ANNUAL REPORT 2018

Greatview Aseptic Packaging Company Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 0468

CONTENTS


GREATVIEW
GREATVIEW®
Aseptic Packaging
1000mL

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. BI Hua, Jeff *(Chief Executive Officer)*
Mr. LIU Jun (resigned with effect from 31 January 2019)
Mr. CHANG Fuquan (appointed with effect from 27 March 2019)

Non-Executive Directors

Mr. HONG Gang *(Chairman)*
Mr. HSU David

Independent Non-Executive Directors

Mr. LUETH Allen Warren
Mr. BEHRENS Ernst Hermann
Mr. ZHU Jia (re-designated from non-executive Director to independent non-executive Director with effect from 15 March 2018)

JOINT COMPANY SECRETARIES

Mr. CHANG Fuquan (resigned with effect from 27 March 2019)
Ms. MOK Ming Wai (resigned with effect from 29 August 2018)
Ms. SO Lai Shan (appointed with effect from 29 August 2018)
Ms. QI Zhaohui (appointed with effect from 27 March 2019)

AUTHORIZED REPRESENTATIVES

Mr. BI Hua, Jeff (appointed with effect from 15 March 2018)
Ms. MOK Ming Wai (resigned with effect from 29 August 2018)
Ms. SO Lai Shan (appointed with effect from 29 August 2018)

AUDIT COMMITTEE

Mr. LUETH Allen Warren *(Chairman)*
Mr. BEHRENS Ernst Hermann
Mr. HSU David
Mr. ZHU Jia (appointed with effect from 15 March 2018)

REMUNERATION COMMITTEE

Mr. ZHU Jia *(Chairman)*
(appointed with effect from 15 March 2018)
Mr. BI Hua, Jeff
Mr. LUETH Allen Warren
Mr. BEHRENS Ernst Hermann

NOMINATION COMMITTEE

Mr. HONG Gang *(Chairman)*
Mr. BEHRENS Ernst Hermann
Mr. ZHU Jia (appointed with effect from 15 March 2018)

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

OTHER PLACE OF BUSINESS IN HONG KONG

Unit 15, 36/F, China Merchants Tower
Shun Tak Centre
No. 168–200 Connaught Road
Central
Hong Kong

HEADQUARTER IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

14 Jiuxianqiao Road
Chaoyang District
Beijing 100015
The PRC

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Iu, Lai & Li Solicitors
Norton Rose Fulbright Hong Kong
Tian Yuan Law Firm

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Commerzbank AG
The Hongkong and Shanghai Banking Corporation Limited
Citi Bank
China Construction Bank
Industrial and Commercial Bank of China
China Merchants Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

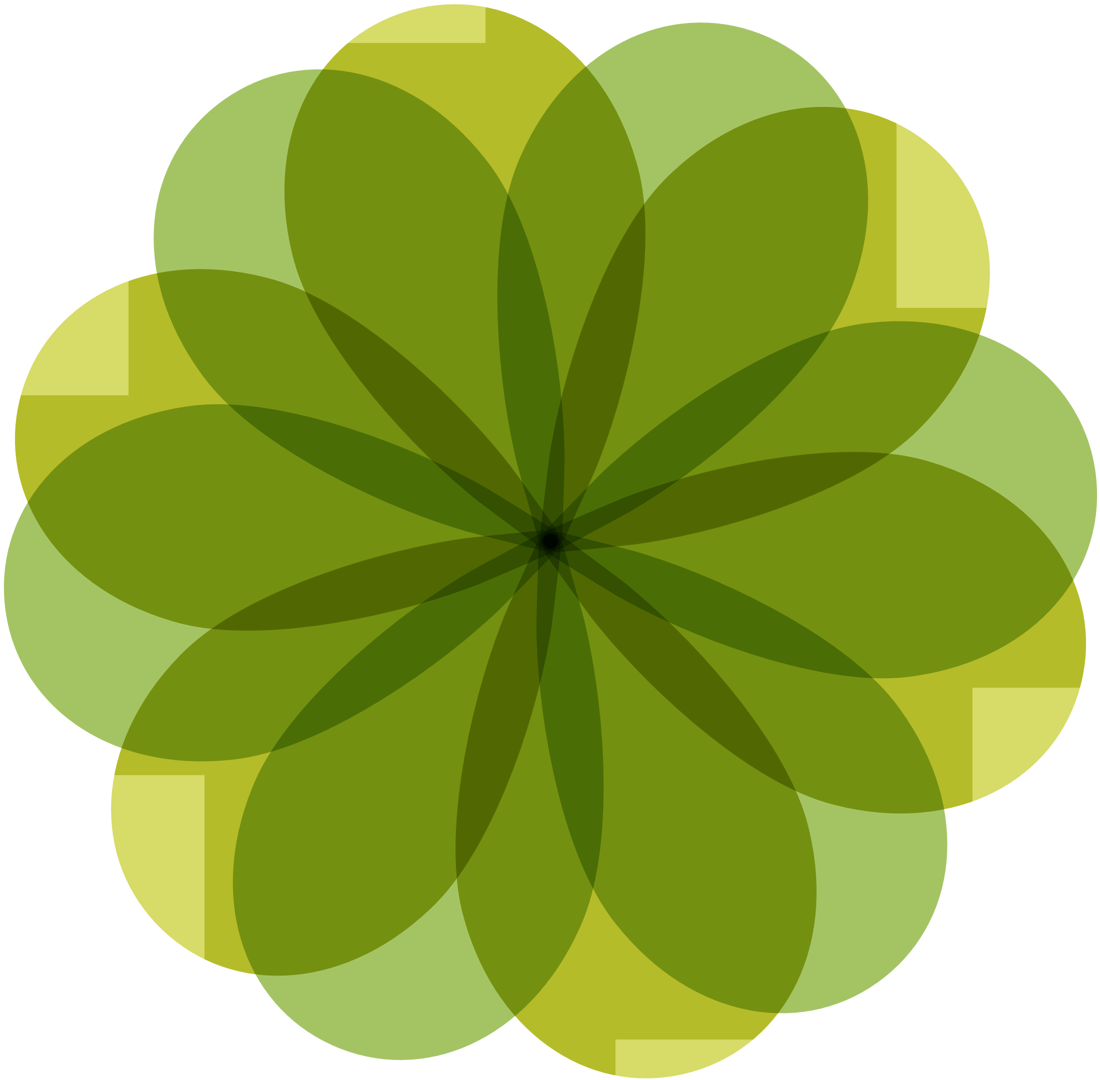
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.greatviewpack.com

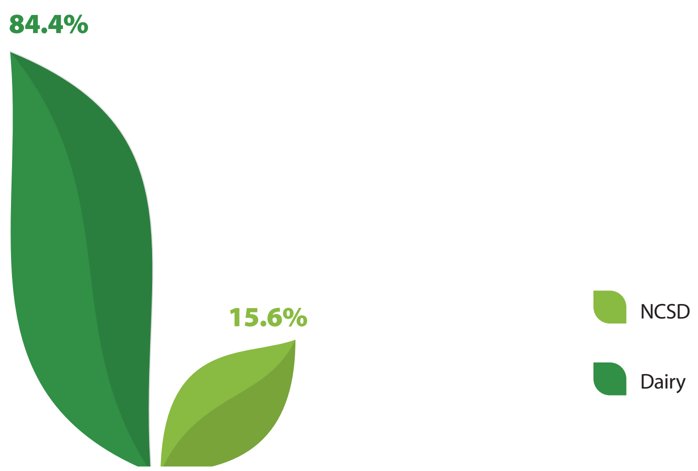


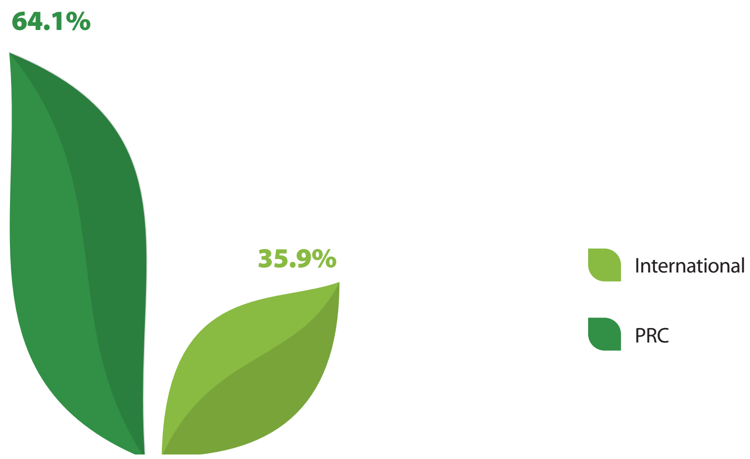
We make liquid food consumption safe, accessible and appealing, while respecting the environment.

FINANCIAL SUMMARY

	Year ended 31 December		
	2018	2017	Percentage
	RMB (million)	RMB (million)	%
Revenue	**2,492.7**	2,336.3	6.7
Gross profit	**617.9**	638.4	-3.2
Net profit	**360.1**	343.3	4.9
Profit attributable to shareholders	**360.1**	343.3	4.9
Earnings per share — basic and diluted (RMB)	**0.27**	0.26	3.8
Proposed dividend per share (HK$)	**0.14**	0.13	7.7

REVENUE ANALYSIS






Unique QR code per pack for traceability
GREATVIEW
Unique QR code per pack for traceability
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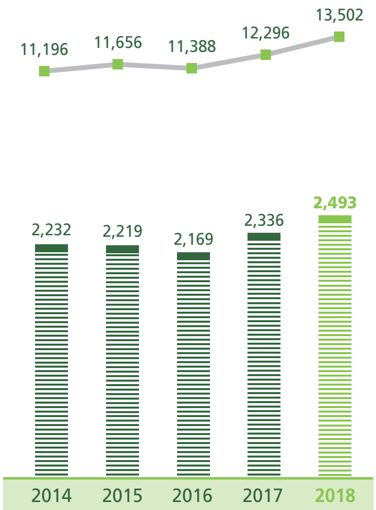
Unique QR code per pack for traceability
GREATVIEW

FIVE YEARS FINANCIAL SUMMARY

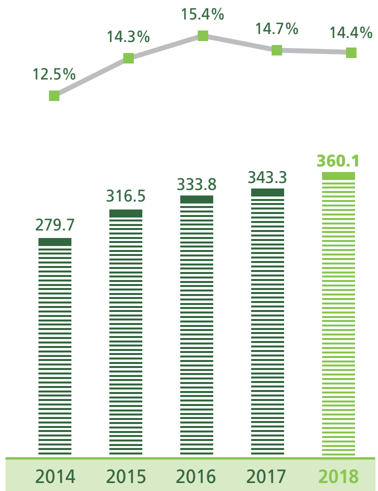
REVENUE TREND



Volume (in million packs)

Revenue
(in RMB million)

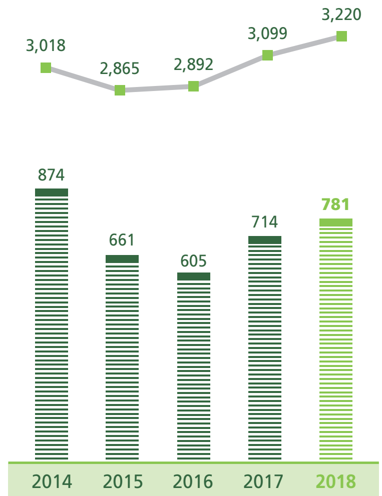
PROFIT TREND



% of Revenue

Net Profit
(in RMB million)

ASSET AND LIABILITY TRENDS



Total Assets
(in RMB million)

Total Liabilities
(in RMB million)

	2018 **RMB'000**	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Assets					
Non-current assets	**1,427,761**	1,434,873	1,368,351	1,338,094	1,345,667
Current assets	**1,792,699**	1,663,875	1,524,011	1,527,300	1,672,141
Total assets	**3,220,460**	3,098,748	2,892,362	2,865,394	3,017,808
Liabilities					
Non-current liabilities	**119,480**	91,223	91,674	95,876	111,682
Current liabilities	**661,621**	622,492	513,386	564,877	761,855
Total liabilities	**781,101**	713,715	605,060	660,753	873,537
Total equity	**2,439,359**	2,385,033	2,287,302	2,204,641	2,144,271

CEO'S STATEMENT

START THE NEW YEAR AFRESH

Against the backdrop of the comeback of trade protectionism and the continuous economic evolution at both the global and PRC levels, the global economy has been developing under unprecedented uncertainty in 2018. Thanks to the effort of every one in Greatview who possesses a spirit of innovation and excellence, we are able to maintain a steady growth in both volume and revenue amid tough internal and external market circumstances.

The Engel's coefficient, which reflects consumers' spending on food as income changes, has been dropped to 28.4% for Chinese households in 2018. Customisation and premiumization have impacted all the major industries including the dairy sector. Consumption has become more liberal and consumer behaviour has been more transparent with the rapid development of e-commerce. While market competition intensifies, new modes of marketing, communication and retail concepts have constantly been developed. The Internet Celebrity economy and the rise of brand-as-an IP have disrupted the traditional ways of retailing and marketing. Nevertheless they also open up new market opportunities. By leveraging on the well-established and trusted interaction among Greatview, our customers and the end consumers, together with the application prospects of the Internet of Things ("IoT"), Greatview has pioneered the concept of "Smart Packaging" and with welcoming response from the customers.

We have achieved an encouraging growth in the international business which has been helped by our increased management focus as well as the continuous development of the global dairy beverage market. The introduction of the Customer Relationship Management system ("CRM system") in 2018 enabled us to seek and retain customers more effectively. The quality of our products and the provision of technical services have also helped the increase in market share. Riding on our reputation and experience, we will continue to increase our geographical coverage and momentum of acquiring new customers.

We have started 2019 with an exciting move to improve our strategic positioning. Greatview entered into the Equity Acquisition Framework Agreement with Qingdao Likang Food Packaging Technology Company Limited ("Likang") in January 2019. We believe that the acquisition of Likang will broaden our customer base and create synergies with our current production capacity. Our customers will also benefit from a larger business scale and higher efficiency brought by the acquisition of Likang. I welcome the team of Likang to the Greatview family.

Despite an even more complex competitive landscape, we nonetheless will maintain our strategic vision and competitive advantage. This will be achieved by relentlessly pursuing innovation and expediting our international development. We will also ensure we stay on top of the development of the international food industry in terms of consumer preference, technology and market development. Being innovative yet pragmatic and execute with both speed and quality are all in our core value. Greatview will always be a customer-centric company providing customers with product of excellent quality. At the same time, new market penetration will be our key focus and operationally, we will continue to improve quality and manage costs. We will also continue to develop our corporate responsibility by driving sustainability in our process and products.

No matter how the world changes people always desire a better life. It has therefore always been our mission to "provide a sustainable solution to make liquid food consumption safe, accessible and appealing". Stepping into the new year, we are ready to embark a whole new journey. Let us join hands and write a new chapter together.

BI Hua, Jeff
CEO and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Our Group (Greatview Aseptic Packaging Company Limited, our "Company" or "Greatview" and its subsidiaries) provides integrated packaging solution, which includes aseptic packaging materials, filling machines, spare parts and technical services, to the liquid food industry. We are the second largest roll-fed supplier globally and the leading alternative supplier in the PRC. Our aseptic packaging materials are branded under the trademark of "GREATVIEW", which includes "Greatview Brick", "Greatview Pillow", "Greatview Crown", "Greatview Octagon" and "Greatview Blank-Fed". Our aseptic packaging materials are fully compatible with industry-standard roll-fed and blank-fed aseptic carton filling machines, which has benefited most of the dairy and non-carbonated soft drink ("NCSD") producers in the PRC as well as numerous of international customers.

In 2018, there was high political and trade tension between the world's major economies, and the global economy has been developing under unprecedented uncertainty. As the growth rate of the PRC economy continues to stall, the consumption of the domestic dairy industry remains weak. This puts pressure on the demand and prices of our products. Despite tough internal and external market circumstances, Greatview managed to further expand its customer base and maintain its steady overall operating results. This is delivered through continuously increasing its investment in research and development, enhancing product quality and operational efficiency, and extending its scope of technical services. Greatview's overall results have also been helped by an encouraging growth in the international market.

In respect of our business in the PRC, which is Greatview's single largest market, the competition of the liquid dairy market has been tough. There has been continuous consolidation of the dairy industry and a modest increase in the retail price of ambient liquid dairy products which has driven a low single-digit growth in the PRC dairy market. Greatview's growth rate followed that of the market.

For the international business, strategic partnerships have been established with several large dairy groups which contributed to the increase in orders. Currently, three of our top five customers come from the international market.

Management Discussion And Analysis

In 2018, the Company continues to focus on our industry-leading variable printing technologies to provide "Smart Packaging" solutions for marketing and traceability solutions and variable printing orders. This is also a key driver of our customer growth. We secured customer orders for a new product named "Greatview Luster". "Greatview Luster" is a decor effect that gives aseptic cartons a unique soft metallic luster which helps our customers improve their shelf appearance. The "Greatview Crown" product series expanded from the 250mL series to the 500mL series as well which widens our product range. We also launched "Greatview Discovery", which applies entertaining play to aseptic packaging by combing "Smart Packaging" technology and its printing technologies, enabling customers to interact with their consumers.

In addition, Greatview has implemented CRM system, which enables us to further develop our understanding and relationship with the customers. Our technical services helped us add value to customers' filling process and identify new sales opportunities. Staying on top of the latest international food trends, technologies and market developments, Greatview continues to derive innovation. We will continue to be a customer-centric company which put customers in the core of our market and product development.

In December 2018, the completion of Entity Code for Industrial Internet Identification System Integrated Innovative Application Project ("Project Ecode") marked the leading role of Greatview in the dairy industry regarding the IoT. Jointly launched by GS1 China and several units including China Mengniu Dairy Co., Ltd., Greatview and Greatdata, Project Ecode is a new IoT application and a national exemplar of one-code-per-thing technology. In the same month, Greatview received the awards of "Excellent Service Providers in China Food Industry" in 2018 and "China Food Traceability Excellent Suppliers" from China Food Association in 2018.

Management Discussion And Analysis

Markets and Products

We sold a total of 13.5 billion packs during the year ended 31 December 2018 which represents an increase of 9.8% as compared to 2017. The sales volume in the PRC grew slightly while the international business maintained its high growth momentum. "Greatview Brick 250ml Base" remained as our top selling product, followed by "Greatview Brick 250ml Slim".

