Sino Energy International Holdings Group Limited
中能國際控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1096)

Annual Report 2018

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Chen Jianbao
(Chairman and Joint Chief Executive Officer)
Ms. Cai Xiuman
Mr. Zhang Wenbin *(Joint Chief Executive Officer)*
Mr. Wang Qingshan
Mr. Zhu Tianxiang

Independent Non-Executive Directors
Mr. Chen Jinzhong, Roy
Mr. Wang Xianzhang
Mr. Chai Chung Wai

BOARD COMMITTEES

Audit Committee
Mr. Chen Jinzhong, Roy *(Chairman)*
Mr. Wang Xianzhang
Mr. Chai Chung Wai

Remuneration Committee
Mr. Chen Jinzhong, Roy *(Chairman)*
Mr. Wang Xianzhang
Mr. Chai Chung Wai

Nomination Committee
Mr. Chen Jinzhong, Roy *(Chairman)*
Mr. Wang Xianzhang
Mr. Chai Chung Wai

COMPANY SECRETARY

Mr. Tsang Ho Yin

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Shoes Industrial Park
Baogai Town
Shishi
Fujian Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1408B, 14/F.,
Shun Tak Centre West Tower,
168-200 Connaught Road Central,
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of Communications
China Merchants Bank
Industrial Bank of China
Industrial and Commercial Bank of China

INDEPENDENT AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISER

As to Hong Kong law:
Winston & Strawn

STOCK CODE

01096

COMPANY WEBSITE

www.sino-energyint.com.hk

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 December

	Note	2018	2017	% change
Revenue (RMB'000)		**103,474**	192,717	(46.3)
Gross profit (RMB'000)		**14,976**	7,719	94.0
Loss before tax (RMB'000)		**(257,730)**	(323,041)	(20.2)
Loss for the year (RMB'000)		**(260,467)**	(327,244)	(20.4)
Gross profit margin (%)		**14.5%**	4.0%	
Loss per share – Basic (RMB)	1	**(0.16)**	(0.20)	
Dividend per share – final (HK cents)		**–**	–	
As at 31 December				
Current ratio (times)	2	**1.2**	1.6	
Gearing ratio (%)	3	**140.0%**	107.5%	

Notes for key ratios:

1) Basic Loss per share: Loss attributable to owners of Sino Energy International Holdings Group Limited (the "**Company**")/weighted average number of ordinary shares of HK$0.10 each in the share capital of the Company (the "**Shares**")

2) Current ratio: Current assets/current liabilities

3) Gearing ratio: Total borrowings (including bank loans, debentures and convertible bonds)/total assets

Chairman's Letter to Shareholders

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present the annual results of Sino Energy International Holdings Group Limited and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018.

The more intense competition within the industry and rising production costs have squeezed the revenue of the Group's footwear business during the period. To cope with this situation, the Group has been implementing strategies to diversify its businesses and expand into other business sectors.

For the year ended 31 December 2018, revenue of the Group recorded a decrease of 46.3% year-on-year to RMB103.5 million. Loss attributable to owners of the Company was RMB260.5 million. The decrease in loss was mainly attributable to increase of gross profit from approximately RMB7.7 million for the year ended 31 December 2017 to approximately RMB15.0 million for the year ended 31 December 2018.

Looking ahead, the global economy and geopolitical developments will continue to bring challenges. To diversify the business of the Group and to increase the Group's source of revenue, the Company has been seeking various development opportunities by entering into the strategic cooperation agreement with Sino-Russian Grain Innovation and Innovation Center (Yingkou) Co., Ltd ("**Grain Innovation**") and China (Liaoning) Free Trade Zone, Yingkou Area Management Committee on 31 October 2018. The Board is optimistic for the prospects for grain industry. The strategic cooperation agreement enables the Group to obtain from Grain Innovation the supply of grain which the Group can trade for profit. Further, with strong support from the PRC government, the Board believes that the strategic cooperation agreement offers a good opportunity to the Group to diversify its business into grain business and to broaden the Group's revenue base in the future. The Group will continue its established business diversification strategies, moving from operating a traditional retail business to expanding to the other business sectors and allocating more resources for the latter.

I would like to take this opportunity to extend my heartfelt gratitude to the shareholders of the Company (the "**Shareholders**"), investors and business partners for their trust and support. I also wish to thank our Board members, management team and staff for their dedicated efforts in making contributions to the Group.

Chen Jianbao
Chairman

28 March 2019

BUSINESS REVIEW AND PROSPECTS

Business Review

During the review period, the Group has continued to implement its strategic transformation plan; actively seeking opportunities to expand its revenue sources, as well as boost its overall long-term profitability by seizing business opportunities in other business sectors.

