

Report of the Directors and Audited Financial Statements

PKC GROUP APAC LIMITED

31 December 2018



PKC GROUP APAC LIMITED

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PKC GROUP APAC LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

Principal activities

The principal activities of the Company have not changed during the year and consisted of the provision of management services to group companies and investment holding.

Results

The Company's loss for the year ended 31 December 2018 and its financial position at that date are set out in the financial statements on pages 6 to 30.

Directors

The directors of the Company during the year were:

Sanna Helena Raatikainen	
Matti Teppo Hyytiäinen	(resigned on 14 March 2018)
Pankaj Mital	(appointed on 14 March 2018)
Juha-Pekka Sakari Tornainen	(resigned on 25 June 2018)
Kenneth Alfred Rigsby Salter	(appointed on 25 June 2018 and resigned on 24 April 2019)
Wang Yiqian	(appointed on 24 April 2019)

There being no provision in the Company's Articles of Association for the retirement of directors by rotation, all existing directors will continue in office for the ensuing year.

Directors' interests

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

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company, its subsidiary or any of its holding companies or fellow subsidiaries was a party during the year.

PKC GROUP APAC LIMITED

REPORT OF THE DIRECTORS (continued)

Permitted indemnity provisions

A permitted indemnity provision as defined in section 469 of the Hong Kong Companies Ordinance for the benefit of the directors of the Company is currently in force and was in force during the financial year.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



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Sanna Helena Raatikainen
Director

Hong Kong
10 December 2019

Independent auditor's report**To the member of PKC Group APAC Limited**

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of PKC Group APAC Limited (the "Company") set out on pages 6 to 30, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 the applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") relevant to these financial statements and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for 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.

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

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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.

Responsibilities of the directors 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 the applicable HKFRSs issued by the HKICPA that are relevant to these financial statements 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.

Independent auditor's report (continued)
To the member of PKC Group APAC Limited
(Incorporated in Hong Kong with limited liability)

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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism 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.

Independent auditor's report (continued)

To the member of PKC Group APAC Limited

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the board of directors 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.



Certified Public Accountants

Hong Kong

10 December 2019

PKC GROUP APAC LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

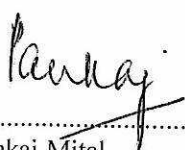
	Notes	2018 HK\$	2017 HK\$
REVENUE	3	-	2,518,022
Other income	3	3,243,724	2,445,261
Administrative expenses		(15,358,258)	(10,300,400)
Impairment loss on investment in a subsidiary and loan to a subsidiary	5	(3,914,000)	(18,034,271)
Impairment loss on an investment in a joint venture	5	(4,557,054)	(9,920,025)
Finance costs	4	(22,906,952)	(16,566,576)
LOSS BEFORE TAX	5	(43,492,540)	(49,857,989)
Income tax expense	7	-	-
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(43,492,540)</u>	<u>(49,857,989)</u>

PKC GROUP APAC LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK\$	2017 HK\$
NON-CURRENT ASSETS			
Investment in a subsidiary	8	-	-
Investments in joint ventures	9	287,983,793	275,473,149
Loan to a subsidiary	12	22,822,017	-
Total non-current assets		<u>310,805,810</u>	<u>275,473,149</u>
CURRENT ASSETS			
Deposit	10	-	366,000
Cash and cash equivalents		2,549,643	2,071,463
Total current assets		<u>2,549,643</u>	<u>2,437,463</u>
CURRENT LIABILITIES			
Other payables and accruals		198,403	203,328
Due to the immediate holding company	11	78,632,267	53,779,048
Due to a subsidiary		11,026,067	-
Total current liabilities		<u>89,856,737</u>	<u>53,982,376</u>
NET CURRENT LIABILITIES		(87,307,094)	(51,544,913)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>223,498,716</u>	<u>223,928,236</u>
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	11	452,021,875	408,958,855
Net liabilities		<u>(228,523,159)</u>	<u>(185,030,619)</u>
EQUITY			
Share capital	13	500,000	500,000
Accumulated losses		(229,023,159)	(185,530,619)
Total equity		<u>(228,523,159)</u>	<u>(185,030,619)</u>