In the PRC market, the profitability of mid-and-low-end customers weakened while the concentration of the liquid dairy sector gradually increased, and the bargaining power of customers was stronger. Despite the fact that domestic dairy market grew slower as compared with before, we remain positive on the outlook for the dairy industry in the long run in view of urbanisation and the relatively low annual per capita consumption of dairy products in the PRC.

As for the international business, with a view of the growth of global population and the development opportunities to us in the current market share, we are optimistic about our potential opportunities in 2019 and beyond.

In response to increasing market demand for aseptic packaging products, we will strive to step up research and development of new products, introduce various types and sizes of packaging products and expand our product portfolio so as to widen our customer base and enhance our brand image in the market.

Production Capacity and Utilisation

Greatview has a total annual production capacity of 25.4 billion packs as of 31 December 2018 (2017: 25.4 billion packs). Approximately 13.4 billion packs were produced for the year ended 31 December 2018 which represented an utilization rate of 52.8% (2017: 49.2%). The increase in the utilisation rate was mainly due to the increase in our total sales volume.

Management Discussion And Analysis

Suppliers and Raw Materials

During the year ended 31 December 2018, the cost of raw materials remained stable with the support of effective supply chain management.

We continued to select top quality suppliers to maintain the stability of the cost of raw materials.

Business development

Greatview provides aseptic packaging materials and services to leading dairy and NCSD producers across the world.

Greatview, as the sole paper-based aseptic packaging supplier, officially became the strategic supplier of New Hope Dairy Holdings Co., Ltd. Greatview also received the recognition of "Mengniu Annual Excellent Business Partner Award" at the Mengniu Annual Excellent Supplier Conference.

In July 2018, Greatview completed and introduced its corporate visual recognition system, presenting a fresh corporate visual image. During the year under review, Greatview also launched the marketing and design U+ services, serving 18 customers with 124 design drafts and more than 100 smart packaging marketing proposals.

In August 2018, Greatview showcased its Smart Packaging product line, featuring innovative products, "Greatview Discovery" and "Greatview Luster", as well as blank-fed packaging products, at the 18th Dairy Product Technologies Exhibition hosted by China Dairy Industry Association in Xi'an. In November 2018, Greatview attended Gulfood Manufacturing, an international food processing exhibition, in Dubai, at which "Greatview Discovery" and "Greatview Luster" caught strong interest of some of the international customers.

Management Discussion And Analysis

Relationships with Stakeholders

Our Group is committed to operate in a sustainable manner while balancing the interests of our various stakeholders including customers, suppliers, employees, shareholders and the social communities. Providing customers with good quality products, with a timely and relevant pre/after sales services is always our focus. Similarly, we view our suppliers as not just vendors but strategic partners and an important component of our supply chain. We aim at providing long-term and sustainable return to our shareholders. Our employees are the key to a sustainable business growth hence workplace safety is a key priority. We uphold our spirit of social responsibility and actively carry out volunteer activities to the best of our ability.

Compliance with Applicable Laws and Regulations

For the year ended 31 December 2018, our Group's operations are mainly carried out by our Company's subsidiaries in the PRC, Hong Kong, Germany and Switzerland. The Group accordingly shall comply with relevant laws and regulations in the PRC, Hong Kong, Germany and Switzerland and the respective places of incorporation of our Company and our subsidiaries.

During the year and up to the date of this annual report, the board of the Company (the "Board") was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of our Group.

FINANCIAL REVIEW

Overview

For the year ended 31 December 2018, the Company managed to maintain a steady growth under the circumstances of an increasingly severe market environment. We continuously endeavored to optimize the product portfolio and production efficiency, meanwhile we strived to expand market share. As a result, we achieved an increase in top line and bottom line for the year ended 31 December 2018. We have also attained free cash to propose for dividend. Our management is satisfied with the financial results and will continue to capture growth in the aseptic packaging industry as well as explore potential business development opportunities to further enhance return to our shareholders.

Management Discussion And Analysis

Revenue

We primarily derive revenue from domestic and international sales of aseptic packaging and related services to dairy and NCSD producers. Revenue of our Group increased by 6.7% from approximately RMB2,336.3 million for the year ended 31 December 2017 to approximately RMB2,492.7 million for the year ended 31 December 2018. The increase was primarily due to the sales growth in the international market.

With respect to the domestic segment, our revenue decreased by approximately RMB21.5 million, or 1.3%, to approximately RMB1,598.7 million for the year ended 31 December 2018 from approximately RMB1,620.2 million for the year ended 31 December 2017. Such decrease was mainly impacted by the decline of the average sales prices in the PRC market.

With respect to the international segment, our revenue increased by approximately RMB177.9 million, or 24.8%, to approximately RMB894.0 million for the year ended 31 December 2018 from approximately RMB716.1 million for the year ended 31 December 2017. The main contributor was an increase in sales volume in the international market.

Our revenue from dairy customers increased by approximately RMB98.2 million, or 4.9%, to approximately RMB2,103.0 million for the year ended 31 December 2018 from approximately RMB2,004.8 million for the year ended 31 December 2017, and our revenue from NCSD customers increased by approximately RMB58.2 million, or 17.6%, to approximately RMB389.7 million for the year ended 31 December 2018 from approximately RMB331.5 million for the same period in 2017. It was mainly contributed by the increase of sales volume in the international market.

Cost of Sales

Our cost of sales increased by approximately RMB176.9 million, or 10.4%, to approximately RMB1,874.8 million for the year ended 31 December 2018 from approximately RMB1,697.9 million for the year ended 31 December 2017. The growth in cost of sales mainly due to the increase of total sales volume and the fluctuation of exchange rate.

Gross Profit and Gross Margin

As a result of the foregoing factors, our gross profit decreased by approximately RMB20.5 million, or 3.2% from approximately RMB638.4 million for the year ended 31 December 2017 to approximately RMB617.9 million for the year ended 31 December 2018. Our gross margin decreased by 2.5 percentage points to 24.8% for the year ended 31 December 2018 from 27.3% for the year ended 31 December 2017. It was primarily due to a decrease in sales price in the PRC business and the slight increase in unit cost in the international business.

Management Discussion And Analysis

Other Income and other gains — net

Our other income and other gains — net increased by approximately RMB29.4 million, or 54.9%, to approximately RMB83.0 million for the year ended 31 December 2018 from approximately RMB53.6 million for the year ended 31 December 2017. It was primarily due to the increase in government subsidy and income from wealth management product.

Distribution Expenses

Our distribution expenses increased by approximately RMB15.8 million, or 13.1%, to approximately RMB136.3 million for the year ended 31 December 2018 from approximately RMB120.5 million for the year ended 31 December 2017. The increase was primarily due to an increase in transportation expenses with the growth in sales volume of international business.

Administrative Expenses

Our administrative expenses decreased by approximately RMB0.7 million, or 0.5%, to approximately RMB130.0 million for the year ended 31 December 2018 from approximately RMB130.7 million for the year ended 31 December 2017. The decrease was primarily due to our good control over the administrative expenses.

Taxation

Our tax expenses decreased by approximately RMB16.6 million to approximately RMB84.5 million for the year ended 31 December 2018 from approximately RMB101.1 million for the year ended 31 December 2017. Effective tax rate decreased by 3.8 percentage points to 19.0% for the year ended 31 December 2018 from 22.8% for the previous financial year.

Profit for the Year and Net Profit Margin

Our net profit increased by approximately RMB16.8 million, or 4.9%, to approximately RMB360.1 million for the year ended 31 December 2018 from approximately RMB343.3 million for the year ended 31 December 2017. Our net profit margin decreased by 0.3 percentage points to 14.4% for the year ended 31 December 2018 from 14.7% for the year ended 31 December 2017.

Management Discussion And Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, we had approximately RMB556.4 million (2017: approximately RMB355.8 million) in cash and cash equivalents. Our cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC.

As at 31 December 2018, we had nil (2017: approximately RMB120.4 million) in available-for-sale financial assets, which represented wealth management products purchased from certain commercial banks in the PRC for treasury management purposes.

Analysis of Turnover of Inventories, Trade Receivables and Payables

Our Group's inventories primarily consist of raw materials and finished goods. Turnover days for inventory (inventories/cost of sales) increased from 114.5 days as at 31 December 2017 to 117.2 days as at 31 December 2018. Turnover days for trade receivables (trade receivables/revenue) increased from 51.5 days as at 31 December 2017 to 57.0 days as at 31 December 2018. Turnover days for trade payables (trade payables/cost of sales) increased from 44.5 days as at 31 December 2017 to 45.9 days as at 31 December 2018.

Borrowings and Finance Cost

All borrowings of our Group as at 31 December 2018 were bank borrowings and amounted to approximately RMB190.4 million (2017: approximately RMB112.9 million) and denominated in Euro and Hong Kong dolloar. Amongst the borrowings, approximately RMB161.0 million (2017: approximately RMB112.9 million) will be repayable within one year and approximately RMB29.4 million (2017: nil) will be repayable after one year. For the year under review, net finance income of our Group was approximately RMB8.4 million (2017: approximately RMB3.5 million). For details of the borrowings of our Group, please refer to note 22 to the consolidated financial statements in this annual report.

Gearing Ratio

As at 31 December 2018, the gearing ratio of our Group was approximately 0.08 (2017: 0.05), which was in line with the growth of outstanding loans. The gearing ratio is calculated by dividing total loans and bank borrowings by total equity) as at the end of the financial year.

Management Discussion And Analysis

Working Capital

Our working capital (calculated by the difference between the current assets and current liabilities) as at 31 December 2018 was approximately RMB1,131.1 million (2017: approximately RMB1,041.4 million).

Foreign Exchange Exposure

Our Group's sales were primarily denominated in RMB and Euro. During the year under review, our Group recorded exchange gain of approximately RMB5.0 million (2017: exchange loss of approximately RMB4.6 million).

Capital Expenditure

As at 31 December 2018, our Group's total capital expenditure amounted to approximately RMB114.4 million (2017: approximately RMB144.7 million), which was used for constructing new buildings and purchasing production machines and equipment for the Group.

Charge on Assets

As at 31 December 2018, our Group neither pledged any property, plant and equipment (2017: nil) nor land use right (2017: nil).

Contingent Liabilities

As disclosed in the prospectus of the Company dated 26 November 2010, a claim was brought by Tetra Laval Holdings & Finance S.A., Pully Switzerland ("Tetra Pak") in July 2010 in the Dusseldorf district court in Germany (the "Court"), alleging patent infringement of a claim of a European patent related to aseptic packaging material ("Tetra Pak's Claim") against two group companies.

The Court has denied Tetra Pak's Claim in December 2011 and found Tetra Pak liable for the costs of the proceedings (the "Judgment"). On 16 January 2012, Tetra Pak filed a notice of appeal to Dusseldorf Higher Regional Court against the Judgment.

Management Discussion And Analysis

On 20 October 2010, we commenced opposition proceedings before the European Patent Office (the "EPO") to invalidate the subject patent in question in Tetra Pak's infringement claim, with effect throughout all EPO member states. On 27 November 2012, the opposition division of EPO revoked the subject patent in its entirety; however, Tetra Pak filed an appeal on 17 April 2013 against the first instance decision. On 26 April 2018, an oral hearing has been held and the EPO Boards of Appeal has dismissed Tetra Pak's appeal and thereby confirmed the invalidity of EP 085. On 19 July 2018, the EPO Boards of Appeal issued a decision of revoking the subject patent. Tetra Pak has waived filing a petition for a review of the decision in the EPO appeal proceedings by the Enlarged Board of Appeal. Finally, the subject patent is completely invalidated in its entirely.

On 26 September 2018, Tetra Pak has withdrawn the appeal to Dusseldorf Higher Regional Court. On 27 September 2018, Dusseldorf Higher Regional Court has issued court order which states that due to Tetra Pak's withdrawal Tetra Pak has to bear the costs of the appeal proceedings. Consequently, Tetra Pak's Claim against the two companies of the Group based on EP 085 is dismissed completely.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, our Group employed approximately 1,339 employees (31 December 2017: approximately 1,246 employees). Our Group offered competitive salary package, as well as discretionary bonuses, cash subsidies and contribution to social insurance to our employees. Total employee benefit expenses for the year ended 31 December 2018 amounted to RMB233.9 million (2017: RMB204.7 million). In general, we determine employee salaries based on each employee's qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions. Share option schemes have also been adopted for employees of our Group. In order to ensure that our Group's employees remain competitive in the industry, the Company has adopted training schemes for our employees managed by our human resources department. Details of the remuneration of our Group, please refer to note 21 to the consolidated financial statements in this annual report.

Management Discussion And Analysis

PROSPECTS

Greatview focuses on the PRC and international markets and intends to execute below plans to support future development:

- Expanding our market share in the PRC through higher penetration of existing customers and growing our customer base;
- Further developing our international business;
- Broadening our product offering of packaging material and filling equipment, and improving after sales technical service;
- Increasing our capacities and sustainabilities; and
- Driving operational excellence.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. BI Hua, Jeff (畢樺)

Mr. BI Hua, Jeff (畢樺), aged 55, joined the Group as Chief Executive Officer in March 2003 and was appointed as an executive director of the Company (the "Director") on 29 July 2010. He is primarily responsible for our overall business strategy formulation, execution and organizational development. Mr. Bi is also a director of our subsidiaries, namely Partner One Enterprises Limited ("Partner One"), Greatview Holdings Limited ("Greatview Holdings"), Greatview Aseptic Packaging (Shandong) Co. Ltd. ("Shandong Greatview Aseptic"), Greatview Aseptic Packaging (Inner Mongolia) Co. Ltd. ("Inner Mongolia Greatview Aseptic"), Greatview Beijing Trading Co. Ltd. ("Beijing Greatview"), Greatview Aseptic Packaging Europe GmbH (formerly known as Tralin Pak Europe GmbH and GA Pack Europe GmbH), and Greatview Aseptic Packaging Manufacturing GmbH (formerly known as GA Pack Property GmbH and GA Pack Manufacturing GmbH). Mr. Bi has more than 21 years of experience in marketing development in the aseptic packaging industry as well as company management. From 1997 to 2003, he was a sales and marketing manager at a leading aseptic packaging producer. From 1992 to 1997, Mr. Bi was the Greater China manager of Echostar Corporation, a software and service provider for television companies worldwide. Mr. Bi graduated from the University of Denver with a Master of Arts degree in 1991. He did not hold any directorship in other listed public companies in the last three years. For the interests of Mr. Bi in the shares of the Company (the "Shares") or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") as at 31 December 2018, please refer to the paragraph headed "Interests and Short positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" of page 29 of this annual report for details.

Mr. CHANG Fuquan (常福泉)

Mr. CHANG Fuquan (常福泉), aged 61, is our Chief Financial Officer and was appointed as an executive Director on 27 March 2019. Mr. Chang joined our Group in June 2005. He is primarily responsible for the overall accounting, financial management and treasury of our Group. Mr. Chang has over 29 years of experience in financial management. Prior to joining us, Mr. Chang was the chief finance officer of Fujian Nanping Nanfu Battery Co., Ltd. from 2002 to 2005, the finance controller of John Deere Jialian Harvester Co. Ltd. from 1999 to 2001, the deputy finance controller of China Automotive Components Corporation from 1997 to 1999, the chief financial officer of San Miguel Bada (Baoding) Brewery Co., Ltd. from 1995 to 1996 and the financial director of China Enterprise Culture Group from 1992 to 1994. Mr. Chang has also worked as the financial supervisor at 北京麥當勞食品有限公司 (Beijing McDonald's Food Co Ltd.) from 1994 to 1995 and as an accountant in each of Bohai Oil Corporation and Oil Drilling Service Co, both being subsidiaries of China National Offshore Oil Corporation from 1985 to 1992. Mr. Chang graduated from Xiamen University in the PRC in 1985, major in International Accounting. He completed a Master of Accounting Class in Xiamen University in the PRC in 1998. He did not hold any directorship in other listed public companies in the last three years. As at the date of this annual report, Mr. Chang beneficially holds 4,500,000 Shares.

Non-executive Directors

Mr. HONG Gang (洪鋼)

Mr. HONG Gang (洪鋼), aged 60, is our co-founder and Chairman. Mr. Hong joined the Group in March 2003. He was appointed as an executive Director on 29 July 2010 and was re-designated as non-executive Director on 29 August 2014. He is primarily responsible for the strategic development and supervision of investor relations of our Group. Mr. Hong has more than 30 years of experience in the packaging industry. From 1993 to 2002, he held various executive positions with a leading aseptic packaging producer. Mr. Hong graduated from Zhejiang University in the PRC with a Bachelor of Science degree in 1982 and obtained a Master of Philosophy (Development Studies) degree from Sussex University in the United Kingdom in 1987. He did not hold any directorship in other listed public companies in the last three years. For the interests of Mr. Hong in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO as at 31 December 2018, please refer to the paragraph headed "Interests and Short positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" of page 29 of this annual report for details.