Although the overall retail market in China has improved during the year, companies in the industry have had to face a transformed landscape arising from the integration of online and offline operations in their quest for innovation, which has resulted in more intense market competition. Moreover, cost pressures including the constant rise in rental expenses and staff costs have brought challenges to the operating environment. During the period, through careful examination and review of the Group's store network, gross profit rose by 94.0% for the year ended 31 December 2018 from the corresponding period in 2017.

Prospects

Looking ahead, the global economy and geopolitical developments will continue to bring challenges. To diversify the business of the Group and to increase the Group's source of revenue, the Company has been seeking various development opportunities by entering into the strategic cooperation agreement with Sino-Russian Grain Innovation and Innovation Center (Yingkou) Co., Ltd ("Grain Innovation") and China (Liaoning) Free Trade Zone, Yingkou Area Management Committee on 31 October 2018. The Board is optimistic for the prospects for grain industry. The strategic cooperation agreement enables the Group to obtain from Grain Innovation the supply of grain which the Group can trade for profit. Further, with strong support from the PRC government, the Board believes that the strategic cooperation agreement offers a good opportunity to the Group to diversify its business into grain business and to broaden the Group's revenue base in the future. The Group will continue its established business diversification strategies, moving from operating a traditional retail business to expanding to the other business sectors and allocating more resources for the latter.

On the other hand, the Group will continue to closely monitor market trends and prudently decrease its holdings in or dispose of business segments that underperform when appropriate, in order to enhance business performance. At the same time, the Group will continue to employ stringent cost control measures to support its long-term development. In the future, the Group will continue to implement established business strategies, accelerate business transformation and strive to generate promising returns for the Shareholders.

FINANCIAL ANALYSIS

Revenue

The total revenue of the Group for the year ended 31 December 2018 was approximately RMB103.5 million, representing a decrease of 46.3% as compared to that of 2017. The decrease in revenue was mainly as a result of the decline of revenue of footwear apparel and related accessories business caused by the rapid development of online shopping, the consistent deterioration of the market conditions, and the continuous sluggish retail environment and the decline of revenue of operation of gas station caused by less demand of the gas consumption.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 31 December 2018 was approximately RMB15.0 million, as compared with the gross profit of approximately RMB7.7 million for the year ended 31 December 2017. The gross profit margin of the Group for the year ended 31 December 2018 was approximately 14.5% (2017: gross profit margin of approximately 4.0%).

Distribution and Selling Expenses

The Group's distribution and selling expenses primarily consisted of advertising and promotional expenses, royalties for licensed brands, salaries for the sales and marketing staff, and other costs related to sales and distribution. Distribution and selling expenses was approximately RMB4.9 million, accounted for approximately 4.7% of revenue for the year ended 31 December 2018 (2017: approximately 2.2%). The distribution and selling expenses increased from approximately RMB4.2 million for the year ended 31 December 2017 to approximately RMB4.9 million for the year ended 31 December 2018, primarily as a result of more promotion and advertising work were done during the year.

Administrative Expenses

Administrative expenses decreased by approximately RMB59.0 million to approximately RMB143.7 million for the year ended 31 December 2018 from approximately RMB202.7 million for the year ended 31 December 2017, which was mainly attributable to no impairment loss of goodwill (2017: approximately RMB21.3 million) and no impairment loss of other assets (2017: approximately RMB26.7 million) during the year.

Other Income

The decrease in other income from approximately RMB15.3 million for the year ended 31 December 2017 to approximately RMB6.1 million for the year ended 31 December 2018 was mainly due to gain on early redemption of debenture decreased by approximately RMB3.0 million to approximately RMB1.0 million for the year ended 31 December 2018 (2017: approximately RMB4.0 million) and penalty income from early redeemed debenture decreased by approximately RMB5.6 million to approximately RMB0 million for the year ended 31 December 2018 (2017: approximately RMB5.6 million) for the year ended 31 December 2018.

Finance Costs

Finance costs represented interest expenses on interest-bearing short-term bank loans, debentures, promissory notes and convertible bonds. Interest expenses decreased by approximately 6.4% from approximately RMB139.2 million for the year ended 31 December 2017 to approximately RMB130.2 million for the year ended 31 December 2018, primarily due to decrease of interests on bank loans and no interests on promissory notes during the year.

Income Tax

Income tax recorded for the year ended 31 December 2018 mainly represented provision of PRC corporate income tax for approximately RMB2.7 million.

Loss for the Year

Loss for the year was approximately RMB260.5 million, as compared to a loss of approximately RMB327.2 million during the corresponding period in 2017.

