.

HKFRS 7.31

31. Financial instruments (continued)

HKFRS 7.34

Summary quantitative data

	2018 HK$'000	2017 HK$'000
Financial assets measured at fair value through profit or loss		
- Listed equity securities in Hong Kong		
Financial assets designated at fair value through other comprehensive income		
- Unlisted equity securities		
- Listed equity securities outside Hong Kong		
Available-for-sale financial assets, at fair value		
- Unlisted equity securities	-	
- Listed equity securities in Hong Kong	-	
Trading securities		
- Listed equity securities, at market value		

HKFRS 7.40-41

HKFRS 7.40a

Sensitivity analysis

A [10%] increase in stock prices at 31 December 2018 with all other variables held constant would have [increased/decreased] profit for the year by HK$[ ] (2017: HK$[ ] million) and [increased/decreased] equity by HK$[ ] (2017: HK$[ ]). Conversely, if a [10%] decrease in stock prices at 31 December 2018 with all other variables held constant would have [increased/decreased] profit for the year by HK$[ ] (2017: HK$[ ] million) and [increased/decreased] equity by HK$[ ] (2017: HK$[ ]).

HKFRS 7.40b

The sensitivity analysis has been prepared with the assumption that the change in equity price had occurred at the end of each reporting period and had been applied to the exposure to equity price risk for the relevant financial instruments in existence at that date. The changes in equity price represent management's assessment of a reasonably possible change in equity price at that date over the period until the end of the next reporting period.

HKFRS 7.40c

The analysis is prepared on the same basis for 2017.

HKFRS 13.91-92

32. Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value in the statement of financial position are categorised in its entirety into the following three levels of the fair value hierarchy based on the basis of the lowest level input that is significant to the fair value measurement in its entirety:

HKFRS 13.93(b)

Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date;
Level 2: fair value measured using inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and
Level 3: fair value measured using significant unobservable inputs for the financial asset or liability.

HKFRS 13.93(b)

Recurring fair value measurement:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2018				
Financial assets at fair value through profit or loss - listed equity securities in Hong Kong				
Equity securities designated at fair value through other comprehensive income:				
- Unlisted equity securities				
- Listed equity securities outside Hong Kong				
Trading securities				
2017				
Available-for-sale financial assets				
- Unlisted equity securities				
- Listed equity securities in Hong Kong				
Trading securities				

HKFRS 13.93(c)

During the year, the company had no transfers between instruments in Level 1 and Level 2.

HKFRS 13.93(d) and (g)

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Financial assets at fair value through other comprehensive income (2017: ~~A~~available-for-sale financial assets) classified in Level 3:

		2018 HK$'000	2017 HK$'000
HKFRS 13.93(e)(i)	Total gains or losses recognised in profit or loss (included in other net income)		
HKFRS 13.93(f)	Total gains or losses recognised in profit or loss for financial assets held at the end of each reporting period (included in other net income)		
HKFRS 13.93(e)(ii)	Total gains or losses recognised in other comprehensive income included in fair value changes during the year)		
HKFRS 13.93(e)(iii)	Balance at 1 January		
	Payment for purchases		
	Proceeds from sales		
	Net gains or losses recognised in profit or loss		
	Net gains or losses recognised in other comprehensive income		
	Balance at 31 December		

32. Fair value measurement of financial instruments (continued)

HKFRS 13.93(e)(iv)

During the year, the company had no transfers of instruments into or out of Level 3.

HKFRS 13.93(h)(i)

The key inputs used in determining the fair value of the financial assets within Level 3 were estimated cash flows, which ranged from [HK$] to [HK$], and the discount rates, which ranged from [ ]% to [ ]%. A slight decrease in cash flows or increase in the discount rates would result in a significant decrease in fair value measurement of the financial assets, and vice versa.

HKFRS 13.93(h)(ii)

There are no financial assets that changing one or more of the inputs to reasonably possible alternative assumptions in their fair value measurements would change their fair value significantly.