Board of Directors and Senior Management

Mr. HSU David (許立慶)

Mr. HSU David (許立慶), aged 60, joined the Group in August 2017 was appointed as an non-executive Director on 9 August 2017. Mr. Hsu has over 31 years of experience in management and financial investment. Mr. Hsu has been a director of Jardine Matheson Holdings Limited (Jardine Matheson Holdings Limited and its subsidiaries are referred as "Jardine Matheson Group"), a company listed on the London Stock Exchange with secondary listings in Bermuda and Singapore, since May 2016, and has been the chairman of Jardine Matheson (China) Limited since April 2011 with responsibility for supporting the development of the Jardine Matheson Group's business activities in mainland China, Taiwan and Macau. Prior to joining the Jardine Matheson Group in 2011, he was the chief executive of J.P. Morgan Asset Management in the Asia Pacific Region supervising the asset management operation in Greater China (Hong Kong, China and Taiwan), Japan, Korea, Singapore, Australia and India. Since 2014, Mr. Hsu has been a director of Jardine Strategic Holdings Limited, a Jardine Matheson Group's company listed on the London Stock Exchange with secondary listings in Bermuda and Singapore, which owns 100% of JSH Venture Holdings Limited, a substantial shareholder of the Company. As at the date of this report, JSH Venture Holdings Limited holds 377,132,584 Shares, which represents approximately 28.21% of the issued share capital of the Company. Mr. Hsu is a vice chairman of the China Committee of the Hong Kong General Chamber of Commerce, and chairman of FTSE TWSE Taiwan Index Series Advisory Committee. Mr. Hsu is a past chairman of the Taiwan Securities Investment Trust and Consulting Association, and a former vice chairman of the Taiwan Pension Association. Mr. Hsu graduated from the National Chiao Tung University with a bachelor's degree (first class honours) in management in 1980 and obtained an MBA from the National Cheng Chih University in Taiwan. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

Independent Non-executive Directors

Mr. LUETH Allen Warren

Mr. LUETH Allen Warren, aged 50, was appointed as an independent non-executive Director on 15 November 2010. Mr. Lueth is primarily responsible for scrutinizing and monitoring the performance of the Group. Mr. Lueth is currently an independent director of Fanhua Inc. (FANH NASDAQ), one of the largest independent insurance agencies in the PRC. Mr. Lueth is also vice president of finance of Cardinal Health China (formerly owned by Zuellig Pharma), a company focused on pharmaceutical distribution. He has worked for the company since 2005, previously in the position of chief financial officer. Previously, Mr. Lueth worked for GE Capital from 1998 to 2004 in a variety of roles, including chief financial officer and chief executive officer for the Taiwan operations, and representative for the PRC. Earlier, he served with Coopers & Lybrand as an auditor. Mr. Lueth received his Bachelor of Science in business degree from the University of Minnesota and an MBA degree from the Kellogg School of Management at Northwestern University. Mr. Lueth obtained his certificate as a certified public accountant in 1991 and certified management accountant in 1994. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

Board of Directors and Senior Management

Mr. BEHRENS Ernst Hermann

Mr. BEHRENS Ernst Hermann, aged 71, was appointed as an independent non-executive Director on 15 November 2010. Mr. Behrens is primarily responsible for scrutinizing and monitoring the performance of our Group. Mr. Behrens is currently a senior adviser on China business of Vermilion Partners Limited, which is a private equity and investment advisory firm based in the PRC offering a range of merchant banking and corporate advisory services to leading multinationals, Chinese companies and investors. Mr. Behrens was the non-executive chairman of European Aeronautic Defence and Space Company of China ("EADS China") from 2007 to 2009 and president and chief executive officer of EADS China from 2005 to 2006. From 1997 to 2004, Mr. Behrens served as president and chief executive officer of Siemens Ltd., China and from 1992 to 1997, he served as president and chief executive officer of Siemens Inc. Philippines. Prior to joining Siemens Inc. Philippines, Mr. Behrens was an executive vice president of Electronic Telephone Systems, Industries Inc., Philippines from 1984 to 1992; a country representative for Siemens in Jebsen and Co. PRC from 1981 to 1984; a technical and administration manager of Nixdorf Computers, Hong Kong from 1976 to 1981; head of field engineering of Nixdorf Computers, Germany from 1972 to 1976 and an electronics engineer of German Naval Air Force, Germany from 1968 to 1971. Mr. Behrens was the chairman of the Executive Committee of Foreign Investment Companies in China from 2002 to 2005; president of the European Union Chamber of Commerce in China from 2002 to 2004; president of the German Chamber of Commerce in China from 1999 to 2001; president of the European Chamber of Commerce in Philippines from 1995 to 1997 and its treasurer from 1993 to 1994. Mr. Behrens was honored by Beijing Municipality with the Great Wall Friendship Award in 2004; awarded by Shanghai Municipality with the Magnolia Award Gold level in 2003 and decorated by the German government with the cross of the Order of Merit in 1993. Mr. Behrens was appointed as independent non-executive director by Deutsche Bank (China) Co. Ltd. from March 2011 to July 2017 and non-executive director by Nordex (Beijing) Wind Power Engineering & Technology Co. from the first half year of 2011 to December 2017. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

Mr. ZHU Jia (竺稼)

Mr. ZHU Jia (竺稼), aged 56, is an independent non-executive Director. Mr. ZHU Jia joined the Group in 2006 and was appointed as a non-executive Director on 29 July 2010 until his re-designation as an independent non-executive Director on 15 March 2018. He is currently a managing director of Bain Capital Asia. From 1996 to 2006, Mr. Zhu was a managing director of Morgan Stanley Asia Limited and the chief executive officer of its China business. Mr. Zhu is currently a non-executive director of Clear Media Limited (stock code: 100) and an independent non-executive director of Sunac China Holdings Limited (stock code: 1918), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). From November 2007 to March 2016, Mr. Zhu was also an independent non-executive director of Youku Tudou Inc., which is listed on New York Stock Exchange. He also served as a non-executive director of GOME Electrical Appliances Holding Limited (currently known as Gome Retail Holdings Limited) (stock code: 493) from August 2009 to January 2015, the shares of which are listed on the Main Board of the Stock Exchange. From September 2009 to November 2016, Mr. Zhu was a non-executive director of Sunac China Holdings Limited (stock code: 1918), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Zhu graduated from Zhengzhou University with a Bachelor of Arts degree in 1982 and obtained a Master of Arts degree from Nanjing University in 1984. He obtained a Juris Doctor Degree from Cornell Law School in 1992. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years. Save as disclosed in this annual report, Mr. Zhu does not hold any other position with the Company or other members of the Group.

Board of Directors and Senior Management

SENIOR MANAGEMENT

Mr. BI Hua, Jeff (畢樺)

Biographical details of Mr. BI Hua, Jeff are set out on page 21 of this annual report.

Mr. CHANG Fuquan (常福泉)

Biographical details of Mr. CHANG Fuquan are set out on page 21 of this annual report.

Mr. CHEN Guining (陳桂寧)

Mr. CHEN Guining (陳桂寧), aged 63, is our Chief Technical Officer. Mr. Chen joined our Group in May 2003. He is primarily responsible for technical project of aseptic packaging and filling machine. Mr. Chen has over 26 years of experience in the aseptic packaging industry. Prior to joining us, Mr. Chen was a technical service engineer of a leading aseptic packaging materials producer from 1988 to 2001 and its field service manager from 2001 to 2003, respectively. Mr. Chen graduated from the Beijing Open University with a Bachelor of Science in Machinery Science in 1983.

Mr. YANG Jiuxian (楊久賢)

Mr. YANG Jiuxian (楊久賢) aged 55, is our Sales Director. Mr. Yang joined our Group in September 2003. He is primarily responsible for domestic sales. Mr. Yang has over 19 years of experience in dairy industry management and sales. Mr. Yang was the general manager of NIUMAMA Dairy Co., Ltd. in 2003. Prior to joining NIUMAMA Dairy Co., Ltd., Mr. Yang was a key account manager of Northeast China and Inner Mongolia for a leading aseptic packaging materials producer in Beijing from 2000 to 2003 and a key account manager of six provinces in southwest China for the aforesaid company's Shanghai office from 1998 to 2000. Mr. Yang graduated from the Beijing Union University with a Bachelor of Chinese Language and Literature degree in 1986.

Mr. CHEN Zuqing (陳祖慶)

Mr. CHEN Zuqing (陳祖慶), aged 50, is the Technical Services Director of our Group and serves concurrently as the Plant Manager of Greatview Beijing Packaging Equipment Co., Ltd. Mr. Chen joined our Group in April 2014. He is primarily responsible for after-sales service and technical support for aseptic packaging materials and aseptic filling equipment. Mr. Chen has 19 years of experience in the aseptic packaging industry. Prior to joining our Group, Mr. Chen worked for a leading aseptic packaging materials producer in several positions in the area of technical services from 1997 to 2014. From 1991 to 1997, he worked in Sichuan Airlines and was engaged in management of electronic and electrical maintenance for aircraft. Mr. Chen graduated from the Department of Electrical Engineering of Harbin Institute of Technology in 1991, with a major in micro-motor and electrical control, and a Bachelor of Engineering.

Mr. LEE Victor (李協達)

Mr. LEE Victor (李協達), aged 38, was appointed as our International Business Director and Investor Relations Director in October 2018. He is responsible for the company's business outside the PRC market, and investor relationship management. Mr. Lee joined us from Dairy Farm Group where he was the Regional Finance Director of the IKEA franchise since 2013, covering 4 markets in Asia. Dairy Farm Group is an Asian retail conglomerate and a member of the Jardine Matheson Group. Mr. Lee started his career in PricewaterhouseCoopers in Hong Kong in 2002 where he received his chartered accountant qualification. Victor graduated from the University of Hong Kong with a Bachelor degree in Business Administration, and he subsequently received a law degree from the University of London.

REPORT OF THE DIRECTORS

The Board presents its report together with the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 27 to the consolidated financial statements. There were no significant changes in nature of the Group's activities during the year.

BUSINESS MODEL AND STRATEGY

Our mission is to create and add value to the liquid food industry and benefit consumers around the world. We are committed to provide to our customers with customized, high quality and competitively priced products. The Group always endeavours to enhance its enterprise value, ensure the Company's long-term and stable development and benefit its shareholders and other stakeholders. These were demonstrated by putting resources on innovation and research and development in order to continue improving the quality of products and services. The discussion and analysis of the Group's performance and the business review for the year ended 31 December 2018 are set out on pages 10 to 20 under Management Discussion and Analysis and pages 25 to 36 under the Report of the Directors of this annual report respectively.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement.

BUSINESS REVIEW AND OUTLOOK

The business review and outlook of the Group for the year ended 31 December 2018 are set out in the section headed Management Discussion and Analysis on pages 10 to 20 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties identified by the Group are set out on pages 49 to 50 under the corporate governance report (the "Corporate Governance Report") of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimize the impact of its activities on the environment. It is the policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations, and minimizing wastes and emission. The Group achieves this through actively re-designing its production activities and operation that encourage and promote recycling of resources, using environmental friendly raw materials and reviewing production operations constantly to ensure that the production processes are effective and efficient.

For more details, please refer to the corporate sustainability report of the Group prepared according to the "Environmental, Social and Governance Reporting Guide" pursuant to Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A separated report is expected to be issued in July 2019.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 12.6% and 51.5% respectively of the Group's total purchases for the year. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 47% and 60% respectively of the Group's total revenue for the year.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year under review in the share capital of the Company are also set out in note 12 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year under review are set out in the consolidated statement of changes in equity.

As at 31 December 2018, the Company had reserves available for distribution of RMB717.1 million (2017: RMB693.1 million).

DIRECTORS

The Directors during the year under review and up to the date of this annual report were:

Executive Directors

Mr. BI Hua, Jeff
Mr. LIU Jun (resigned with effect from 31 January 2019)
Mr. CHANG Fuquan (appointed with effect from 27 March 2019)

Non-Executive Directors

Mr. HONG Gang
Mr. HSU David

Independent Non-Executive Directors

Mr. LUETH Allen Warren
Mr. BEHRENS Ernst Hermann
Mr. ZHU Jia (re-designated from non-executive Director to independent non-executive Director with effect from 15 March 2018)

Report of the Directors

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 21 to 24 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

Mr. Zhu has confirmed that he meets the independence requirements under Rule 3.13 of the Listing Rules, save for Rule 3.13(7) of the Listing Rules. Prior to the re-designation of Mr. Zhu as an independent non-executive Director, Mr. Zhu was a non-executive director of our subsidiaries, namely Partner One, Greatview Holdings, Shandong Greatview Aseptic, Inner Mongolia Greatview Aseptic, and Beijing Greatview. Notwithstanding the above, the Board considers that Mr. Zhu to be independent as Mr. Zhu has not had any executive roles or participation in the daily operation of the Group and is able to satisfy all the other independence criteria in Rule 3.13 of the Listing Rules. In addition, upon his re-designation as an independent non-executive Director, Mr. Zhu has resigned from all his existing directorship with our subsidiaries. Save as disclosed in this annual report, Mr. Zhu does not hold any other position with the Company or other members of the Group.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a service contract and letter of appointment respectively with the Company for an initial fixed term of two years unless terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract which is not determinable by the Group within one year without the payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company has adopted share option schemes as incentive to eligible employees, details of the schemes are set out in the section headed "Share Option Schemes" below.

Report of the Directors

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "Dividend Policy").

The Company considers stable and sustainable returns to the shareholders of the Company to be our goal. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

(i) the general financial condition of the Group;

(ii) the Group's actual and future operations and liquidity position;

(iii) the Group's expected working capital requirements and future expansion plans;

(iv) the Group's debt to equity ratios and the debt level;

(v) the retained earnings and distributable reserves of the Company and each of the members of the Group;

(vi) the shareholders' and the investors' expectation and industry's norm;

(vii) the general market conditions; and

(viii) any other factors that the Board deems appropriate.

The declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Company's articles of association (the "Articles") and any other applicable laws and regulations. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 33 and note 21(b) to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

Interests and short position in the Shares and underlying Shares

Name of Director/ Chief Executive	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%) (Note 4)
HONG Gang	78,141,966	1	Interest of controlled corporation	Long position	5.84%
	2,673,000	2	Interest of controlled corporation	Long position	0.20%
Total long position	80,814,966				6.04%
BI Hua, Jeff	129,000,000	3	Founder of a discretionary trust	Long position	9.65%

Notes:

(1) Phanron Holdings Limited ("Phanron") is wholly-owned by HONG Gang and he is therefore deemed to be interested in the 78,141,966 Shares held by Phanron.

(2) Liwei Holdings (PTC) Limited ("Liwei") is 50% owned by each of HONG Gang and GAO Wei. Therefore, HONG Gang and GAO Wei are deemed to be interested in all of the underlying Shares to be issued pursuant to the options granted to Liwei under the Pre-IPO share option scheme of the Company adopted by the Company on 15 November 2010 (the "Pre-IPO Share Option Scheme").

On 22 November 2010, 22,000,000 options were granted to Liwei under the Pre-IPO Share Option Scheme. On 17 March 2011, 284 employees were granted (by way of transfer) by Liwei the rights to take up the 20,010,000 options granted to Liwei under the Pre-IPO Share Option Scheme upon vesting of their options. On 12 April 2013, 3,236,000 options which were previously granted by Liwei to the aforesaid employees but which lapsed prior to transfer to such employees were reallocated to 193 employees of the Group. On 1 September 2011, 1 June 2012, 1 June 2013 and 1 June 2014, 3,546,000 options, 4,616,000 options, 5,800,000 options and 5,365,000 options were vested respectively. Liwei is therefore deemed to be interested in 2,673,000 Shares in a long position.

(3) Foxing Development Limited ("Foxing") is directly interested in 129,000,000 Shares. Foxing is wholly-owned by Hill Garden Limited ("Hill Garden") and is therefore deemed to be interested in the same 129,000,000 Shares. BI Hua, Jeff is the founder of the trust that wholly-owns Hill Garden. BI Hua, Jeff, therefore, is deemed to be interested in the same 129,000,000 Shares.

(4) There were 1,337,019,000 Shares in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Interests and short position in the Shares and underlying Shares

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%) (Note 7)
Phanron	78,141,966		Beneficial owner	Long position	5.84%
Madam XU Zhen	78,141,966	1	Interest of spouse	Long position	5.84%
	2,673,000	1	Interest of spouse	Long position	0.20%
	80,814,966				6.04%
Hill Garden	129,000,000	2	Interest of controlled corporation	Long position	9.65%
Foxing	129,000,000	2	Beneficial owner	Long position	9.65%
Madam BI Wei Li	129,000,000	3	Interest of spouse	Long position	9.65%
JSH Venture Holdings Limited	377,132,584	4	Beneficial owner	Long position	28.21%
Jardine Strategic Holdings Limited	377,132,584	4	Interest of controlled corporation	Long position	28.21%
Jardine Matheson Holdings Limited	377,132,584	4	Interest of controlled corporation	Long position	28.21%
Janus Henderson Group PLC	80,719,000	5	Investment manager	Long position	6.04%
Prudential plc	66,768,200	6	Interest of controlled corporation	Long position	4.99%

Notes:

(1) Madam XU Zhen is interested in a long position of 80,814,966 Shares by virtue of her being the spouse of HONG Gang.

(2) Foxing has a direct interest in 129,000,000 Shares. Hill Garden is interested in 100% of Foxing. Therefore, Hill Garden is deemed to be interested in 129,000,000 Shares. BI Hua, Jeff is the founder of the trust that wholly-owns Hill Garden.

(3) Madam BI Wei Li is interested in a long position of 129,000,000 Shares by virtue of her being the spouse of BI Hua, Jeff.

(4) JSH Venture Holdings Limited has a direct interest in 377,132,584 Shares. Jardine Strategic Holdings Limited is interested in 100% of JSH Venture Holdings Limited. JMH Investments Limited, which is interested in 83.63% of Jardine Strategic Holdings Limited, is wholly-owned by Jardine Matheson Holdings Limited. Therefore, Jardine Strategic Holdings Limited and Jardine Matheson Holdings Limited are deemed to be interested in 377,132,584 Shares.

(5) Janus Henderson Group PLC is a listed company on the New York Stock Exchange.

(6) The interest of Prudential plc was attributable on account through a number of its subsidiaries.

(7) There were 1,337,019,000 Shares in issue as at 31 December 2018.

Save as disclosed above, and as at 31 December 2018, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with such Director had a material interest (direct or indirect), subsisted at the end of the financial year or at any time during the year ended 31 December 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INDEMNITIES

Pursuant to article 164 of the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. However, this indemnity does not extend to any matters relating to any deliberate negligence, misconduct, fraud or dishonest.

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, there was no connected transaction or continuing connected transaction of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. Details of significant related party transactions undertaken in the usual course of business are set out in note 29 to the consolidated financial statements. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

PURCHASE, SALES OR REDEMPTION OF THE SHARES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES, FUTURE PLANS FOR MATERIAL INVESTMENT OR ACQUISITION OF CAPITAL ASSETS

On 15 January 2019, Shandong Greatview Aseptic a wholly-owned subsidiary of the Company, as a purchaser, and Qingdao Likang Packaging Company Limited*, as a vendor, entered into a sale and purchase framework agreement, pursuant to which the purchaser has conditionally agreed to purchase and the vendor has conditionally agreed to sell the entire equity interest in Qingdao Likang Food Packaging Technology Company Limited* (the "Acquisition"). On 27 March 2019 (after trading hours of the Stock Exchange), the purchaser and the vendor had entered into a formal agreement, and on 28 March 2019, the completion of the Acquisition had taken place at a consideration of RMB106.46 million (equivalent to approximately HK$123.62 million). Immediately after completion of the Acquisition, the target company became a subsidiary of the Company, and its financial statements would also be consolidated into the Group's consolidated financial statements. From completion of the acquisition mentioned thereon, the target company will be principally engaged in the manufacture of aseptic soft packaging for food and beverages based in Shandong province in the PRC. For further details, please refer to the announcements of the Company dated 15 January 2019 and 28 March 2019. Saved as disclosed above, during the year ended 31 December 2018, there was no material acquisition and disposal of subsidiaries and associated companies by the Company. As at the date of this annual report, the Group has no plan to make any significant investment or acquisition of capital assets.