LIQUIDITY AND CAPITAL RESOURCES

In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB. As at 31 December 2018, the Group had net current assets of approximately RMB167.5 million (31 December 2017: approximately RMB383.0 million), of which bank and cash balances and pledged deposits were approximately RMB596.2 million (2017: approximately RMB592.8 million). The Group has always been pursuing a prudent treasury management policy and is in a strong liquidity position. The gearing ratio, calculated as total borrowings (including bank loans, debentures and convertible bonds) divided by total assets, increased from 107.5% as at 31 December 2017 to 140.0% as at 31 December 2018.

The Group primarily met its funding requirement by cash flows from operations and financing activities. During the year ended 31 December 2018, the net cash generated from operating activities and net cash used in financing activities were approximately RMB40.1 million (2017: net cash generated from operating activities of approximately RMB92.6 million) and approximately RMB65.0 million (2017: net cash used in financial activities of approximately RMB273.3 million) respectively. The total bank borrowings decreased to approximately RMB86.3 million (2017: approximately RMB105.9 million). The bank loans were repayable within one year. The Group's bank borrowings were denominated in RMB.

During the year ended 31 December 2018, the Group newly issued unlisted debentures of approximately RMB54.6 million (2017: approximately RMB122.0 million) and made a settlements of approximately RMB56.8 million (2017: approximately RMB51.5 million). As at 31 December 2018, the outstanding unlisted debentures amounted to approximately RMB1,039.8 million (31 December 2017: approximately RMB944.1 million). The debentures are repayable from June 2018 to December 2028.

The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2018.

CAPITAL STRUCTURE

During the year ended 31 December 2018, the Company did not issue new Shares. As at 31 December 2018, the total number of issued Shares was 1,606,498,422.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in RMB. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars.

During the year, the Group did not hedge any foreign exchange exposure against foreign currency risk. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

PLEDGE OF ASSETS

As at 31 December 2018, the Group secured its bank loans and bills payables by a charge over land use rights with an aggregate carrying amount of approximately RMB1.1 million (2017: approximately RMB1.1 million), buildings with net book value of RMB Nil (2017: approximately RMB103.1 million).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no significant investment, material acquisitions and disposal of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2018.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group currently does not have any firm intention or specific plans for material investment or capital assets. Apart from strengthening the Group's current business, the Group will explore new business opportunities which may benefit the Shareholders.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities (31 December 2017: RMB Nil).

EMPLOYEES AND EMOLUMENTS

As at 31 December 2018, the Group employed a total of 127 full-time employees in the PRC and Hong Kong, which included Directors, management staff, product designers, technicians, salespersons and workers. Remuneration for the entire full-time workforce amounted to approximately RMB21.5 million for the reporting year, which is equivalent to 20.8% of the Group's revenue. The Group's emolument policies are formulated based on the performance of individual employees, whose performance are reviewed and evaluated periodically. Apart from contributions to the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) and social security fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees according to individual performance. In addition, the Group adopted the share option scheme on 4 September 2011 for the purpose of providing incentives to Directors and eligible employees.

EVENTS AFTER THE REPORTING PERIOD

Issue of Convertible Bonds under general mandate

On 30 November 2018, the Company entered into the subscription agreement with China Russia Food Innovation & Entrepreneurship Center (YingKou) Co., Ltd.*（中俄糧食創新創業中心（營口）有限公司）("China Russia Food Innovation"), an independent third party of the Company, pursuant to which the Company has conditionally agreed to issue, and China Russia Food Innovation has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$50,000,000. Based on the initial conversion price of HK$0.1563, a maximum number of 319,897,632 conversion shares shall be allotted and issued upon exercise in full of the conversion right. The general mandate to allot and issue of shares was granted to the Directors at the general meeting of the Company held on 28 June 2018.

On 28 February 2019, the Company and China Russia Food Innovation entered into a supplemental agreement to the subscription agreement to amend the conversion price, from HK$0.1563 to HK$0.26, which a maximum number of 192,307,692 conversion shares shall be allotted and issued upon exercise in full of the conversion rights.

For details of the Subscription, please refer to the announcements of the Company dated 30 November 2018, 2 January 2019, 31 January 2019 and 28 February 2019 respectively.