Pankaj Mital
Director



Sanna Helena Raatikainen
Director

PKC GROUP APAC LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital HK\$	Accumulated losses HK\$	Total equity HK\$
At 1 January 2017	500,000	(135,672,630)	(135,172,630)
Loss and total comprehensive loss for the year	<u>-</u>	<u>(49,857,989)</u>	<u>(49,857,989)</u>
At 31 December 2017 and at 1 January 2017	500,000	(185,530,619)	(185,030,619)
Loss and total comprehensive loss for the year	<u>-</u>	<u>(43,492,540)</u>	<u>(43,492,540)</u>
At 31 December 2018	<u>500,000</u>	<u>(229,023,159)</u>	<u>(228,523,159)</u>

PKC GROUP APAC LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 HK\$	2017 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(43,492,540)	(49,857,989)
Adjustments for:			
Finance costs	4	22,906,952	16,566,576
Bank interest income	3	(9,700)	(2,414)
Other interest income	3	(3,234,024)	(2,442,847)
Dividend income	3	-	(2,518,022)
Impairment loss on investment in a subsidiary and loan to a subsidiary	5	3,914,000	18,034,271
Impairment loss on an investment in a joint venture	5	4,557,054	9,920,025
		<u>(15,358,258)</u>	<u>(10,300,400)</u>
Decrease in prepayments, deposits and other receivables		366,000	205,656
Increase in an amount due to the immediate holding company		24,853,219	21,026,969
Increase in an amount due to a subsidiary		11,026,067	-
Decrease in other payables and accruals		<u>(4,925)</u>	<u>(143,325)</u>
Cash generated from operations		20,882,103	10,788,900
Bank interest received		9,700	2,414
Dividend received		<u>-</u>	<u>2,518,022</u>
Net cash flows from operating activities		<u>20,891,803</u>	<u>13,309,336</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in investments in joint ventures		(17,067,698)	(106,924,279)
Increase in investment in a subsidiary		(3,914,000)	(11,676,700)
Increase in loan to a subsidiary		<u>(19,587,993)</u>	<u>(3,914,724)</u>
Net cash flows used in investing activities		<u>(40,569,691)</u>	<u>(122,515,703)</u>
CASH FLOW FROM A FINANCING ACTIVITY			
Increase in loans from the immediate holding company		<u>20,156,068</u>	<u>94,381,979</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		478,180	(14,824,388)
Cash and cash equivalents at beginning of year		<u>2,071,463</u>	<u>16,895,851</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>2,549,643</u>	<u>2,071,463</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances		<u>2,549,643</u>	<u>2,071,463</u>

PKC GROUP APAC LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE INFORMATION

PKC Group APAC Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the year, the Company was involved in the provision of management services to group companies and investment holding.

The Company is a wholly-owned subsidiary of PKC Wiring Systems Oy, a company incorporated in the Finland. In the opinion of the directors, the Company's ultimate holding company is Motherson Sumi Systems Limited, a company incorporated in India.

2.1 BASIS OF PREPARATION

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance, these financial statements have been prepared to present a true and fair view of the financial position and financial performance of the Company only. Consequently, they have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance that are relevant to the preparation of company level financial statements by an intermediate parent company.

As the Company is a holding company that is a wholly-owned subsidiary of another body corporate, it satisfies the exemption criteria set out in section 379(3)(a) of the Hong Kong Companies Ordinance, and is therefore not required to prepare consolidated financial statements.

Given the above, these financial statements are not prepared for the purposes of compliance with HKFRS 10 "Consolidated Financial Statements", so far as the preparation of consolidated financial statements of the Company and its subsidiaries (together, the "Group") is concerned. In addition, for the purposes of preparation of company level financial statements, investments in joint ventures have not been accounted for using the equity method which would otherwise be required by HKAS 28 (2011) "Investments in Associates and Joint Ventures" in the preparation of the consolidated financial statements and company level financial statements of a company that is not a holding company. As a consequence, the financial statements do not give all the information required by HKFRS 10 and HKAS 28 (2011) about the economic activities of the Group of which the Company is the parent and investor. Furthermore, as these financial statements are prepared in respect of the Company only, HKFRS 12 "Disclosure of Interests in Other Entities" does not apply to the financial statements.