* *For identification purposes only*

Report of the Directors

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2018, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2018 are set out in note 17 to the consolidated financial statements.

RETIREMENT SCHEMES

Information of the retirement schemes of the Group are set out in notes 2.21 and 21 to the consolidated financial statements.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 — Model Code under the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 31 December 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

DONATIONS

During the year ended 31 December 2018, the Group did not make any donations to charity.

EQUITY-LINKED AGREEMENTS

Save for the share option schemes of the Company as disclosed in the section headed "Share Option Schemes" of this Report of the Directors, the Company has not entered into any equity-linked agreement for the year ended 31 December 2018.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

On 15 November 2010, the Pre-IPO Share Option Scheme was adopted by resolution of shareholders of the Company. The main purpose of the scheme is, among others, to provide incentives to the employees of the Group with regard to their services and employment. Pursuant to the Pre-IPO Share Option Scheme, for a consideration of HK$1.00, Liwei was granted options ("Pre-IPO Options") to subscribe for up to 22,000,000 Shares, and Liwei will grant (by way of transfer) the Pre-IPO Options to eligible participants who are (i) any individual who is an executive director or employee of our Group or any entity in which any member of our Group holds any equity interest in ("Invested Entity"); (ii) any non-executive director of any member of our Group or Invested Entity; (iii) any customer or supplier of goods or services of any member of our Group or Invested Entity; (iv) any person or entity that provides research, development or technological support to any member of our Group or Invested Entity; (v) any trustee or any company wholly-owned by any trustee, of a trust established for the benefit of the aforesaid persons; and (vi) any such other person as the Board may consider appropriate. Prior approval from the Board is required for Liwei to grant the Pre-IPO Options. Such approval covers key terms of the Pre-IPO Options including eligibility, performance target and share subscription price. There is no minimum period for which an option must be held before it can be exercised under the Pre-IPO Share Option Scheme, provided that in granting options under the Pre-IPO Share Option Scheme, the Board can determine whether there is any minimum holding period before an option granted under the Pre-IPO Share Option Scheme can be exercised.

The exercise price per Share under the Pre-IPO Share Option Scheme is HK$4.30, being the price per Share at the global offering of the Shares in December 2010. No further option was granted under the Pre-IPO Share Option Scheme on or after the day of the listing of the Shares on the Stock Exchange on 9 December 2010 ("Listing Date"). All options granted under the Pre-IPO Share Option Scheme may be exercised during the option period after the Listing Date to the date falling 10 years from the Listing Date subject to conditions imposed by the Board to the respective employees. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Pre-IPO Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

The scheme expired on the Listing Date.

Set out below are the details of the outstanding options granted under the Pre-IPO Share Option Scheme:

Name of grantees	Notes	Date of grant/vesting	Exercise period	Exercise price (HK$)	Pre-IPO Options outstanding as at 1 January 2018	Pre-IPO Options vested during the period	Pre-IPO Options exercised during the period	Pre-IPO Options lapsed/ expired/ cancelled during the period	Pre-IPO Options outstanding as at 31 December 2018
Liwei	1	22/11/2010	09/12/2010-22/11/2020	4.30	2,673,000	–	–	–	2,673,000
Total					2,673,000	–	–	–	2,673,000

Notes:

(1) The Board approved Liwei to grant (by way of transfer) the Pre-IPO Options on 17 March 2011. Pursuant to the Pre-IPO Share Option Scheme, 284 employees were granted the Pre-IPO Options to subscribe for up to 20,010,000 Shares on 17 March 2011. Such 20,010,000 Pre-IPO Options will only be transferred to the employees upon vesting. The Pre-IPO Options vested in four instalments on 1 September 2011, 1 June 2012, 1 June 2013 and 1 June 2014. On 12 April 2013, 3,236,000 Pre-IPO Options which were previously lapsed were taken back by Liwei and would be reallocated to 193 employees of the Group upon vesting. These Pre-IPO Options vested in two installments on 1 June 2013 and 1 June 2014, respectively.

(2) During the year ended 31 December 2018, no Pre-IPO Options were granted, lapsed, exercised or cancelled.

(3) The total number of Shares subject to the Pre-IPO Share Option Scheme is 2,673,000 Shares, representing approximately 0.2% of the issued shares as at the date of this report.

Report of the Directors

Share Option Scheme

Pursuant to the disclosure requirement under Listing Rules 17.09, particulars in relation to the share option scheme of the Company are shown below.

The Company adopted a share option scheme ("Share Option Scheme") with the purpose of providing an incentive for Qualified Participants (as defined below) to work with commitment towards enhancing the value of the Company and the Shares for the benefit of our shareholders, to compensate such employees for their contribution based on their individual performance and that of the Group and to retain and attract high calibre working partners whose contribution are or may be beneficial to the growth and development of the Group.

There is no minimum period for which an option must be held before it can be exercised under the Share Option Scheme, provide that in granting options under the Share Option Scheme, the Board can determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme can be exercised. The Board will also determine the price per Share upon the exercise of an option according to the terms of the Share Option Scheme, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Board may from time to time grant options to (i) any executive Director, or employee (whether full time or part time) of our Company, any member of our Group or any entity in which any member of our Group holds an equity interest; (ii) any non-executive Director (including independent non-executive Directors), any non-executive director of any member of our Group or any Invested Entity; and (iii) any such other person as the Board may consider appropriate (collectively "Qualified Participants").

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 15 November 2010. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00. An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Share Option Scheme.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue at the Listing Date, and therefore is currently capped at 133,360,000 Shares. The Company may at any time refresh such limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

No option has been granted pursuant to the Share Option Scheme prior to the date ended 31 December 2018. No option has been cancelled or lapsed during the year ended 31 December 2018.

PUBLIC FLOAT

During the year ended 31 December 2018, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Articles and the laws of the Cayman Islands.

TAX RELIEF

The Board is not aware of any relief from taxation available to our shareholders by reason of their holdings in the Shares.

FINAL DIVIDEND

The Board recommends the payment of a final dividend amounting to HK$187.2 million (HK$0.14 per Share, approximately RMB164.0 million in total) to be partly paid out of the share premium account of the Company and partly paid out of the distributable profits of the Company, for the year ended 31 December 2018 (2017: HK$0.13 per Share, approximately RMB145.3 million in total). The proposed final dividend, if approved by shareholders at the forthcoming annual general meeting, shall be paid on or around 5 July 2019 to the shareholders whose names appear on the register of members of the Company on 14 June 2019.

EVENTS AFTER THE REPORTING PERIOD

On 15 January 2019, Shandong Greatview Aseptic a wholly-owned subsidiary of the Company, as a purchaser, and Qingdao Likang Packaging Company Limited*, as a vendor, entered into a sale and purchase framework agreement, pursuant to which the purchaser has conditionally agreed to purchase and the vendor has conditionally agreed to sell the entire equity interest in Qingdao Likang Food Packaging Technology Company Limited*. On 27 March 2019 (after trading hours of the Stock Exchange), the purchaser and the vendor had entered into a formal agreement, and on 28 March 2019, the completion of the Acquisition had taken place at a consideration of RMB106.46 million (equivalent to approximately HK$123.62 million). Immediately after completion of the Acquisition, the target company became a subsidiary of the Company, and its financial statements would also be consolidated into the Group's consolidated financial statements. From completion of the acquisition mentioned thereon, the target company will be principally engaged in the manufacture of aseptic soft packaging for food and beverages based in Shandong province in the PRC. For further details, please refer to the announcements of the Company dated 15 January 2019 and 28 March 2019.

On 31 January 2019, Mr. LIU Jun resigned as an executive Director and chief operating officer of the Company due to changes in his personal career plan. For further details, please refer to the announcement of the Company dated 31 January 2019.

On 27 March 2019, Mr. CHANG Fuquan resigned as one of the joint company secretaries of the Company and was appointed as an executive Director. On the same day, Ms. QI Zhaohui was appointed as a joint company secretary of the Company to fill the vacancy of Mr. Chang. For further details, please refer to the announcement of the Company dated 27 March 2019.

* *For identification purposes only*

Report of the Directors

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 May 2019 to 24 May 2019, both days inclusive, during which period no share transfers in Hong Kong can be registered. In order to be eligible for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 20 May 2019.

In addition, the register of members of the Company will be closed from 12 June 2019 to 14 June 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to ascertain shareholders' entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 11 June 2019.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 December 2018.

PricewaterhouseCoopers shall retire in the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. HONG Gang
Chairman
Beijing, the PRC, 27 March 2019

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

During the year under review, the Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the CG Code during the year ended 31 December 2018, except for non-compliance with rules 3.10(1), 3.10A and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code, which are explained under the heading "THE BOARD" below.

The following is a summary of work performed by the Board in determining the policy for the corporate governance of the Company during the year ended 31 December 2018:

(1) developed and reviewed the Company's policies and practices on corporate governance;

(2) reviewed and monitored the training and continuous professional development of Directors and senior management;

(3) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(4) developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and Directors; and

(5) reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Corporate Governance Report

Board Composition

As of 31 December 2018, the Board comprises seven members, consisting of two executive Directors, two non-executive Directors and three independent non-executive Directors.

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board comprises the following Directors:

DIRECTORS

Executive Directors

Mr. BI Hua, Jeff *(Chief Executive Officer)*
Mr. LIU Jun *(Chief Operating Officer)* (resigned with effect from 31 January 2019)

Non-Executive Directors

Mr. HONG Gang *(Chairman)*
Mr. HSU David

Independent Non-Executive Directors

Mr. LUETH Allen Warren
Mr. BEHRENS Ernst Hermann
Mr. ZHU Jia (re-designated from non-executive Director to independent non-executive Director with effect from 15 March 2018)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

There is no relationship (including financial, business, family or other material relationship) among members of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Non-compliance with Rules 3.10(1), 3.10A, 3.25 of the Listing Rules and Deviation from the Code Provision A.5.1 of the CG Code

Since the late Mr. DANG Xinhua, an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee, passed away on 16 November 2017, the Company failed to comply with the Listing Rules requirements of (i) the board is required to have at least three independent non-executive directors; (ii) the board is required to have independent non-executive directors representing at least one-third of the board; (iii) the audit committee must comprise a minimum of three members, all of whom are non-executive directors only; and (iv) each of the members of the remuneration and nomination committees should comprise a majority of independent non-executive directors under Rules 3.10(1), 3.10A and 3.25 of the Listing Rules and the code provision A.5.1 of the CG Code. Mr. ZHU Jia was re-designated as an independent non-executive Director on 15 March 2018 to meet the requirements set out in Rules 3.10(1), 3.10A and 3.25 of the Listing Rules and the code provision A.5.1 of the CG Code. Please refer to the announcement of the Company published on 15 March 2018 for further details.

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

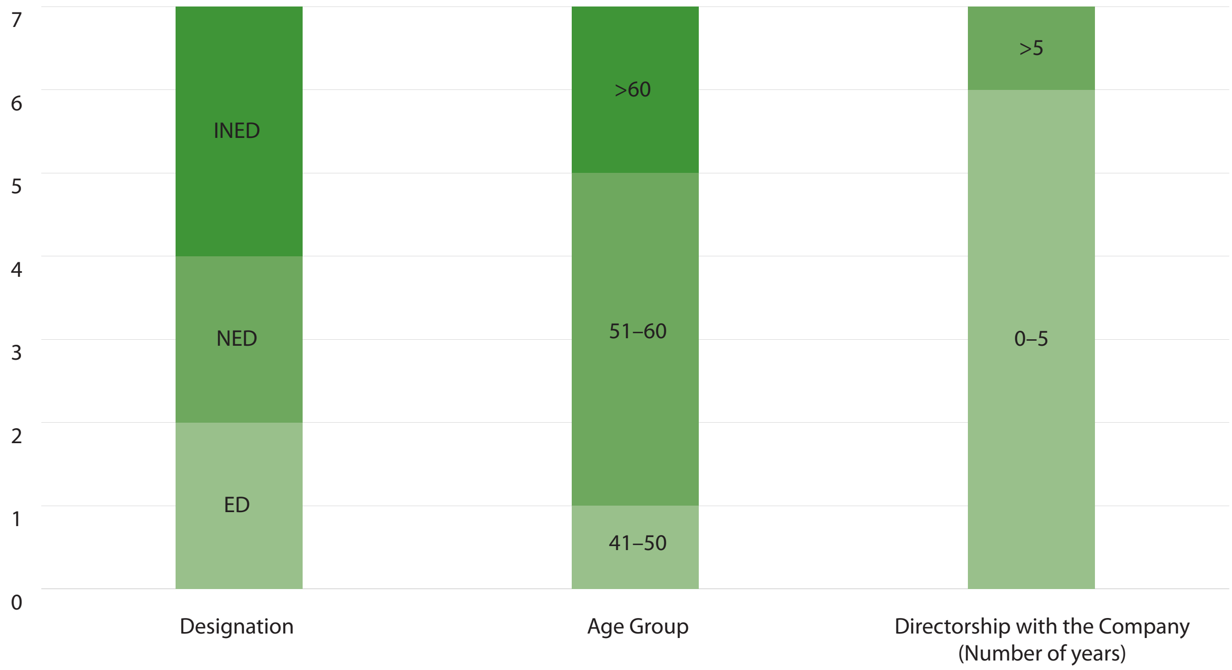
The Board adopted the board diversity policy (the "Board Diversity Policy") in accordance with the requirement as sets out in the CG Code.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time in designing the optimum Board's composition.

The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board. The biographical details of the Directors are set out on pages 21 to 24 of this report. In implementing the Board Diversity Policy, the Board aims to have a balanced composition in each of the following areas in the graph below, but recognising at the same time that all Board appointments must be based on meritocracy having regard to the best interests of the Company and the shareholders.

Corporate Governance Report

The following graph provides an analysis on the composition of the Board as at the date of this report:



Remarks:

ED — Executive Directors
NED — Non-Executive Directors
INED — Independent Non-Executive Directors

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the chairman of the Board ("Chairman") and the chief executive officer of the Company (the "Chief Executive Officer") to ensure a balance of power and authority. The positions of Chairman and Chief Executive Officer are held by Mr. HONG Gang and Mr. BI Hua, Jeff respectively. Their respective responsibilities are clearly defined and set out in writing. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Appointment and Re-Election of Directors

Mr. HSU David were appointed as non-executive Director for a term of two years commencing from 29 March 2018, terminable by not less than three months' written notice and is subject to retirement in accordance with the Articles. Mr. LUETH Allen Warren was re-appointed as independent non-executive Director for a term of two year commencing from 29 March 2018, terminable by not less than three months' written notice and is subject to retirement in accordance with the Articles.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself for re-election by shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself for re-election by shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Nomination Committee

As at the date of this annual report, the Nomination Committee comprises three members, namely Mr. HONG Gang (chairman of the Nomination Committee), Mr. BEHRENS Ernst Hermann and Mr. ZHU Jia (appointed with effect from 15 March 2018). Mr. HONG Gang is the non-executive Director and Mr. BEHRENS Ernst Hermann and Mr. ZHU Jia are the independent non-executive Directors.

Nomination Policy

The nomination procedure and process involve the Nomination Committee identifying individuals who are suitably qualified to become Board members through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will then make recommendations to the Board on the selection of such individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and objectively against a variety of criteria, having due regard for the benefits of diversity on the Board.

The following are the roles and functions of the Nomination Committee:

(a) to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

(c) to review the Board Diversity Policy, as appropriate; and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results annually in the Corporate Governance Report as set out in the Company's annual report;

(d) to assess the independence of the independent non-executive Directors and to review the independent non-executive Directors' annual confirmations on their independence;

(e) taking into account the Company's corporate strategy and mix of skills, knowledge, experience and diversity needed in the future, to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive;

(f) to seek independent professional advice to perform its responsibilities where necessary; and

(g) to report back to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so) and to prepare a summary of its work during the year for inclusion in the Corporate Governance Report (including a report the policies, procedures, process and criteria the Nomination Committee has adopted to select and recommend candidates for directorship during the year).

Please refer to the terms of reference of the Nomination Committee published by the Company on 28 December 2018 for further details.

The following is a summary of work performed by the Nomination Committee during the year ended 31 December 2018:

(1) reviewed the structure, size and composition of the Board, reviewed the Company's policies on nomination of Directors and make recommendations regarding any proposed changes;

(2) made recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and

(3) assessed the independence of independent non-executive Directors.

There was one meeting of the Nomination Committee held during the year ended 31 December 2018. The attendance records of each member of the Nomination Committee are set out below:

Members	**Attendance/ Number of meeting held**
Mr. HONG Gang *(Chairman)*	1/1
Mr. BEHRENS Ernst Hermann	1/1
Mr. ZHU Jia (appointed with effect from 15 March 2018)	1/1

Induction and Continuing Development of Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2018, all Directors namely Mr. BI Hua, Jeff, Mr. LIU Jun (resigned with effect from 31 January 2019), Mr. HONG Gang, Mr. HSU David, Mr. LUETH Allen Warren, Mr. BEHRENS Ernst Hermann and Mr. ZHU Jia (re-designated from non-executive Director to independent non-executive Director with effect from 15 March 2018) have participated in continuous professional development to develop and refresh their knowledge and skills in relation to their contribution to the Board.

Board Meetings

Board Practices and Conduct of Meetings

Code provision A.1.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting.

Certain regular Board meetings held during the year ended 31 December 2018 were convened with at least 14 days' notice. The Company adopted a flexible approach in convening Board meetings and ensuring that sufficient time and adequate information were given to Directors in advance.

Agenda and board papers together with all necessary information are sent to all Directors at least three days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company in order to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management attended all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The board secretary and the joint company secretaries are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' Attendance Records

There were four Board meetings and one general meeting held during the year ended 31 December 2018. The attendance records of each Director at the Board meetings and general meeting during the year ended 31 December 2018 are set out below:

Name of Director	Attendance/Number of meetings held General meeting	 Board meeting
Executive Directors		
Mr. BI Hua, Jeff	1/1	4/4
Mr. LIU Jun (resigned with effect from 31 January 2019)	1/1	4/4
Non-Executive Directors		
Mr. HONG Gang	1/1	3/4
Mr. HSU David	1/1	4/4
Independent Non-Executive Directors		
Mr. LUETH Allen Warren	1/1	4/4
Mr. BEHRENS Ernst Hermann	1/1	4/4
Mr. ZHU Jia (re-designated from non-executive Director to independent non-executive Director with effect from 15 March 2018)	0/1	3/4

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he has complied with the Model Code during the year under review and up to the date of this annual report.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2018.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. All Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director may seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board Committees are established with defined written terms of reference which are available on both the Company's website and the website of the Stock Exchange.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. ZHU Jia (chairman of the Remuneration Committee) (appointed with effect from 15 March 2018), Mr. LUETH Allen Warren and Mr. BEHRENS Ernst Hermann and one executive Director, namely, Mr. BI Hua, Jeff.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The following is a summary of work performed by the Remuneration Committee during the year ended 31 December 2018:

(1) Assessed performance, reviewed and approved the remuneration packages (including year-end bonuses) and service contracts of our executive Directors and senior management; and

(2) Reviewed the remuneration of non-executive Directors and made proposal regarding Directors' fees to the Board for shareholder approval at the 2018 annual general meeting.