Joint Venture Agreement and Management Agreement

On 10 January 2019, the Company entered into a joint venture agreement (the "Joint Venture Agreement") with Central and Easter Europe International Trading Co., Limited*（中東歐國際商貿有限公司）("CEE International Trading") and Shenyang Yulinglong Business Management Company Limited*（瀋陽玉玲瓏商業管理有限公司）("Shenyang Yulinglong"), pursuant to which the parties agreed to establish a joint venture company named Northeast Asia Digital Economy Innovation Entrepreneurship Center (Shenyang) Co., Ltd*（東北亞數字經濟創新創業中心（瀋陽）有限公司）(the "Northeast Asia Digital") to principally engage in property management in respect of a property located at Jiulong Harbour, Middle Street in Shenyang*（瀋陽中街九龍港）with an area of approximately 9,884 square metres (the "Property"). The Property will be used as the operating center for the Sino-Russian Grain Corridor*（中俄糧食走廊）project, which aims to introduce quality goods from Russia, Central and Eastern Europe and Northeast Asian countries and to become a display and sales platform in the mainland China for such quality goods from the above regions. Northeast Asia Digital will also aim to obtain the Jiulong Harbour Shopping Mall*（九龍港商城）tax-free store status*（免稅店資質）for the Property.

The registered capital of Northeast Asia Digital will be RMB10,000,000, which will be contributed as to 51% (equivalent to RMB5,100,000) in cash by the Company, as to 34.3% (equivalent to RMB3,430,000) in cash by CEE International Trading, and as to 14.7% (equivalent to RMB1,470,000) in cash by Shenyang Yulinglong. Northeast Asia Digital will be owned as to 51% by the Company, as to 34.3% by CEE International Trading and as to 14.7% by Shenyang Yulinglong.

Northeast Asia Digital will be recognised as a non-wholly owned subsidiary of the Company. As a result, the financial results, assets and liabilities of Northeast Asia Digital will be consolidated into the accounts of the Group.

On 10 January 2019, the Company entered into a management agreement (the "Management Agreement") with CEE International Trading and Shenyang Yulinglong for a term from the date of the Management Agreement to 31 December 2027, whereby Northeast Asia Digital will provide property management services (including property sales and rental operation), projects operation, advertising and planning services to Shenyang Yulinglong in respect of the Property.

Each of the Company, CEE International Trading and Shenyang Yulinglong shall bear the operating costs (including but not limited to property rental, utilities fee, advertising, salary and decoration fee) and shall be entitled to the income generated by the Property in proportion to their respective shareholding in Northeast Asia Digital.

Please refer to the announcement of the Company dated 10 January 2019 for details.

Amendments of the Terms and Conditions of the Convertible Bonds

On 18 January 2019, the Company, Central China International Investment Company Limited ("Central China"), Mr. Chen Jianbao and Ms. Song Lin entered into a supplemental agreement pursuant to which the Company agreed with Central China to amend certain terms and conditions of the convertible bonds issued on 28 December 2016. Please refer to the announcements of the Company dated 18 January 2019 for details.

Discloseable Transaction in relation to the Equity Transfer and Capital Contribution Agreement

On 20 February 2019, the Company, China Russia Food Innovation and China Russia Food Industry Fund (Yingkou) Co., Ltd.*(中俄糧食產業基金(營口)有限公司)(the "China Russia Food Industry") entered into an agreement (the "Equity Transfer and Capital Contribution Agreement"), pursuant to which (i) the Company (or its wholly-owned subsidiary) shall acquire 51% equity interest in China Russia Food Industry from China Russia Food Innovation at the consideration of RMB1 (the "Equity Acquisition"); and (ii) the Company shall inject RMB25,500,000 (equivalent to approximately HK$29,613,285.33) into China Russia Food Industry as paid-up capital, representing 51% of the registered capital of China Russia Food Industry (the "Capital Contribution"). Upon completion of the Equity Acquisition and the Capital Contribution, the Group will be interested in 51% equity interest in China Russia Food Industry. Please refer to the announcement of the Company dated 20 February 2019 for details.

Subscription of New Shares under general mandate

On 11 March 2019 (after trading hours), the Company entered into a subscription agreement with Chengdu Huasu Network Technology Service Co., Ltd.*(成都華速網絡技術服務有限公司)("Chengdu Huasu") pursuant to which Chengdu Huasu has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, an aggregate of 77,335,826 subscription Shares at the subscription price of HK$0.2565 per subscription Share. Please refer to the announcements of the Company dated 11 March 2019 and 12 March 2019 for details.

Save as disclosed above, there were no significant events after the year ended 31 December 2018 up to the date of this report.

The Group is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") from time to time.

Pursuant to a resolution passed by the Board on 4 September 2011, the Company has adopted all the requirements of the code provisions of the Corporate Governance Code. During the year ended 31 December 2018, the Company has complied with all the code provisions of the Corporate Governance Code except for the following deviation:

CODE PROVISION E.1.2

The code provision E.1.2 of the Corporate Governance Code stipulates that the chairman of the board should attend the annual general meeting.