These financial statements have been prepared under the historical cost convention and are presented in Hong Kong Dollars ("HK\$").

31 December 2018

2.2 FUNDAMENTAL ACCOUNTING CONCEPT

These financial statements have been prepared on the going concern basis, notwithstanding the Company had net current liabilities and net liabilities at the end of the reporting period, as the immediate holding company of the Company has agreed not to demand the repayments of an amount due to and loans from the immediate holding company until the Company is in a position to do so and has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due, so as to maintain it as a going concern for the foreseeable future.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

Other than as explained below regarding the impacts of HKFRS 9, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. As a result of the application of HKFRS 9, the Company has changed the accounting policy with respect to financial instruments as set out in note 2.5 to the financial statements.

The adoption of HKFRS 9 has no significant impact on the classification and measurement of the Company's financial instruments.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Company applies the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other debt instruments within the next twelve months.

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2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 Financial Instruments (continued)

The initial application of HKFRS 9 has had no significant impact on the financial position or financial performance of the Company. Hence, no cumulative effect of the initial application of HKFRS 9 was recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2018. The comparative information was not restated and continues to be reported under HKAS 39.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2018, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The result of joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in an associate is treated as a non-current asset and is stated at cost less any impairment losses.

31 December 2018

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over 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;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company 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); and
 - (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.

31 December 2018

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets of the Company are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

31 December 2018

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets of the Company are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

31 December 2018

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Company recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement of loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees, or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable from 1 January 2018)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (a) dividend income, when the right to receive payment has been established; and
- (b) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Foreign currency transactions

These financial statements are presented in HK\$, which is the Company's functional currency. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Adoption of the going concern basis

In assessing whether the going concern basis is appropriate in the preparation of these financial statements, the directors of the Company have considered a wide range of factors relating to the sufficiency of the Company's financial resources/financial support to satisfy its working capital and other financing requirements for the foreseeable future, including, inter alia, the current and expected future financial resources of the Company and financial support available to the Company to satisfy themselves the appropriateness of the going concern basis.

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31 December 2018

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. REVENUE AND OTHER INCOME

Revenue represented dividend income received or receivable from a joint venture during the prior year.

An analysis of other income is as follows:

	2018 HK\$	2017 HK\$
Bank interest income	9,700	2,414
Interest income on loans to a subsidiary	<u>3,234,024</u>	<u>2,442,847</u>
	<u>3,243,724</u>	<u>2,445,261</u>

PKC GROUP APAC LIMITED

NOTES TO FINANCIAL STATEMENTS

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4. FINANCE COSTS

	2018 HK\$	2017 HK\$
Interest on loans from the immediate holding company	<u>22,906,952</u>	<u>16,566,576</u>

5. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging:

	2018 HK\$	2017 HK\$
Auditor's remuneration	69,840	191,121
Foreign exchange differences, net	780,482	2,429,623
Minimum lease payments under operating leases	1,281,000	2,196,000
Impairment loss on investment in a subsidiary and loans to a subsidiary	3,914,000	18,034,271
Impairment loss on an investment in a joint venture	<u>4,557,054</u>	<u>9,920,025</u>

6. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 HK\$	2017 HK\$
Fees	-	-
Other emoluments:		
Salaries and other benefits	<u>3,228,040</u>	<u>6,610,983</u>
	<u>3,228,040</u>	<u>6,610,983</u>

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year (2017: Nil)

A reconciliation of the tax credit applicable to loss before tax at the Hong Kong statutory rate to the tax credit at the Company's effective tax rate is as follows:

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7. INCOME TAX (continued)

	2018 HK\$	2017 HK\$
Loss before tax	(43,492,540)	(49,857,989)
Tax credit at the Hong Kong statutory tax rate of 16.5% (2016: 16.5%)	(7,176,269)	(8,226,568)
Income not subject to tax	(535,215)	(387,479)
Expenses not deductible for tax	1,401,306	4,991,431
Tax losses not recognised	6,310,178	3,622,616
Tax amount at the Company's effective tax rate	-	-

8. INVESTMENT IN A SUBSIDIARY

	2018 HK\$	2017 HK\$
Unlisted investment, at cost	54,374,700	50,460,700
Less: Impairment	(54,374,700)	(50,460,700)
	-	-

Particulars of a subsidiary are as follows:

Name	Place of incorporation/ registration and business	Issued share capital	Percentage of equity directly attributable to the Company		Principal activities
			2018	2017	
PKC Vehicle Technology (Suzhou) Co., Ltd.*	People's Republic of China ("PRC")/ Mainland China	US\$7,000,000	100	100	Sales, manufacturing, research and development of wiring systems in the PRC

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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8. INVESTMENT IN A SUBSIDIARY (continued)

- # Full impairment was recognised for an unlisted investment in a subsidiary with a carrying amount before provision for impairment of HK\$54,374,700 as at 31 December 2018 (2017: HK\$50,460,700). There were certain indicators of impairment for the investment and an impairment was made based on an assessment of the recoverable amount of the investment at the end of the reporting period. The recoverable amount of the investment is its value-in-use, which reflects management's estimate of the expected future cash flows from the investment based on its future prospects and development plan. During the current year, an additional impairment of HK\$3,914,000 (2017: HK\$11,676,700) was made in respect of an investment in a subsidiary.

9. INVESTMENTS IN JOINT VENTURES

	2018 HK\$	2017 HK\$
Unlisted investments, at cost	302,460,872	285,393,174
Less: Impairment	(14,477,079)	(9,920,025)
	<u>287,983,793</u>	<u>275,473,149</u>

Particulars of the joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Company		Principal activities
			2018	2017	
Jiangsu Huakai-PKC Wire Harness Co., Ltd.	Ordinary shares	PRC/ Mainland China	50	50	Sales, manufacturing, research and development of automobile wire harness
PKC Vehicle Technology (Hefei) Co., Ltd.	Ordinary shares	PRC/ Mainland China	50	50	Design develop, and manufacturing of wire harness
Hubei Zhengao PKC Automotive Wiring Company Ltd.	Ordinary shares	PRC/ Mainland China	40	40	Sales, manufacturing, research and development of automobile wire harness

9. INVESTMENTS IN JOINT VENTURES (continued)

- # An impairment of HK\$14,477,079 (2017: HK\$9,920,025) was recognised during the year for an unlisted investment in a joint venture, with carrying amount before provision for impairment of HK\$57,809,431 (2017: HK\$40,741,733) as at 31 December 2018. There were certain indicators of impairment for the investment and an impairment was made based on an assessment of the recoverable amount of the investment at the end of the reporting period. The recoverable amount of the investment is its value-in-use, which reflects management's estimate of the expected future cash flows from the investment based on its future prospects and development plan.

10. DEPOSIT

	2018 HK\$	2017 HK\$
Deposit	<u>-</u>	<u>366,000</u>

The deposit had no recent history of default and was fully recovered during the year.

11. AMOUNT DUE TO AND LOANS FROM THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company is unsecured, interest-free and repayable on demand except for the interest payable of HK\$23,728,661 (2017: HK\$20,494,637) which is payable semi-annually.

The loans from the immediate holding company with an aggregate principal amount of HK\$452,021,875 (2017: HK\$ 408,958,855) are unsecured, bear interest at 4.34% - 9.68% (2017: 3.46% - 8.97%) per annum and are repayable within 5 years.

12. LOANS TO A SUBSIDIARY

The loans to a subsidiary are unsecured, interest-bearing at 4.34% - 8.28% (2017: 4.34%) per annum, and repayable within 5 years.

At 31 December 2017, an impairment loss of HK\$6,357,571 was recognised in respect of the loans to a subsidiary.

13. SHARE CAPITAL

	2018 HK\$	2017 HK\$
Issued and fully paid:		
500,000 (2017: 500,000) ordinary shares	<u>500,000</u>	<u>500,000</u>

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14. CAPITAL COMMITMENTS

The Company had the following capital commitments at the end of the reporting period:

	2018 HK\$	2017 HK\$
Contracted, but not provided for:		
Capital contributions to joint ventures	<u>-</u>	<u>21,855,650</u>

15. OPERATING LEASE ARRANGEMENT

The Company leases a director's quarter under an operating lease arrangement. The lease for the director's quarter is negotiated for a term of one year. At the end of the reporting period, the Company had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	2018 HK\$	2017 HK\$
Within one year	<u>-</u>	<u>1,281,000</u>