There was one meeting of the Remuneration Committee held during the year ended 31 December 2018. The attendance records of each member of the Remuneration Committee are set out below:

Members	Attendance/ Number of meeting held
Mr. ZHU Jia *(Chairman)* (appointed with effect from 15 March 2018)	1/1
Mr. BI Hua, Jeff	1/1
Mr. LUETH Allen Warren	1/1
Mr. BEHRENS Ernst Hermann	1/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Board, with support of the finance and legal teams, is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other applicable statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Audit Committee

The Audit Committee comprises four members, namely, Mr. LUETH Allen Warren (chairman of the Audit Committee), Mr. BEHRENS Ernst Hermann, Mr. HSU David and Mr. ZHU Jia (appointed with effect from 15 March 2018). Mr. HSU David is the non-executive Director and Mr. LUETH Allen Warren, Mr. BEHRENS Ernst Hermann and Mr. ZHU Jia are the independent non-executive Directors. Mr. LUETH Allen Warren possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(1) To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board;

(2) To review the relationship with the external auditor by reference to the work performed by the auditor, its fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and

(3) To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures.

During the year under review and up to the date of this annual report, the Audit Committee reviewed the Group's interim results and interim report for the six months ended 30 June 2018, the annual results and annual report for the year ended 31 December 2018, the financial reporting and compliance procedures, the Company's risk management and internal control systems and processes, and the re-appointment of the external auditor.

There were two meetings of the Audit Committee held during the year ended 31 December 2018. The attendance records of each member of the Audit Committee are set out below:

Members	**Attendance/ Number of meetings held**
Mr. LUETH Allen Warren *(Chairman)*	2/2
Mr. BEHRENS Ernst Hermann	2/2
Mr. HSU David	2/2
Mr. ZHU Jia (appointed with effect from 15 March 2018)	2/2

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about its reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 52 to 55 of this annual report.

Annual audit fees of the financial statements of the Group for the year ended 31 December 2018 payable to the external auditor are approximately RMB2.2 million (2017: approximately RMB2.2 million). approximately RMB3.6 million (2017: approximately RMB0.19 million) was incurred for other non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL REPORT

Risk Management and Internal Control Systems of the Group Companies

The Board is aware that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives, maintaining adequate risk management and internal control systems to safeguard the investments of our shareholders and the assets of the Company, and reviewing the effectiveness of these systems annually.

The Board oversees the management in designing, implementing and monitoring the risk management and internal control systems, and the management confirms with the Board on the effectiveness of these systems.

The management allocates resources to the risk management and internal control systems with reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) standards, manages rather than eliminates the risk of failing to achieve business objectives and provides only reasonable but not absolute assurance against material misstatement or loss.

Procedures to Identify, Evaluate and Manage Significant Risks

- Risk context establishment: formulation of general risk management policies and division of roles to ensure that the Group carries out and adheres to consistent procedures and criteria for risk identification, evaluation, management and control, as well as reporting.

- Risk identification: identifying potential risks in various business segments and key procedures.

- Risk evaluation: evaluating and rating the impact on business and the likelihood of the risks identified.

- Risk response: evaluating the risk management solutions and the effectiveness of risk management.

- Report and monitor: monitoring and reviewing the policies and assessment procedures of risk management, and the management measures and control effectiveness regarding significant risks, and reporting the findings to the Board.

The "Three Lines of Defence" Risk Management Model

The risk management of the Group is structured on a "three lines of defence" model so as to establish a comprehensive risk management and internal control system, which is monitored by the Audit Committee.

"The First Line of Defence" — Risk Management

Managers at all levels constitute the first line of defence with appropriate internal control policies, procedures and business standards formulated according to the operational needs of the business to effectively delineate management duties and provide training sessions and guidelines to the staff, to ensure that the policies are effectively implemented. In case of any changes to the business operation or the managing environment of the Company, such policies will be reviewed and updated accordingly.

"The Second Line of Defence" — Risk Control

The Group has formulated risk management policies, established a risk management group and conducted risk assessment and appraisal activities on a regular basis, which could timely identify and reduce the likelihood and impacts of potential risks on operation management. For any material exposure which may arise, a risk alert and response mechanism has been set up to mitigate potential risks and their impacts.

"The Third Line of Defence" — Independent Assurance

An internal audit department has been set up for the Group companies, which will conduct independent reviews on risk management of the Group regularly and report its audit work on risk management to the Audit Committee at least once a year. By reviewing the audit work and audit findings performed by the internal audit department, the Audit Committee will evaluate the effectiveness of risk management and internal control on behalf of the Board.

2018 Risk Management Review

Summary of Risk Management Initiatives

Implementing effective risk management is a crucial step to achieve the strategic objectives of the Group companies. In order to maintain the Company's long-term sustainable development capacity, support the implementation of strategic objectives and secure stakeholders' trust, the Group manages its risks in various business areas, including but not limited to finance, operation, strategy, market, laws and regulation risks. The significant internal control and risk management activities for the year 2018 include:

- Reviewing and enhancing internal control policies and business procedures;
- Reviewing, updating and implementing risk management plans and assessment procedures;
- Identifying and reviewing the potential risk items in the Group's business areas and conducting analysis, as well as evaluating their impacts on the business and likelihood of occurrence;
- Reviewing whether the measures and actions taken to control and mitigate key risks are appropriate and achieve expected results;
- Collecting the results of risk identification, evaluation and management and conducting analysis, including risk distribution matrix, risk change analysis chart, control of significant risk items and their expected impacts on business, etc.;
- Evaluating the overall effectiveness of risk management; and
- The risk management report was submitted to the Board in January 2019 for consideration and approval.

Material Risks and Risk Management

1. *The Risk of High Customer Concentration*

The landscape of domestic ambient liquid milk market in which the Company's key customers are located has maintained stable for years, with the top five liquid milk manufacturing companies accounting for over 70% of the sales in the market, and such feature is expected to persist for some time.

The Company has adopted a number of measures to facilitate the diversification of customers in order to reduce the impacts on the business caused by such risk. Concrete progress has been achieved:

- Maintaining stable strategic cooperative relationships with key customers through excellent supply chain services, technological innovation and project cooperation in the market; and
- Providing quality products and excellent services, continuing to expand international market shares and enlarging the medium-sized customers base.

By the end of 2018, we had made substantial progress on the back of the above measures, with both international and medium-sized customers contributing to an increasing share in sales while maintaining growth in total sales. Among the top 10 ranking customers, 5 of them are international customers.

2. *The Impact on Capital and Procurement and Sales Businesses Caused by Exchange Rate Fluctuations*

The significant fluctuations of exchange rate will result in major impacts on the foreign exchange business of the Company. In 2018, the exchange rate of Euro against US$ weakened persistently, causing certain exchange loss in the Company's relevant Euro denominated business. However, the rising exchange rate of US$ against RMB and the exchange rate of US$ against Euro generated exchange gains in the US$ denominated cash balance and the US$ denominated sales business, which offset the exchange loss caused by the weakening Euro and received certain gains.

In addition, the Company has also adopted various measures to mitigate the adverse impact on profit and loss caused by exchange rate fluctuations, whereby reducing the risk to an acceptable level, including:

- The continuous growth of international sales business has largely mitigated the risk caused by exchange rate fluctuations;

- Adjusting the financing strategies properly to lower corporate financial leverage;

- Reducing the impacts of exchange rate by purchasing foreign exchange products from financial institutions to lock in forward exchange rates; and

- Adopting stringent capital management plan, closely monitoring the changes in exchange rates and adjusting business strategies and bank balance of foreign exchange in response to exchange rate fluctuations.

Evaluation of Risk Review

The findings and review of the risk evaluation for the year 2018 showed that the Group companies had established a comprehensive risk management and internal control mechanism implemented and improved on an ongoing basis. The risk management team's risk identification and control capacity was developed constantly. The risk management environment was improved continuously. Tailor-made mitigation measures to reduce and control major risks were adopted with fruitful outcomes; whereby the ratings of many risks were lowered significantly or the risks were eliminated. For specific risk factors unlikely to be eliminated through management and control, their residual risks were maintained at an acceptable level.

COMPANY SECRETARY

Upon the resignation of Ms. MOK Ming Wai as the joint company secretary with effect from 29 August 2018, the Company appointed Ms. SO Lai Shan, an assistant manager of the Listing Services Department of TMF Hong Kong Limited, as one of its joint company secretaries. Her primary contact person at the Company is Ms. QI Zhaohui, currently the other joint company secretary of the Company.

On 27 March 2019, Mr. CHANG Fuquan, resigned as one of the joint company secretaries of the Company, the Company appointed Ms. QI Zhaohui as one of the joint company secretaries with effect from the same day. For further details, please refer to the announcement of the Company dated 27 March 2019.

In compliance with Rule 3.29 of the Listing Rules, each of Mr. CHANG Fuquan and Ms. SO Lai Shan has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2018. Ms. QI Zhaohui was not yet subject to the relevant professional training requirements in accordance with Rule 3.29 of the Listing Rules, as Ms. QI Zhaohui was appointed subsequent to the financial year ended 31 December 2018.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

To promote effective communication, the Company maintains the website at www.greatviewpack.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and press releases are updated on the Company's website in a timely fashion.

The 2019 annual general meeting of the Company ("AGM") will be held on 24 May 2019. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Such a requisition must be signed by the shareholders.

Procedures for putting forward proposals at shareholders' meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the company secretary by written requisition to the company secretary at the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or at the Company's headquarters in the PRC at 14 Jiuxianqiao Road, Chaoyang District, Beijing 100015, the PRC.

Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the company secretary at the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or at the Company's headquarters in the PRC at 14 Jiuxianqiao Road, Chaoyang District, Beijing 100015, the PRC.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year ended 31 December 2018.

On behalf of the Board

Mr. HONG Gang
Chairman
Beijing, the PRC, 27 March 2019

Independent Auditor's Report

羅兵咸永道

To the shareholders of Greatview Aseptic Packaging Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Greatview Aseptic Packaging Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 118, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is Impairment assessment of goodwill.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to note 4 'Critical accounting estimates and judgements' and note 8 'Intangible assets' to the consolidated financial statements. We focused our efforts on the impairment assessment of goodwill (RMB 47.8 million as of 31 December 2018) mainly because of the amounts involved were significant and that significant judgements were required to evaluate management's assumptions, particularly in respect of the revenue growth rate and the discount rate as they are sensitive to the discounted cash flow model.	In response to this key audit matter, we performed the following procedures: • We evaluated the composition of management's future cash flow forecasts, and the process by which they were drawn up. • We compared the current year actual results with the figures for the year ended 31 December 2018 included in the prior year forecast to consider whether management's forecasts included assumptions that, with hindsight, had been reasonable. • We evaluated management's estimations in the forecasts for: — revenue growth rate, by comparing them to industry historical growth rate and economic forecasts; and — the discount rate, by assessing the cost of capital for the Company and comparable companies, as well as considering territory specific factors. • We evaluated management's sensitivity analysis around the key estimation for revenue growth rate and discount rate. We calculated the degree to which these estimations would need to move before an impairment conclusion was triggered. We discussed the likelihood of such a movement with management and agreed with their conclusion that it was unlikely. Based on the procedures performed, the significant estimations and judgements made by management in relation to impairment assessment of goodwill are supportable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Company assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, 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 ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Company 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.

We also provide the Audit Committee of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Ping Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

Consolidated Statement of Financial Position

As at 31 December 2018
All amounts expressed in thousands of RMB except for share data

	Note	As at 31 December 2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,303,759**	1,307,915
Land use rights	7	**14,774**	15,112
Intangible assets	8	**71,112**	71,563
Deferred income tax assets	18	**21,786**	19,530
Trade receivables	10	**6,752**	12,436
Prepayments	10	**9,578**	8,317
		1,427,761	1,434,873
Current assets			
Inventories	9	**571,728**	604,069
Trade and other receivables	10	**–**	393,881
Trade and notes receivables	10	**413,361**	–
Prepayments	10	**24,034**	–
Other receivables	10	**36,295**	–
Available-for-sale financial assets		**–**	120,383
Cash and cash equivalents	11(a)	**556,391**	355,788
Restricted cash	11(b)	**190,890**	189,754
		1,792,699	1,663,875
Total assets		**3,220,460**	3,098,748
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and capital reserve	12	**748,282**	798,282
Statutory reserve	13	**285,581**	263,550
Retained earnings	14	**1,450,308**	1,368,838
Exchange reserve		**(44,812)**	(48,174)
Other reserve		**–**	2,537
Total equity		**2,439,359**	2,385,033

Consolidated Statement of Financial Position

As at 31 December 2018
All amounts expressed in thousands of RMB except for share data

	Note	As at 31 December 2018	2017
LIABILITIES			
Non-current liabilities			
Deferred government grants	15	**86,353**	82,928
Deferred income tax liabilities	18	**3,700**	8,295
Borrowings	17	**29,427**	–
		119,480	91,223
Current liabilities			
Deferred government grants	15	**7,412**	7,905
Trade payables, other payables and accruals	16	**477,389**	493,628
Income tax liabilities		**15,821**	8,040
Borrowings	17	**160,999**	112,919
		661,621	622,492
Total liabilities		**781,101**	713,715
Total equity and liabilities		**3,220,460**	3,098,748

The notes on pages 62 to 118 are an integral part of these consolidated financial statements.

The financial statements on pages 56 to 118 were approved by the Board on 27 March 2019 and were signed on its behalf.

Director
Bi Hua, Jeff

Director
Chang Fuquan

Consolidated Income Statement

For the year ended 31 December 2018
Amounts expressed in thousands of RMB except for share data

	Note	Year ended 31 December 2018	2017
Revenue	5	**2,492,697**	2,336,293
Cost of sales	20	**(1,874,832)**	(1,697,851)
Gross profit		**617,865**	638,442
Other income and other gains — net	19	**83,045**	53,611
Reversal of impairment losses on financial assets — net		**1,538**	–
Distribution expenses	20	**(136,312)**	(120,527)
Administrative expenses	20	**(130,012)**	(130,677)
Operating profit		**436,124**	440,849
Finance income	22	**11,039**	7,985
Finance costs	22	**(2,648)**	(4,447)
Finance income — net		**8,391**	3,538
Profit before income tax		**444,515**	444,387
Income tax expense	23	**(84,456)**	(101,101)
Profit for the year		**360,059**	343,286
Earnings per share for profit attributable to equity holders of the Company			
— Basic and diluted earnings per share (RMB)	24	**0.27**	0.26

See note 2.2 for details about restatement for changes in accounting policies.

The notes on pages 62 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018
Amounts expressed in thousands of RMB except for share data

	Year ended 31 December	
	2018	2017
Profit for the year	**360,059**	343,286
Other comprehensive income:		
Item that may be reclassified to profit or loss		
Currency translation differences	**3,362**	29,094
Changes in the fair value of available-for-sale financial assets	**–**	2,537
Total comprehensive income for the year	**363,421**	374,917

The notes on pages 62 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2018
Amounts expressed in thousands of RMB except for share data

	Share capital (Note 12)	Share premium (Note 12)	Capital reserve (Note 12)	Statutory reserve (Note 13)	Exchange reserve	Other reserve	Retained earnings (Note 14)	Total
As at 1 January 2017	11,450	700,723	122,848	234,749	(77,268)	–	1,294,800	2,287,302
Comprehensive income:								
Profit for the year	–	–	–	–	–	–	343,286	343,286
Other comprehensive income:								
Currency translation differences	–	–	–	–	29,094	–	–	29,094
Changes in the fair value of available-for-sale financial assets	–	–	–	–	–	2,537	–	2,537
Shares repurchased	(4)	(1,735)	–	–	–	–	–	(1,739)
Transfer to statutory reserve	–	–	–	28,801	–	–	(28,801)	–
Dividends (Note 25)	–	(35,000)	–	–	–	–	(240,447)	(275,447)
As at 31 December 2017	11,446	663,988	122,848	263,550	(48,174)	2,537	1,368,838	2,385,033
Changes in accounting policies (Note 2.2)	–	–	–	–	–	(2,537)	(3,115)	(5,652)
As at 1 January 2018	11,446	663,988	122,848	263,550	(48,174)	–	1,365,723	2,379,381
Comprehensive income:								
Profit for the year	–	–	–	–	–	–	360,059	360,059
Other comprehensive income:								
Currency translation differences	–	–	–	–	3,362	–	–	3,362
Transfer to statutory reserve	–	–	–	22,031	–	–	(22,031)	–
Dividends (Note 25)	–	(50,000)	–	–	–	–	(253,443)	(303,443)
As at 31 December 2018	**11,446**	**613,988**	**122,848**	**285,581**	**(44,812)**	**–**	**1,450,308**	**2,439,359**

The notes on pages 62 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018
Amounts expressed in thousands of RMB except for share data

	Note	Year ended 31 December 2018	2017
Cash flows from operating activities			
Cash generated from operations	26	**476,435**	412,062
Interest paid		**(2,493)**	(1,019)
Income tax paid		**(83,526)**	(107,427)
Net cash generated from operating activities		**390,416**	303,616
Cash flows from investing activities			
Purchases of property, plant and equipment ("PP&E")		**(110,482)**	(127,673)
Receipt of assets-related government grants		**10,085**	–
Proceeds from disposal of PP&E		**693**	474
Purchases of intangible assets		**(3,873)**	(17,017)
Purchases of financial assets at fair value through profit or loss		**(700,000)**	–
Purchases of available-for-sale financial assets		**–**	(511,291)
Disposals of financial assets at fair value through profit or loss		**829,344**	–
Disposals of available-for-sale financial assets		**–**	770,753
Interest received		**11,039**	7,985
Net cash generated from investing activities		**36,806**	123,231
Cash flows from financing activities			
Proceeds from borrowings		**433,009**	44,580
Repayments of borrowings		**(357,000)**	(43,330)
Payments for shares repurchased		**–**	(1,739)
Dividends paid to equity holders		**(303,443)**	(275,447)
Net cash used in financing activities		**(227,434)**	(275,936)
Net increase in cash and cash equivalents		**199,788**	150,911
Cash and cash equivalents at beginning of year		**355,788**	206,082
Exchange gains/(losses) on cash and cash equivalents		**815**	(1,205)
Cash and cash equivalents at end of year		**556,391**	355,788

The notes on pages 62 to 118 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018
Amounts expressed in thousands of RMB except for share data

1 GENERAL INFORMATION

Greatview Aseptic Packaging Company Limited (the "Company") was incorporated in the Cayman Islands on 29 July 2010 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the "Group") are principally engaged in the business of manufacturing, distribution and selling of paper packaging and filling machines to dairy and non-carbonated soft drink producers.