HKAS 24.17

33. Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the company had the following material related party transactions during the year:

	2018	2017
	HK$	HK$
Management fee paid to fellow subsidiaries		
Purchases from joint ventures		
Rental paid to an immediate holding company		

All the transactions with related party were negotiated at arm-length basis and in accordance with common commercial terms in the same manner as other external customers and suppliers.

34. Contingent liabilities

As at 31 December 2018, the company has given a single unlimited guarantee to a bank in respect of a banking facilities granted to its associate, Stephanie Associate Limited for a term of one year up to 30 September 2018. The associate utilised the facilities up to HK$7,500,000 (2017: HK$5,300,000) as at 31 December 2018. The directors are of the opinion that the fair value of the guarantee cannot be reliably measured as its transaction price is zero and such guarantee is rarely available in the market.[25]

35. Comparative figures

HKAS 1.38

Certain comparative figures have been restated or re-classified as a result of the changes in accounting policies and the details of the changes in accounting policies are set out in note 4.

36. Parent and ultimate holding company

CO Sch. 4
HKAS 1.138c
HKAS 24.12

The directors consider the company's immediate parent and ultimate holding company to be Sample International Company Limited and Sample Global Inc. respectively, both of which are incorporated in Hong Kong and have not produced financial statements available for public use.

[25] Different case should have different particular circumstances and different disclosure should be required. Note 32 should also be considered and amended with note 3q and note 4 together.

HKAS 8.30

37. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year

HKFRSs that have been issued but are not yet effective for the year include the following HKFRSs which may be relevant to the company's operations and financial statements:

	Effective for annual periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual improvements to HKFRSs 2015-2017 cycle	1 January 2019
Amendments to HKAS 28, *Long-term interests in associates and joint ventures*	1 January 2019
Amendments to HKAS 1 and 8, *Amendments to definition of material*	1 January 2020

The company has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs, except for HKFRS 16 as set out below, would not have a significant impact on the company's financial statements in the year of initial application.

HKFRS 16 introduces significant changes on lessee accounting including the requirements of a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. Both the asset and the liability are initially measured on a present value basis. Right-of-use assets are recognised under property, plant and equipment and are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

The company previously charged the operating leases payments to the statements of profit or loss and other comprehensive income on a straight-line basis over the lease term. With the adoption of HKFRS 16, all leases with a term or a remaining term of more than 12 months, unless the underlying asset is of low value, are recognised as right-of-use assets and lease liabilities. The company estimates that its adoption of HKFRS 16 may recognise right-of-use assets and the corresponding lease liabilities of approximately [$xxx]. The adoption has no impact on the company's net assets.

The company will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.

Reference

1. Deloitte, *International GAAP Holdings Limited Model Financial Statements for the Year Ended 31 December 2018*, 2018 and *Hong Kong Financial Reporting Standards Illustrative Annual Financial Statements 2014*, 2015.
2. Ernst & Young, *Good Group (International) Limited Illustrative Consolidated Financial Statements for the Year Ended 31 December 2018*, 2018 and *Hong Kong Listed Limited Illustrative Report of the Directors and Financial Statements 31 December 2017*, 2018.
3. HKSAR Government, *The Companies Ordinance (Cap. 32)*, 2005.
4. HKSAR Government, *The Companies Ordinance (Cap. 622)*, 2013.
5. Hong Kong Exchange and Clearing Limited (HKEx), *Financial Statements of 2004 to 2018*, 2005 to 2019.
6. IASB, *International Financial Reporting Standards 2018*, 20188.
7. HKICPA, Annual Report, 2016 to 2018.
8. HKICPA, *Hong Kong Financial Reporting Standards*, 2018.
9. HKICPA, New Companies Ordinance Resource Centre.
10. KPMG, *Illustrative Annual Financial Statements under Hong Kong Financial Reporting Standards December 2018, 2018.*
11. PricewaterCoopers Limited, *Illustrative IFRS Consolidated Financial Statements 31 December 2018*, 2018 and *Illustrative HKFRS Consolidated Financial Statements 31 December 2017*, 2017.
12. Various annual reports downloaded from the website of HKEx.