16. NOTE TO THE STATEMENT OF CASH FLOWS

Changes in a liability arising from a financing activity

	Loans from the immediate holding company HK\$
At 1 January 2017	298,010,300
Changes from financing cash flows	<u>110,948,555</u>
At 31 December 2017 and 1 January 2018	408,958,855
Changes from financing cash flows	<u>43,063,020</u>
At 31 December 2018	<u>452,021,875</u>

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17. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions, arrangements and balances detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year:

	Notes	2018 HK\$	2017 HK\$
Interest income from a subsidiary	(i)	3,234,024	2,442,847
Interest expenses charged by the immediate holding company	(ii)	22,906,952	16,566,576
Management services fee charged by a subsidiary	(iii)	<u>11,026,067</u>	<u>-</u>

Notes:

- (i) The interest income from a subsidiary arose from loans due therefrom, details of which, including terms, are included in note 12 to the financial statements.
- (ii) The interest expenses charged by the immediate holding company arose from loans due thereto, details of which, including terms, are included in note 11 to the financial statements.
- (ii) The management services fee charged by a subsidiary was based on terms mutually agreed between both parties.
- (b) There is no compensation paid to the key management personnel of the Company in respect of their services rendered to the Company during the year (2017: Nil).

18. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost 2018 HK\$	Loans and receivables 2017 HK\$
Deposit	-	366,000
Cash and cash equivalents	<u>2,549,643</u>	<u>2,071,463</u>
	<u>2,549,643</u>	<u>2,437,463</u>

18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

<u>Financial liabilities</u>	2018 HK\$	2017 HK\$
Financial liabilities at amortised cost:		
Other payables and accruals	198,403	203,328
Due to the immediate holding company	78,632,267	53,779,048
Due to the subsidiary	11,026,067	-
Loans from the immediate holding company	452,021,875	408,958,855
	<u>541,878,612</u>	<u>462,941,231</u>

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and cash equivalents. The Company has various other financial assets and liabilities such as loans to a subsidiary, a deposit, financial liabilities included in other payables and accruals, loans from the immediate holding company and balances with the immediate holding company, which mainly arise directly from its operations.

Management reviews and agrees policies for managing the risks arising from the Company's financial instruments. The main risks arising from the Company's financial instruments and policies for managing each of these risks are summarised below.

Foreign currency risk

The Company has transactional currency exposures. Such exposures arise from other income generated and finance costs incurred in denominated currencies other than the Company's functional currency. Majority of the Company's funding, other income and expenses are denominated in either United States dollars ("USD") or HK\$ (the Company's functional currency). As HK\$ are pegged to USD, the Company does not anticipate significant movements in the USD to HK\$ exchange rate, accordingly, management considers that the Company's foreign currency risk is minimal.

Credit risk

The credit risk of the Company's other financial assets, which comprise cash and cash equivalents, and a deposit, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Company's objective is to ensure there are adequate funds to meet commitments associated with its financial liabilities. Cash flows of the Company are closely monitored by senior management on an ongoing basis.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018		
	On demand HK\$	Less than 1 year HK\$	Total HK\$
Other payables and accruals	-	198,403	198,403
Due to the immediate holding company	78,632,267	-	78,632,267
Due to the subsidiary	11,026,067	-	11,026,067
Loans from the immediate holding company	452,021,875	-	452,021,875
	<u>541,680,209</u>	<u>198,403</u>	<u>541,878,612</u>
	2017		
	On demand HK\$	Less than 1 year HK\$	Total HK\$
Other payables and accruals	-	203,328	203,328
Due to the immediate holding company	53,779,048	-	53,779,048
Loans from the immediate holding company	408,958,855	-	408,958,855
	<u>462,737,903</u>	<u>203,328</u>	<u>462,941,231</u>

Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its operations and maximise shareholder's value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and business strategy. To maintain or adjust the capital structure, the Company may return capital to shareholder or issue new shares. The Company is not subject to any externally imposed capital requirements. No significant changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

Capital of the Company comprises all components of shareholder's equity.

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NOTES TO FINANCIAL STATEMENTS

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20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 December 2019.