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2010.

The consolidated financial statements are presented in Renminbi ("RMB") and rounded to nearest thousand yuan, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with IFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") and the disclosure requirements of Hong Kong Companies Ordinance ("HKCO") Cap. 622.

The preparation of these consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) — measured at fair value.

Amounts expressed in thousands of RMB except for share data

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(continued)*

(c) New and amended standards and annual improvements adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

IFRS 9	Financial instruments
IFRS 15	Revenue from Contracts with Customers
Annual improvements project	Annual Improvements 2014-2016 cycle
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The Group also elected to early adopt the following amendment.

Annual improvements project	Annual Improvement to IFRS Standards 2015-2017 Cycle

The Group had to change its accounting policies and make certain adjustments following the adoption of IFRS 9 and IFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards, amendments and interpretations issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised in the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB20,014. Of these commitments, approximately RMB1,805 relate to short-term leases which will be recognised on a straight-line basis as expense in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(continued)*

(d) New standards, amendments and interpretations issued but not yet adopted *(continued)*

IFRS 16 Leases (continued)

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB17,185 on 1 January 2019 and lease liabilities of RMB17,185.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 and IFRS 15 on the Group's financial statements.

2.2.1 Impact on the financial statements

As explained in note 2.2.2, IFRS 9 was generally adopted without restating comparative information. IFRS 15 was adopted using the modified retrospective approach that comparative information was not restated. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

Amounts expressed in thousands of RMB except for share data

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies *(continued)*

2.2.1 Impact on the financial statements *(continued)*

Statement of financial position (extract)	Note	As at 31 December 2017 RMB'000	Impact of adoption of IFRS 9 RMB'000	As at 1 January 2018 RMB'000
Non-current assets				
Deferred income tax assets	18	19,530	1,884	**21,414**
Trade and other receivables	10	12,436	(12,436)	**–**
Trade receivables	10	–	12,436	**12,436**
Current assets				
Trade and other receivables	10	393,881	(393,881)	**–**
Trade and notes receivables	10	–	335,657	**335,657**
Prepayments	10	–	19,100	**19,100**
Other receivables	10	–	31,588	**31,588**
Financial assets at fair value through profit or loss ("FVPL")		–	120,383	**120,383**
Available-for-sale financial assets		120,383	(120,383)	**–**
Total assets		3,098,748	(5,652)	**3,093,096**
Other reserve		2,537	(2,537)	**–**
Retained earnings	14	1,368,838	(3,115)	**1,365,723**
Total equity		2,385,033	(5,652)	**2,379,381**

Amounts expressed in thousands of RMB except for share data

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies *(continued)*

2.2.2 IFRS 9 "Financial Instruments"

IFRS 9 replaces the provisions of International Accounting Standards 39 ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.11 below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Note	RMB'000
Closing retained earnings 31 December 2017 — IAS 39		**1,368,838**
Reclassify investments from available-for-sale to FVPL	(i)	2,537
Increase in impairment provision for trade receivables	(ii)	(7,536)
Increase in deferred income tax assets relating to impairment provision	(iii)	1,884
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		(3,115)
Opening retained earnings 1 January 2018 — IFRS 9		**1,365,723**

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets — 1 January 2018	**FVPL** RMB'000	**Available-for-sale** RMB'000
Closing balance as at 31 December 2017 — IAS 39	**–**	**120,383**
Reclassify investments from available-for-sale to FVPL	120,383	(120,383)
Opening balance as at 1 January 2018 — IFRS 9	**120,383**	**–**

Amounts expressed in thousands of RMB except for share data

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies *(continued)*

2.2.2 IFRS 9 "Financial Instruments" *(continued)*

(i) Classification and measurement (continued)

The impact of these changes on the Group's equity is as follows:

	Effect on available-for-sale reserve RMB'000	Effect on retained earnings RMB'000
Closing balance as at 31 December 2017 — IAS 39	**2,537**	**1,368,838**
Reclassify investments from available-for-sale to FVPL	(2,537)	2,537
Opening balance as at 1 January 2018 — IFRS 9	**–**	**1,371,375**

Certain debt investments in wealth management products were reclassified from available-for-sale to FVPL (RMB120,383 as at 1 January 2018).

Related fair value gains of RMB2,537 were transferred from the available-for-sale reserve to retained earnings on 1 January 2018.

(ii) Reclassification of financial investment on adoption of IFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassification noted:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original RMB'000	New RMB'000	Difference RMB'000
Non current financial assets					
Trade receivables	Amortised cost	Amortised cost	12,436	12,436	–
Current financial assets					
Trade and notes receivables	Amortised cost	Amortised cost	335,657	335,657	–
Other receivables	Amortised cost	Amortised cost	31,588	31,588	–
Cash and cash equivalents	Amortised cost	Amortised cost	355,788	355,788	–
Restricted cash	Amortised cost	Amortised cost	189,754	189,754	–
Available-for-sale financial assets	Available for sale	FVPL	120,383	120,383	–

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies *(continued)*

2.2.2 IFRS 9 "Financial Instruments" *(continued)*

(iii) Impairment of financial assets

The Group has several types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables, and
- other receivables.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 2.2.2 above.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables
The Group applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB7,536 for trade receivables, net of tax impact of RMB1,884. Note 3.1 provides for details about the calculation of the allowance.

Other receivables
For other receivables, the expected credit losses is based on the 12-month expected credit losses. It is the portion of lifetime expected credit losses that result from default events on financial instrument that are possible within 12 months after the reporting date. However when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses. Management has closely monitored the credit qualities and the collectability of the other receivables and considers that the expected credit losses is immaterial.

2.2.3 IFRS 15 "Revenue from Contracts with Customers"

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rule under the modified retrospective approach and the comparative figures have not been restated. Based on the Group's assessment, the retained earnings as at 1 January 2018 would not be adjusted upon the adoption of IFRS15.

Presentation of assets and liabilities related to contracts with customers

The Group has changed the presentation of certain amounts in the consolidated statement of financial statement to reflect the terminology of IFRS 15 and IFRS 9:

Prepayments and other receivables were previously presented together with trade and notes receivables as trade and other receivables, and prepayments and other receivables are now presented as separate in the consolidated statement of financial position, to reflect their different nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

Consolidation

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company (the "Executive Directors") that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB") which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash are presented in the consolidated income statement within "finance income–net". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "Other income and other gains-net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

For other receivables, the expected credit losses is based on the 12-month expected credit losses. It is the portion of lifetime expected credit losses that result from default events on financial instrument that are possible within 12 months after the reporting date. However when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses. Management has closely monitored the credit qualities and the collectability of the other receivables and considers that the expected credit losses is immaterial.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

Except for the freehold land with indefinite useful life, all other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Freehold land with indefinite useful life is stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Freehold land in Europe is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining lease term or useful life
Buildings	15–33 years
Machinery	5–15 years
Vehicles and office equipment	4–8 years

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery installation, testing and other direct costs. No provision of depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income and other gains — net" in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Land use rights

All land in the People's Republic of China ("the PRC") is state-owned and no individual land ownership right exists. Costs represent upfront operating lease payments made for the right to use the land for period of 50 years.

Land use rights are stated at cost less accumulated amortisation and impairment losses.

Amortisation of land use rights is charged to the consolidated income statement on a straight-line basis.

2.9 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 10 years.

(c) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 5 to 10 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events, or changes in circumstance indicate that it might be impaired. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

2.11.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in consolidated income statement.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets *(continued)*

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in other income and other gains-net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated income statement and presented net within other income and other gains-net in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets *(continued)*

2.11.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and notes receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.11.5 Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories:

- loans and receivables,
- available-for-sale financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets *(continued)*

2.11.5 Accounting policies applied until 31 December 2017 *(continued)*

(i) Classification

The Group classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables and other receivables', 'cash and cash equivalents' and 'restricted cash' in the statement of financial position (Note 2.14 and 2.15).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in current assets because the investments either matures within 12 months of the end of the reporting period, or management could dispose of them anytime with short notice in advance, as stipulated in the investment agreement. And management do not intend long-term possession of the investments.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade receivables and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less provision for impairment.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured, and are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax *(continued)*

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Current and deferred income tax is recognised in the consolidated income statement, expect to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits

All eligible employees of the Group's subsidiaries which operate in the PRC participate in a central pension scheme operated by the local municipal government. The Group recognises employee benefits as liabilities during the accounting period when employees render services and allocates to related cost of assets and expenses based on different beneficiaries.

In connection with pension obligations, the Group operates defined contribution plans in accordance with the local conditions and practices in the countries and provinces in which they operate. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a publicly administered pension insurance plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(a) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the consolidated income statement as other income and other gains-net on a straight-line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition

The Group produces and sells liquid food aseptic packaging materials in the market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume rebates based on aggregate sales over a specific period as defined in the contracts. Revenue from sales are based on the price specified in the sales contracts, net of the estimated volume rebates at the time of sale. Accumulated experience is used to estimate and provide for the rebates, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. Expected rebates payable to customer (included in trade payables, other payables and accruals) in relation to sales made until the end of reporting period are assessed based on anticipated annual purchases.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group does not expect to have any contact containing financing components. As a consequence, the Group does not adjust any of the transition prices for the time value of money.

2.25 Interest income

Interest income from financial assets at fair value through profit and loss is included in the net fair value gains/ (losses) on these assets, see note 19 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 22 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases — as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.27 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.28 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's exposure to foreign exchange risk mainly arises from cash and cash equivalents, restricted cash, trade and notes receivables, other receivables, trade payables, other payables and borrowings that are denominated in United States Dollars ("US$"), Hong Kong Dollars ("HK$") and Euro ("EUR"). Please refer to notes 11(a), 11(b), 10, 10, 16, 16 and 17 for details.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings.

At 31 December 2018, if RMB had weakened/strengthened by 2% against US$ with all other variables held constant, net assets and post-tax profit for the year then ended would have been RMB994 (2017: RMB5,269) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US$-denominated trade payables and foreign exchange gains/losses on translation of US$-denominated trade receivables, cash and cash equivalents.

At 31 December 2018, if RMB had weakened/strengthened by 2% against EUR with all other variables held constant, net assets and post-tax profit for the year then ended would have been RMB315 higher/lower (2017: RMB899 lower/higher) , mainly as a result of foreign exchange gains/losses on translation of EUR-denominated trade receivables, cash and cash equivalents and foreign exchange losses/gains on translation of EUR-denominated trade payables.

(ii) Interest rate risk

The Group's exposure to interest rate risk arises mainly from cash at bank, restricted cash and borrowings. Cash at bank, restricted cash and borrowings at fixed rates expose the Group to fair value interest-rate risk, and those at floating rates expose the Group to cash flow interest-rate risk.

As at 31 December 2018, approximately RMB205,922 (2017: RMB186,958) of the Group's cash at bank and restricted cash was at fixed rates, and approximately RMB539,731 (2017: RMB358,434) of the Group's cash at bank and restricted cash was at floating rates.

As at 31 December 2018, approximately RMB159,233 (2017: RMB113,000) of the borrowings of the Group was at floating rates, and approximately RMB31,193 (2017: Nil) of the borrowings of the Group was at fixed rates. The interest rates and maturities of the Group's borrowings are disclosed in note 17.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk (continued)

Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level.

At 31 December 2018, if interest rates on cash at bank at floating rates had been 10 basis points higher/lower with all other variables held constant, post tax profit for the year would have been RMB415 (2017: RMB150) higher/lower, mainly as a result of higher/lower interest income on floating interest rate.

At 31 December 2018, if interest rates on the variable borrowings had been 10 basis points higher/lower with all other variables held constant, post tax profit for the year would have been RMB159 (2017: RMB100) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

(i) Risk management

Credit risk is managed on a group basis. Financial assets that potentially subject the group to concentrations of credit risk consist principally of cash and cash equivalents and restricted cash (Note 11), and trade and notes receivables (Note 10). The Group's cash and cash equivalents and restricted cash are mainly placed with or purchased from State-owned banks in the PRC and other foreign banks and financial institutions; the former ones are believed of high credit quality, and for the latter, only those independently rated by parties with a minimum rating of 'A' are accepted. The corresponding credit risk is relatively low.

Receivables are presented net of provision for impairment. The Group performs periodic credit evaluations of its customers and the trade credit terms granted, such as credit amount and length of payment are determined by management on case-by-case basis taking into account various factors such as customers' financial position, past experience and other factors. Management does not expect any losses from non-performance by these counterparties except for those recognised.

(ii) Impairment of financial assets

The Group has several types of financial assets that are subject to the expected credit loss model:

- trade receivables, and

- other receivables.

While cash and cash equivalents, restricted cash and notes receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Amounts expressed in thousands of RMB except for share data

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing analysis.

The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

At 31 December 2018	0–90 days	91–365 days	Over 365 days	Total
Provision on individual basis				
Lifetime expected credit loss rate	0%	100%	100%	
Gross carrying amount of certain debtor(s)	–	2,617	7,944	10,561
Loss allowance of certain debtor(s)	–	(2,617)	(7,944)	(10,561)
Provision on collective basis				
Lifetime expected credit loss rate	0.2%	1.6%	10.5%	
Gross carrying amount excluding certain debtor(s)	316,647	81,535	20,606	418,788
Loss allowance excluding certain debtor(s)	(453)	(1,299)	(2,164)	(3,916)
Total loss allowance	(453)	(3,916)	(10,108)	(14,477)

Amounts expressed in thousands of RMB except for share data

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(Continued)*

At 1 January 2018	0–90 days	91–365 days	Over 365 days	Total
Provision on individual basis				
Lifetime expected credit loss rate	100%	100%	100%	
Gross carrying amount of certain debtor(s)	2,533	121	13,718	16,372
Loss allowance of certain debtor(s)	(2,533)	(121)	(13,718)	(16,372)
Provision on collective basis				
Lifetime expected credit loss rate	0.3%	2.5%	17.8%	
Gross carrying amount excluding certain debtor(s)	195,858	135,890	20,102	351,850
Loss allowance excluding certain debtor(s)	(530)	(3,428)	(3,578)	(7,536)
Total loss allowance	(3,063)	(3,549)	(17,296)	(23,908)

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables 2018
As at 1 January 2018 — calculated under IAS 39	**16,372**
Amounts restated through opening retained earnings	**7,536**
Opening loss allowance as at 1 January 2018 — calculated under IFRS 9	**23,908**
Increase in trade receivables loss allowance recognised in profit or loss during the year	**2,193**
Receivables written off during the year as uncollectible	**(7,893)**
Unused amount reversed	**(3,731)**
As at 31 December 2018	**14,477**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the failure of a debtor to engage in a repayment plan with the Group .

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Amounts expressed in thousands of RMB except for share data

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statement.

Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

(c) Liquidity risk

Liquidity risk management is to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings (Note 17). The Group maintains unutilised banking facilities to manage its working capital requirements.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Over 1 year	Total
At 31 December 2018			
Borrowings	**163,587**	**29,427**	**193,014**
Trade and other payables	**434,250**	**–**	**434,250**
At 31 December 2017			
Borrowings	114,387	–	114,387
Trade and other payables	429,729	–	429,729

Amounts expressed in thousands of RMB except for share data

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new share or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as total debt divided by total capital. Total debt is calculated as interest bearing "borrowings" as shown in the consolidated statement of financial position. Total capital is calculated as "equity" as shown in the consolidated statement of financial position.

The Group's general strategy which was unchanged from 2017 is to maintain gearing ratio of less than 50%. The gearing ratio at 31 December 2018 and 2017 were as follows.

	As at 31 December	
	2018	2017
Total debt	**190,426**	112,919
Total equity	**2,439,359**	2,385,033
Gearing ratio	**8%**	5%

3.3 Fair value estimation

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets measured and recognised at fair value for the year ended 31 December 2018 and 2017 on a recurring basis:

At 31 December 2018	**Level 3 RMB'000**	**Total RMB'000**
Financial assets		
— Financial assets at fair value through profit or loss (FVPL)	–	–
At 31 December 2017		
Financial assets		
— Wealth management products	120,383	120,383

There were no transfers between each level for recurring fair vale measurements during the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation *(continued)*

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 and 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Financial assets at fair value through profit or loss are wealth management products. Specific valuation techniques used to value these financial instruments include discounted cash flow analysis and price of recent investment method.

Amounts expressed in thousands of RMB except for share data

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation *(continued)*

The following table presents the changes in level 3 items for the periods ended 31 December 2018 and 31 December 2017:

	Wealth management product RMB'000	**Total** RMB'000
As at 1 January 2017	372,810	372,810
Additions	511,291	511,291
Settlements	(767,100)	(767,100)
Changes in fair value	3,382	3,382
As at 31 December 2017	120,383	120,383
Additions	700,000	700,000
Settlements	(828,761)	(828,761)
Changes in fair value	8,378	8,378
As at 31 December 2018	–	–
Changes in unrealised gains or (losses) recognised in the consolidated income statement for assets held at the end of the reporting period		
2018	–	–
2017	3,382	3,382

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of investments on a case by case basis. At lease once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined base on value-in-use calculations. These calculations require the use of estimates and assumptions (Note 8).

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. As of 31 December 2018, the Group has derecognised deferred income tax assets amounting to approximately RMB0.9 million on these temporary differences (2017: approximately RMB2.2 million).

(c) Provision for impairment for trade receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected credit loss rates. The Group uses judgements in making these assumptions and selecting the inputs to impairments calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group reassesses the provision at each consolidated statement of financial position date.

Amounts expressed in thousands of RMB except for share data

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions *(continued)*

(d) Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances.

(e) Estimated provision for slow moving inventories

Provisions for declines in the value of inventories are determined on an item-by-item basis when the carrying value of the inventories is higher than their net realisable value. The estimation of net realisable values requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact carrying values of inventories and provisions of inventories in the period which estimate has been charged.

5 SEGMENT INFORMATION

Executive Directors are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the Executive Directors which are used for making strategic decisions.

The operating segments are based on sales generated by geographical areas. The segment information provided to the Executive Directors are as follows:

	PRC	International	Total
2018			
Sales	**1,598,719**	**893,978**	**2,492,697**
Cost	**(1,126,478)**	**(748,354)**	**(1,874,832)**
Segment results	**472,241**	**145,624**	**617,865**
2017			
Sales	1,620,234	716,059	2,336,293
Cost	(1,124,501)	(573,350)	(1,697,851)
Segment results	495,733	142,709	638,442

Amounts expressed in thousands of RMB except for share data

5 SEGMENT INFORMATION (CONTINUED)

A reconciliation of total segment results to total profit for the year is provided as follows:

	Year ended 31 December	
	2018	2017
Segment results for reportable segments	**617,865**	638,442
Other income and other gains — net	**83,045**	53,611
Reversal of impairment losses on financial assets — net	**1,538**	–
Distribution expenses	**(136,312)**	(120,527)
Administrative expenses	**(130,012)**	(130,677)
Operating profit	**436,124**	440,849
Finance income	**11,039**	7,985
Finance costs	**(2,648)**	(4,447)
Finance income — net	**8,391**	3,538
Profit before income tax	**444,515**	444,387
Income tax expense	**(84,456)**	(101,101)
Profit for the year	**360,059**	343,286
Depreciation and amortisation charges	**119,880**	109,971

Information on segment assets and liabilities are not disclosed as this information is not presented to the Executive Directors as they do not assess performance of reportable segments using information on assets and liabilities. The non-current assets excluding deferred income tax assets (there is no employment benefit assets and rights arising under insurance contracts) amount to RMB1,405,975 (2017: RMB1,415,343).

The following table presents sales generated from packaging materials:

	Year ended 31 December	
	2018	2017
Dairy products	**2,103,040**	2,004,830
Non-carbonated soft drink ("NCSD") products	**389,657**	331,463
	2,492,697	2,336,293

Revenue of approximately RMB1,392,299 or 56% (2017: RMB1,274,818 or 55%) was derived from 3 (2017: 2) single external customer. These revenues were attributable to the PRC and international segments.

Amounts expressed in thousands of RMB except for share data

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery	Vehicles and office equipment	Construction in progress	Leasehold improvements	Total
Cost						
As at 1 January 2017	490,345	1,271,708	50,205	124,211	1,626	1,938,095
Additions	148	229	965	126,258	–	127,600
Transfer upon completion	2,151	115,475	6,489	(124,115)	–	–
Disposals	–	(3,318)	(2,134)	–	–	(5,452)
Exchange differences	12,616	17,082	1,478	6,621	113	37,910
As at 31 December 2017	505,260	1,401,176	57,003	132,975	1,739	2,098,153
Additions	12,298	32	3,438	93,758	–	109,526
Transfer upon completion	60,392	124,924	6,941	(192,257)	–	–
Disposals	–	(1,230)	(3,507)	–	–	(4,737)
Exchange differences	1,147	2,134	141	118	10	3,550
As at 31 December 2018	**579,097**	**1,527,036**	**64,016**	**34,594**	**1,749**	**2,206,492**
Accumulated depreciation						
As at 1 January 2017	(68,135)	(578,747)	(32,240)	–	(685)	(679,807)
Charge for the year	(17,987)	(79,768)	(8,969)	–	(264)	(106,988)
Disposals	–	2,952	1,788	–	–	4,740
Exchange differences	(1,945)	(5,368)	(823)	–	(47)	(8,183)
As at 31 December 2017	(88,067)	(660,931)	(40,244)	–	(996)	(790,238)
Charge for the year	(18,376)	(88,261)	(8,338)	–	(163)	(115,138)
Disposals	–	769	3,077	–	–	3,846
Exchange differences	(220)	(886)	(91)	–	(6)	(1203)
As at 31 December 2018	**(106,663)**	**(749,309)**	**(45,596)**	**–**	**(1,165)**	**(902,733)**
Net book value						
As at 31 December 2018	**472,434**	**777,727**	**18,420**	**34,594**	**584**	**1,303,759**
As at 31 December 2017	417,193	740,245	16,759	132,975	743	1,307,915

Amounts expressed in thousands of RMB except for share data

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended 31 December	
	2018	2017
Cost of sales	**110,921**	102,391
Distribution expenses	**90**	94
Administrative expenses	**4,127**	4,503
	115,138	106,988

(b) The Group's property, plant and equipment are located in the PRC and Europe.

As at 31 December 2018, the net book value of property, plant and equipment located in Europe was approximately RMB509,369 (as at 31 December 2017: RMB467,621).

(c) Construction in progress as at 31 December 2018 mainly comprises new production line being constructed in Halle, Germany, Shandong, PRC and Inner Mongolia, PRC.

7 LAND USE RIGHTS

	Year ended 31 December	
	2018	2017
Cost		
At beginning of the year and end of the year	**16,725**	16,725
Accumulated amortisation		
At beginning of the year	**(1,613)**	(1,275)
Amortisation	**(338)**	(338)
At end of the year	**(1,951)**	(1,613)
Net book value	**14,774**	15,112

All of the Group's land use rights are located in the PRC with the leasehold period of 50 years.

Amortisation of the Group's leasehold land has been charged to administrative expenses in the consolidated income statement.

Amounts expressed in thousands of RMB except for share data

8 INTANGIBLE ASSETS

	Goodwill	Computer Software	Trademarks	Total
Cost				
As at 1 January 2017	47,773	21,336	428	69,537
Additions	–	17,017	–	17,017
Exchange differences	–	368	–	368
As at 31 December 2017	47,773	38,721	428	86,922
Additions	–	3,873	–	3,873
Exchange differences	–	120	–	120
As at 31 December 2018	**47,773**	**42,714**	**428**	**90,915**
Accumulated amortisation				
As at 1 January 2017	–	(12,169)	(218)	(12,387)
Amortisation	–	(2,598)	(47)	(2,645)
Exchange differences	–	(327)	–	(327)
As at 31 December 2017	–	(15,094)	(265)	(15,359)
Amortisation	–	(4,357)	(47)	(4,404)
Exchange differences	–	(40)	–	(40)
As at 31 December 2018	**–**	**(19,491)**	**(312)**	**(19,803)**
Net book value				
As at 31 December 2018	**47,773**	**23,223**	**116**	**71,112**
As at 31 December 2017	47,773	23,627	163	71,563

Amortisation of the Group's intangible assets has been charged to administrative expense in the consolidated income statement.

Impairment tests for goodwill

The goodwill arose from acquisition of Greatview Aseptic Packaging (Shandong) Co., Ltd. ("GA Shandong") in January 2005. The goodwill is monitored by the Group at the level of cash-generated units ("CGUs") which contain GA Shandong, Greatview Beijing Trading Co., Ltd. ("GA Beijing") and Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd. ("GA Inner Mongolia"), as GA Shandong's business was partially transferred to GA Beijing and GA Inner Mongolia after acquisition, all these entities are included in the PRC operating segment.

The recoverable amount of cash-generated units ("CGUs") is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period using estimated growth rates which are based on past performance and their expectations of future development. Cash flows within the five-year period are extrapolated using the estimated growth rates stated below.

Amounts expressed in thousands of RMB except for share data

8 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill *(continued)*

The key assumptions used for value-in-use calculations in the cash flow projections are as follows:

	Year ended 31 December	
	2018	2017
Pre-tax discount rate	**15.5%**	10.7%
Five-year period growth rate	**2.5%–3.5%**	3.0%–4.8%
Perpetuity growth rate	**2%**	3%

The growth rate assumption is based on the current sales margin levels and sales mix, and the corresponding cost of sales. It is based on past performance and management's expectations of market development.

The recoverable amount calculated based on value-in-use exceeded the carrying value by RMB637,283. A decline in five-year period growth rate by 13.4% to (10.9%)–(9.9%), or a decline in perpetuity growth rate by 10.5% to (8.5%) or a rise in pre-tax discount rate by 9.0% to 24.5%, all changes taken in isolation, would remove the remaining headroom.

9 INVENTORIES

	As at 31 December	
	2018	2017
Raw materials	**438,733**	464,298
Work in progress	**11,689**	10,722
Finished goods	**133,540**	144,743
	583,962	619,763
Less: Provision for obsolescence		
— Raw materials	**(10,644)**	(13,231)
— Finished goods	**(1,590)**	(2,463)
	571,728	604,069

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB1,859,138 for the year ended 31 December 2018 (2017: RMB1,680,519).

Inventory provision and the amount reversed have been included in cost of sales in the consolidated income statement for the years ended 31 December 2018 and 2017.

Amounts expressed in thousands of RMB except for share data

10 TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2018	2017
Trade receivables — gross	**429,349**	368,222
Less: Provision for impairment of trade receivables	**(14,477)**	(16,372)
Trade receivables — net	**414,872**	351,850
Notes receivables	**5,241**	3,779
Less non-current portion: Trade receivables	**(6,752)**	(12,436)
	413,361	343,193
Other receivables		
— staff advances and other payments for employees	**6,641**	2,262
— value added tax deductible	**12,400**	12,315
— value added tax receivable	**14,322**	14,188
— others	**2,932**	2,823
	36,295	31,588
Prepayments		
— tariffs	**3,611**	4,795
— advances to suppliers	**22,027**	17,445
— others deferred expenses	**8,757**	5,960
— prepayment for land use rights	**7,898**	7,898
Less: Provision for impairment	**(8,681)**	(8,681)
Prepayments — net	**33,612**	27,417
Less non-current portion: prepayments	**(9,578)**	(8,317)
	24,034	19,100
	473,690	393,881

The Group does not hold any collateral as security.

All non-current receivables are due over one year from the end of the year.

Customers are normally granted credit term within 90 days. At 31 December 2018 and 2017, the ageing analysis of the trade receivables based on invoice date are as follows:

	As at 31 December	
	2018	2017
Trade receivables — gross		
0–30 days	**147,283**	115,773
31–90 days	**169,364**	82,618
91–180 days	**53,897**	107,542
181–365 days	**30,255**	28,469
Over 365 days	**28,550**	33,820
	429,349	368,222

Amounts expressed in thousands of RMB except for share data

10 TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB7,536 for trade receivables. Note 3.1 provides for details about the calculation of the allowance.

The loss allowance decreased by RMB9,431 to RMB14,477 for trade receivables during the current reporting period. Note 3.1 provides for details about the reconciliation from the opening loss allowance to the closing loss allowance.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the failure of a debtor to engage in a repayment plan with the Group.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

11 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at 31 December	
	2018	2017
Cash at bank and in hand	**543,691**	348,413
Bank deposits with initial terms within three months	**12,700**	7,375
	556,391	355,788

(b) Restricted cash

At 31 December 2018, RMB190,890 (2017: RMB189,754) are restricted deposits held at bank as guarantee for borrowings and notes payables.

The carrying amounts of cash and cash equivalents and restricted cash of the Group are denominated in the following currencies:

	As at 31 December	
	2018	2017
RMB	**665,251**	505,920
US$	**35,856**	15,274
EUR	**44,876**	22,571
HK$	**406**	864
CHF	**220**	890
GBP	**672**	23
	747,281	545,542

Amounts expressed in thousands of RMB except for share data

12 SHARE CAPITAL, SHARE PREMIUM AND CAPITAL RESERVE

	Note	As at 31 December	
		2018	2017
Share capital	(a)	**11,446**	11,446
Share premium	(a)	**613,988**	663,988
Capital reserve		**122,848**	122,848
		748,282	798,282

(a) Share capital and share premium

Share capital

The total authorised number of ordinary shares is 3,000,000,000 (2017: 3,000,000,000) with par value of HK$0.01 per share (2017: HK$ 0.01 per share).

The number of ordinary shares issued as of 31 December 2018 is 1,337,019,000 (2017: 1,337,019,000). All issued shares are fully paid.

Share premium

On 9 December 2010, the Company completed its initial public offering by issuing 233,600,000 shares of HK$0.01 each at a price of HK$4.30 per share. The Company's shares are listed on the Stock Exchange.

13 STATUTORY RESERVE

	Year ended 31 December	
	2018	2017
As at 1 January	**263,550**	234,749
Transfer from retained earnings	**22,031**	28,801
As at 31 December	**285,581**	263,550

In accordance with PRC's regulations and the Articles of Association of those subsidiaries of the Group, which incorporated in the PRC ("PRC subsidiaries"), the PRC subsidiaries of the Group appropriate 10% of their net profits as shown in the accounts prepared under PRC generally accepted accounting principles to statutory reserve, until the reserve reaches 50% of their respective registered capital. Appropriation of the statutory reserve must be made before distribution of dividend to equity holders.

Amounts expressed in thousands of RMB except for share data

14 RETAINED EARNINGS

	Year ended 31 December	
	2018	2017
As at 1 January	**1,368,838**	1,294,800
Change in accounting policy (Note 2.2)	**(3,115)**	–
Profit for the year	**360,059**	343,286
Transfer to statutory reserve	**(22,031)**	(28,801)
Dividends paid	**(253,443)**	(240,447)
As at 31 December	**1,450,308**	1,368,838

15 DEFERRED GOVERNMENT GRANTS

	Year ended 31 December	
	2018	2017
Opening net amount at beginning of the year	**90,833**	91,242
Additions	**10,085**	1,543
Amortisation	**(7,569)**	(6,643)
Exchange adjustments	**416**	4,691
Closing net amount at end of the year	**93,765**	90,833
At the end of the year		
Cost	**141,351**	125,246
Less: accumulated amortisation	**(48,161)**	(40,433)
Exchange adjustments	**575**	6,020
Net book amount	**93,765**	90,833

	As at 31 December	
	2018	2017
Current portion of deferred government grant	**7,412**	7,905
Non-current portion of deferred government grant	**86,353**	82,928

During the year ended 31 December 2018, the Group received government grants relating to the purchase of property, plant and equipment. The amounts are recognised in the consolidated income statement on a straight-line basis over the expected lives of the related assets.

Amounts expressed in thousands of RMB except for share data

16 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2018	2017
Trade payables	**227,446**	244,588
Notes payables	**137,890**	136,754
Advances from customers	**17,406**	35,205
Accrued expenses	**54,481**	38,129
Salary and welfare payables	**20,518**	22,513
Other tax payables	**5,215**	6,181
Other payables	**14,433**	10,258
	477,389	493,628

The normal credit period granted by the creditors generally ranged from 30 to 90 days. At 31 December 2018 and 2017, the ageing analysis of the trade payables is as follows:

	As at 31 December	
	2018	2017
Within 30 days	**163,229**	226,444
31–90 days	**59,702**	14,223
91–365 days	**2,402**	1,051
Over 365 days	**2,113**	2,870
	227,446	244,588

Amounts expressed in thousands of RMB except for share data

16 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

The carrying amounts of trade payables, notes payables, salary and welfare payables and other payables approximate their fair values and are mainly denominated in the following currencies:

		As at 31 December	
		2018	2017
Trade payables	— RMB	**77,941**	107,669
	— US$	**96,795**	79,976
	— EUR	**51,846**	56,943
	— CHF	**379**	–
	— GBP	**467**	–
	— AUD	**18**	–
		227,446	244,588
Notes payables	— RMB	**137,890**	136,754

		As at 31 December	
		2018	2017
Salary and welfare payables	— RMB	**19,627**	20,480
	— EUR	**891**	2,033
		20,518	22,513
Other payables	— RMB	**7,406**	5,421
	— US$	**73**	–
	— HK$	**56**	–
	— EUR	**6,898**	4,837
		14,433	10,258

Amounts expressed in thousands of RMB except for share data

17 BORROWINGS

		As at 31 December	
		2018	2017
Current			
Secured bank borrowing	— EUR	**129,806**	112,919
Unsecured bank borrowing	— HK$	**31,193**	–
		160,999	112,919
Non-Current			
Secured bank borrowing	— EUR	**29,427**	–
Total borrowings		**190,426**	112,919

The Group subsidiaries' secured bank borrowings of RMB115,053 (2017: RMB112,919) nominated in EUR are secured by bank deposits of the Group of RMB53,000 (2017: RMB53,000) (Notes 11(b)). And the rest of the secured bank borrowings of RMB44,180 (2017: RMB Nil) were guaranteed by the Company.

The Group's borrowings as at each of the statement of financial position date were repayable as follows:

	As at 31 December	
	2018	2017
Within 1 year	**160,999**	112,919
Between 1 and 2 years	**7,847**	–
Between 2 and 5 years	**21,580**	–
	190,426	112,919

As of 31 December 2018, the Group has 6 borrowing facilities (31 December 2017: 5) with a total limit of US$120,000,000 (RMB823,584) and EUR31,350,000 (RMB246,013) (31 December 2017: US$130,000,000 (RMB849,446) and EUR16,350,000 (RMB127,568)). The amounts of the unutilised borrowing facilities are as follows:

	As at 31 December	
	2018	2017
Floating rate:		
— Expiring within 1 year	**879,171**	864,095

Amounts expressed in thousands of RMB except for share data

18 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2018	2017
Deferred income tax assets		
— Deferred income tax asset to be recovered after more than 12 months	**13,482**	12,256
— Deferred income tax asset to be recovered within 12 months	**8,304**	7,274
	21,786	19,530
Deferred income tax liabilities		
— Deferred income tax liability to be recovered within 12 months	**(3,700)**	(8,295)
Deferred income tax assets (net)	**18,086**	11,235

The movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2018	2017
At beginning of the year	**11,235**	14,346
Impact of adoption of new IFRS (Note 2.2.2)	**1,884**	–
Credited/(charged) to income statement (Note 23)	**4,967**	(2,266)
Charge to other comprehensive income	**–**	(845)
At end of the year	**18,086**	11,235

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	**Accrued expenses**	**Government grants**	**Impairments and provisions**	**Total**
At 1 January 2017	9,412	4,912	6,572	20,896
(Charged)/Credited to income statement	(2,464)	(16)	1,114	(1,366)
At 31 December 2017	6,948	4,896	7,686	19,530
Change in accounting policy (Note 2.2)	–	–	1,884	1,884
At 1 January 2018	6,948	4,896	9,570	21,414
Credited/(charged) to income statement	644	(363)	91	372
At 31 December 2018	**7,592**	**4,533**	**9,661**	**21,786**

Amounts expressed in thousands of RMB except for share data

18 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities	Unremitted earnings (Note 18(b))	Other reserve	Fair value gains	Total
At 1 January 2017	6,550	–	–	6,550
Credited to income statement	900	–	–	900
Credited to other comprehensive income	–	845	–	845
At 31 December 2017	7,450	845	–	8,295
Change in accounting policy (Note 2.2)	–	(845)	845	–
At 1 January 2018	7,450	–	845	8,295
Charged to income statement	(3,750)	–	(845)	(4,595)
At 31 December 2018	**3,700**	**–**	**–**	**3,700**

(a) Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The amount of tax losses for which no deferred income tax asset were recognised was approximately RMB12,920 (2017: RMB53,201). As of 31 December 2018 and 2017, the expiry dates of the unrecognised tax losses can be carried forward against future taxable income are analysed as below:

Expiring in year ending:	2018	2017
2018	**–**	6,875
2019	**3,615**	10,575
2020	**3,277**	12,780
2021	**2,719**	11,383
2022	**1,564**	10,523
2023	**645**	–
Losses without expiry date	**1,100**	1,065
	12,920	53,201

(b) In accordance with the corporate income tax law in the PRC, a 5% withholding tax will be levied on the dividend declared by the subsidiaries which was established in the PRC to its foreign investor. Considering the dividend policies of the PRC subsidiaries and the Group's business plan, the Directors are of the view that only a portion of the unremitted earnings of the PRC subsidiaries of approximately RMB74,000 (2017: RMB149,000) may be distributed to their foreign parent company in the foreseeable future and the related deferred income tax liabilities of approximately RMB3,700 (2017: RMB7,450) have been recognised accordingly.

Amounts expressed in thousands of RMB except for share data

19 OTHER INCOME AND OTHER GAINS — NET

	Year ended 31 December	
	2018	2017
Income from sales of scraps	**19,096**	21,508
Subsidy income from government	**40,600**	28,404
Interest on available-for-sale financial assets	**–**	3,653
Interest income from wealth management products measured at fair value through profit or loss	**8,961**	–
Net losses on disposal of assets	**(198)**	(238)
Net foreign exchange gain/(loss)	**5,034**	(4,641)
Others	**9,552**	4,925
	83,045	53,611

The subsidy income comprised cash grants from local government as an incentive to promote local businesses.

20 EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
Raw materials and consumables used	**1,470,423**	1,347,033
Changes in inventories of finished goods and work in progress	**40,359**	32,281
Tax and levies on main operations	**15,694**	9,759
Write-back for obsolescence on inventories	**(3,460)**	(208)
Depreciation and amortisation charges:	**119,880**	109,971
— *Depreciation of PP&E*	**115,138**	106,988
— *Amortisation of intangible assets*	**4,404**	2,645
— *Amortisation of land use rights*	**338**	338
Provision for impairment of receivables	**–**	10,085
Employee benefit expenses (Note 21)	**233,891**	204,720
Auditors' remuneration		
— Audit services	**2,180**	2,180
— Non-audit services	**3,648**	187
Transportation expenses	**84,678**	62,347
Repair and maintenance expenses	**28,940**	26,214
Electricity and utilities	**40,967**	37,392
Rental expenses	**6,802**	7,457
Plating expenses	**15,563**	12,569
Professional fees	**15,742**	7,979
Travelling expenses	**15,238**	13,824
Advertising and promotional expenses	**16,059**	16,787
Other expenses	**34,552**	48,478
Total cost of sales, distribution expenses and administrative expenses	**2,141,156**	1,949,055

Amounts expressed in thousands of RMB except for share data

21 EMPLOYEE BENEFITS

The analysis of employee benefits is as follows:

	Year ended 31 December 2018	2017
Wages and salaries (including discretionary bonuses)	**197,231**	163,155
Employer's contributions to pension scheme and others	**36,660**	41,565
	233,891	204,720

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors (2017: 2), whose emoluments were reflected in the analysis presented in Note 33. The aggregate amounts of emoluments for the remaining 3 (2017: 3) individuals for the years are as follows:

	Year ended 31 December 2018	2017
Salaries and other short-term employees benefits	**3,892**	3,240
Social security cost	**83**	93
	3,975	3,333

The emoluments fell within the following bands:

	Year ended 31 December 2018	2017
Emolument bands		
HK$1,000,001–HK$1,500,000	**2**	3
HK$1,500,001–HK$2,000,000	**–**	–
HK$2,000,001–HK$2,500,000	**1**	–
	3	3

(b) Senior management remuneration by band (excluded 2 directors (2017: 2), whose emoluments were reflected in the analysis presented in Note 33)

The number of individuals emoluments fell within the following bands:

	Year ended 31 December 2018	2017
Emolument bands		
HK$0–HK$500,000	**1**	–
HK$500,001–HK$1,000,000	**1**	1
HK$1,000,001–HK$1,500,000	**2**	5
HK$1,500,001–HK$2,000,000	**–**	–
HK$2,000,001–HK$2,500,000	**–**	–
	4	6

Amounts expressed in thousands of RMB except for share data

22 FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December	
	2018	2017
Interest income	**11,039**	7,985
Finance income	**11,039**	7,985
Interest expenses — bank borrowings	**(2,493)**	(1,019)
Exchange losses — net	**(155)**	(3,428)
Finance costs	**(2,648)**	(4,447)

23 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
Current income tax:		
Enterprise income tax	**91,307**	98,835
Deferred income tax:	**(6,851)**	2,266
Income tax expense	**84,456**	101,101

The Group's subsidiaries established in the PRC except for Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd. are subject to the PRC statutory income tax rate of 25% (2017: 25%) on the taxable income for the year. Hong Kong profits tax has been provided at rate of 16.5% for the current year (2017: 16.5%). The profits tax of Greatview Aseptic Packaging Manufacturing GmbH and Greatview Aseptic Packaging Service GmbH has been provided at rate of 30.8%. Greatview Aseptic Packaging Europe GmbH is subject to the Swiss statutory income tax rate of 11.35%.

Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd. is located in a special economic zone with an preferential statutory income tax rate of 15%, which is subject to annual approval from the local tax bureau. The local tax bureau has approved this preferential tax rate of 15% for this subsidiary in year 2018.

Amounts expressed in thousands of RMB except for share data

23 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group companies is as follows:

	Year ended 31 December	
	2018	2017
Profit before tax	**444,515**	444,387
Tax calculated at domestic tax rates applicable to profits in the respective countries	**81,993**	103,560
Withholding tax on dividends	**10,100**	12,900
Preferential tax treatment for a subsidiary	**(13,914)**	(12,908)
Income not subject to tax	**(786)**	99
Expenses not deductible for tax purposes	**3,884**	137
Tax losses for which no deferred income tax asset is recognised	**256**	2,866
Utilisation of previously unrecognised tax losses	**(210)**	(5,639)
Others	**3,133**	86
Income tax expense	**84,456**	101,101

24 EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2018	2017
Profit attributable to equity holders of the Company	**360,059**	343,286
Weighted average number of ordinary shares in issue (thousands)	**1,337,019**	1,337,084
Basic and diluted earnings per share (RMB per share)	**0.27**	0.26

Basic and diluted earnings per share are the same as the Group does not have any dilutive potential ordinary shares for the year ended 31 December 2018 and 2017.

Amounts expressed in thousands of RMB except for share data

25 DIVIDENDS

The dividends paid in 2018 and 2017 were HK$347,626,470 (HK$0.13 per share, approximately RMB303,443 in total) and HK$320,884,560 (HK$0.12 per share, approximately RMB275,447 in total) respectively. A dividend in respect of the year ended 31 December 2018 of HK$0.14 per share, amounting to a total dividend of HK$187,182,660 (approximately RMB164,009 in total) is to be proposed by the Board at the forthcoming annual general meeting to be partly paid out of the share premium account of the Company and partly paid out of the distributable profits of the Company. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2018	2017
Dividends proposed and paid during the year	**152,955**	136,199
Proposed final dividend of HK$0.14 (2017: HK$0.13) per ordinary share	**164,009**	145,290
	316,964	281,489

26 CASH GENERATED FROM OPERATIONS

	Year end 31 December	
	2018	2017
Profit before income tax	**444,515**	444,387
Adjustments for:		
— Amortisation of intangible assets	**4,404**	2,645
— Amortisation of land use rights	**338**	338
— Amortisation of deferred government grants	**(7,569)**	(6,643)
— Depreciation of property, plant and equipment	**115,138**	106,988
— Impairment (reversal)/provision for trade and other receivables	**(1,895)**	10,085
— Impairment write-back for obsolescence on inventories	**(3,460)**	(208)
— Loss on disposal of property, plant and equipment	**198**	238
— Interest on disposal of available-for-sale financial assets	**–**	(3,653)
— Interest income from financial assets at FVPL	**(8,961)**	–
— Finance income — net	**(8,391)**	(3,538)
— Foreign exchange gains on operating activities	**528**	4,908
Changes in working capital:		
— Inventories	**35,801**	(174,248)
— Trade and notes receivables, other receivables, prepayments and restricted cash	**(78,928)**	(78,809)
— Trade payables, other payables and accruals	**(15,283)**	108,029
— Government grants	**–**	1,543
Cash generated from operations	**476,435**	412,062

Amounts expressed in thousands of RMB except for share data

26 CASH GENERATED FROM OPERATIONS (CONTINUED)

Non-cash transaction

In 2017 and 2018, there was no significant non-cash transaction.

	Liabilities from financing activities		
	Borrowings due after 1 year	Borrowings due within 1 year	Total
At 31 December 2017	(112,919)	–	(112,919)
Cash flows	(46,666)	(29,343)	(76,009)
Foreign exchange adjustments	(1,414)	(84)	(1,498)
At 31 December 2018	**(160,999)**	**(29,427)**	**(190,426)**

27 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 December 2018 are set out below:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)
Partner One Enterprises Ltd.	British Virgin Island, Limited liability company	Investment holding in British Virgin Island	US$2 Ordinary shares	100%	100%
Global Land International Industries Limited	Hong Kong, Limited liability company	Investment holding in Hong Kong	HK$10,000 Ordinary shares	–	100%
Greenone Co., Ltd.	PRC, Limited liability company	Research and development of multi-layers food packaging materials in PRC	RMB10,000,000	–	100%
Greatview Holdings Ltd.	Hong Kong, Limited liability company	Investment holding in Hong Kong	HK$10,000 Ordinary shares	–	100%
Greatview Aseptic Packaging (Shandong) Co., Ltd.	PRC, Limited liability company	Production and sale of packaging products in PRC	US$44,000,000	–	100%
Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd.	PRC, Limited liability company	Production and sale of packaging products in PRC	US$20,000,000	–	100%
Greatview Aseptic Packaging Europe GmbH	Switzerland, Limited liability company	Sale of packaging products in Switzerland	CHF50,000 Ordinary shares	–	100%
Greatview Beijing Trading Co., Ltd.	PRC, Limited liability company	Sale of packaging products and equipment and related technical development services in PRC	US$750,000	–	100%
Greatview Aseptic Packaging Manufacturing GmbH	Germany, Limited liability company	Production and sale of packaging products in Germany	EUR25,000 Ordinary shares	–	100%
Greatview Aseptic Packaging Service GmbH	Germany, Limited liability company	Sale of packaging products in Germany	EUR25,000 Ordinary shares	–	100%
Langfang XinCeHeng Plastic Co., Ltd.	PRC, Limited liability company	Production of rubber and plastic films in PRC	RMB10,000,000	–	100%

Amounts expressed in thousands of RMB except for share data

27 SUBSIDIARIES (CONTINUED)

Significant restrictions

Cash and bank balances of RMB672,834 (2017: RMB512,390) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

28 COMMITMENTS

(a) The Group's capital commitments at the date of each statement of financial position are as follows:

	As at 31 December	
	2018	2017
Contracted but not provided for		
— Property, plant and equipment	**6,373**	78,621

(b) Operating leases commitments

The Group leases offices and warehouses under non-cancellable operating lease agreements. The lease terms are between one and five years.

As at 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
No later than 1 year	**9,135**	5,105
Later than 1 year and no later than 5 years	**10,879**	3,366
	20,014	8,471

29 RELATED PARTY TRANSACTIONS

Key management compensation

Key management includes Executive Directors and other key management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year end 31 December	
	2018	2017
Salaries and other short-term employees benefits	**11,676**	10,014
Social security cost	**474**	402
	12,150	10,416

30 CONTINGENT LIABILITIES

On 17 September 2010, the Group received a notice informing it that a competitor ("Tetra Pak") has filed a complaint in Germany against two companies of the Group. The named defendants in the notice are Tralin Pak Europe GmbH (renamed Greatview Aseptic Packaging Europe GmbH in 2011) and Tralin Packaging Company Limited (together in the following "Tralin Pak"); alleging patent infringement related to aseptic packaging material.

The Court has denied Tetra Pak's Claim in December 2011 and found Tetra Pak liable for the costs of the proceedings (the "Judgment"). On 16 January 2012, Tetra Pak filed a notice of appeal to Dusseldorf Higher Regional Court against the Judgment.

Furthermore, on 20 October 2010, Greatview Aseptic Packaging Europe GmbH initiated Opposition Proceedings before the European Patent Office ("EPO") to nullify the same patent in question with effect for all member states of the European Patent Convention. In the oral hearing of 27 November 2012, the opposition division of European Patent Office has revoked the patent in full. However, Tetra Pak has filed an appeal on 17 April 2013 against the first instance decision. On 23 December 2013, the Company had filed a reply in response to Tetra Pak's appeal. On 26 April 2018, an oral hearing has been held and the EPO Boards of Appeal has dismissed Tetra Pak's appeal and thereby confirmed the invalidity of EP 085. On 19 July 2018, the EPO Boards of Appeal issued a decision of revoking the subject patent. Tetra Pak has waived filing a petition for a review of the decision in the EPO appeal proceedings by the Enlarged Board of Appeal. Finally, the subject patent is completely invalidated in its entirely.

On 26 September 2018, Tetra Pak has withdrawn the appeal to Dusseldorf Higher Regional Court. On 27 September 2018, Dusseldorf Higher Regional Court has issued court order which states that due to Tetra Pak's withdrawal, Tetra Pak has to bear the costs of the appeal proceedings. Consequently, Tetra Pak's Claim against the two companies of the Group based on EP 085 is dismissed completely.

31 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 15 January 2019, GA Shandong (the "Purchaser") and Qingdao Likang Packaging Company Limited (the "Vendor") entered into the Sale and Purchase Framework Agreement, pursuant to which GA Shandong has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the 100% equity interest in the Qingdao Likang Food Packaging Technology Company Limited (the "Target"), a subsidiary of the Vendor, for a cash consideration of RMB104,220.

The acquisition was set out in the Company's announcement dated 15 January 2019. The acquisition is subject to fulfilment of certain conditions by the Vendor or GA Shandong.

On 27 March 2019, the Purchaser entered into the sale and purchase agreement with the Vendor, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell, the entire equity interest in the Target Company for a total consideration of RMB106,457.

(b) On 31 January 2019, Mr. LIU Jun resigned as an executive Director and chief operating officer of the Company due to changes in his personal career plan.

(c) On 27 March 2019, Mr. CHANG Fuquan resigned as one of the joint company secretaries of the Company and was appointed as an executive Director. On the same day, Ms. QI Zhaohui was appointed as a joint company secretary of the Company to fill the vacancy of Mr. CHANG Fuquan.

Amounts expressed in thousands of RMB except for share data

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2018	2017
ASSETS			
Non-current assets			
Investment in a subsidiary		**221,801**	221,801
Amount due from a subsidiary		**621,360**	621,360
		843,161	843,161
Current assets			
Amount due from a subsidiary		**76,981**	51,410
Cash and cash equivalents		**118**	355
Prepayments		**–**	1,393
		77,099	53,158
Total assets		**920,260**	896,319
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**11,446**	11,446
Other reserves and retained earnings		**907,817**	883,874
Total equity		**919,263**	895,320
LIABILITIES			
Current liabilities			
Trade payables, other payables and accruals		**997**	999
Total liabilities		**997**	999
Total equity and liabilities		**920,260**	896,319

The balance sheet of the Company was approved by the Board of Directors on 27 March 2019 and was signed on its behalf:

Director	*Director*
Bi Hua, Jeff	**Chang Fuquan**

Amounts expressed in thousands of RMB except for share data

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	2018	2017
As at 1 January	**883,874**	968,393
Profit for the year	**327,386**	192,663
Dividends	**(303,443)**	(275,447)
Shares repurchased	**–**	(1,735)
As at 31 December	**907,817**	883,874

33 DIRECTORS' EMOLUMENTS

(a) The remuneration of directors was as follows:

Name of Director	Fees	Salary	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to pension scheme	Total
Year ended 31 December 2017:						
Executive directors						
Mr. Bi Hua, Jeff	173	2,418	484	281	66	3,422
Mr. Liu Jun	173	1,087	220	79	51	1,610
Non-executive directors						
Mr. Hong Gang	–	–	–	–	–	–
Mr. Zhu Jia	–	–	–	–	–	–
Mr. Hsu David (appointed on 9 August 2017)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Lueth Allen Warren	173	–	–	–	–	173
Mr. Behrens Ernst Hermann	173	–	–	–	–	173
Mr. Dang Xinhua (passed away on 16 November 2017)	173	–	–	–	–	173
	865	3,505	704	360	117	5,551

Amounts expressed in thousands of RMB except for share data

33 DIRECTORS' EMOLUMENTS (CONTINUED)

(a) The remuneration of directors was as follows: *(continued)*

Name of Director	Fees	Salary	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to pension scheme	Total
Year ended 31 December 2018:						
Executive directors						
Mr. Bi Hua, Jeff	169	2,420	410	201	70	3,270
Mr. Liu Jun (resigned on 31 January 2019)	169	1,088	191	71	55	1,574
Mr. Chang Fuquan (appointed on 27 March 2019)	–	764	134	7	–	905
Non-executive directors						
Mr. Hong Gang	–	–	–	–	–	–
Mr. Hsu David	–	–	–	–	–	–
Independent non-executive directors						
Mr. Lueth Allen Warren	169	–	–	–	–	169
Mr. Behrens Ernst Hermann	169	–	–	–	–	169
Mr. Zhu Jia (re-designated on 15 March 2018)	124	–	–	–	–	124
	800	4,272	735	279	125	6,211

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2017: Nil).

(c) Directors' termination benefits

During the year, no payment or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2017: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2017: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts 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 year or at any time during the year (2017: Nil).