Mr. Chen Jianbao, the chairman of the Board, was unable to attend the annual general meeting of the Company (the "**AGM**") which was held on 28 June 2018 due to his other business engagement.

THE BOARD

The Board oversees the management of the business and affairs of the Company. The Directors are accountable for making decisions objectively in the best interest of the Shareholders as a whole.

The Board is responsible for making decisions on all major aspects of the Company's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, risk management and internal control systems, material transactions, major capital expenditure, appointment of Directors and other significant financial and operational matters.

The Board may delegate aspects of its management and administration functions to the management. In particular, the day-to-day management of the Company is delegated to the joint chief executive officers of the Group, Mr. Chen Jianbao and Mr. Zhang Wenbin, and their management team.

The Company has throughout the year ended 31 December 2018 met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, accounting or related financial management expertise. Save as the time that the Board was endeavouring to identify suitable candidate(s) to fill the vacancy as a result of Mr. Lee Ho Yiu Thomas's retirement on 28 June 2018 and Mr. Gu Renliang resignation on 1 November 2018, the Board meets with the requirement under Rule 3.10A of the Listing Rules following with the appointment of Mr. Chai Chung Wai. During the year ended 31 December 2018, the Company was non-compliance with Rule 3.10A of the Listing Rules which stipulates that the independent non-executive Directors should represent at least one-third of the Board following the resignation of Mr. Gu Renliang as an independent non-executive Director on 1 November 2018. The Company was non-compliance with Rules 3.10(1) and 3.21 of the Listing Rules which stipulate that the Board must include at least three independent non-executive Directors and the audit committee must comprise a minimum of three members respectively, following the resignation of Mr. Gu Renliang as an independent non-executive Director on 1 November 2018. Pursuant to Rule 3.11 of the Listing Rules, the Company should appoint an additional independent non-executive Director within three months after failing to meet the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. Furthermore, Rule 3.23 of the Listing Rules requires the Company to appoint an additional appropriate member to the Audit Committee within three months after failing to meet the requirements under Rule 3.21 of the Listing Rules. However, the Company was unable to identify and appoint a suitable candidate to fill the vacancy within three months after the resignation of Mr. Gu Renliang as an independent non-executive Director on 1 November 2018. Please refer to the announcement of the Company dated 1 February 2019 in relation to the non-compliance with independent non-executive Director requirements and Audit Committee requirements. The Company was compliance with Rules 3.10A, 3.10 and 3.21 after Mr. Chai Chung Wai was appointed as an independent non-executive Director and a member of the audit committee of the Company (the "**Audit Committee**") on 22 February 2019. All independent non-executive Directors meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Company has received from all of its independent non-executive Directors confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Throughout the year ended 31 December 2018 and up to the date of this report, the composition of the Board was as follows:

Executive Directors:

Mr. Chen Jianbao *(Chairman and Joint Chief Executive Officer)*
Ms. Cai Xiuman
Mr. Zhang Wenbin *(Joint Chief Executive Officer)*
Mr. Wang Qing Shan
Mr. Zhu Tianxiang (appointed on 21 January 2019)
Mr. Wang Wei *(Vice-Chairman)* (resigned on 1 January 2019)

Non-executive Director:

Mr. Song Pengcheng (resigned on 1 November 2018)

Independent non-executive Directors:

Mr. Chen Jinzhong, Roy
Mr. Wang Xianzhang
Mr. Chai Chung Wai (appointed on 22 February 2019)
Mr. Lee Ho Yiu Thomas (retired on 28 June 2018)
Mr. Gu Renliang (resigned on 1 November 2018)

A description of the Directors is set out in the section headed "Board of Directors and Senior Management" in this annual report.

The roles of the chairman and chief executive officer of the Group are separate. Mr. Chen Jianbao, the chairmen of the Group and an executive Director, is responsible for overall strategic business development, management and operations.

Mr. Chen Jianbao and Mr. Zhang Wenbin, the joint chief executive officers of the Group and executive Directors, are responsible for leading the business operations of the Group to achieve the business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board. Mr. Zhang Wenbin is the husband of Ms. Cai Xiuman, who is another executive Director.

The Board is expected to meet regularly and at least four times a year. The Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors.

With respect to regular meetings of the Board, the Directors will be given written notice of the meeting at least 14 days in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances.

The Board held 6 regular board meetings during the year ended 31 December 2018 and the attendance of the Directors are set out on page 15.

APPOINTMENTS, RE-ELECTION AND ROTATION OF DIRECTORS

All Directors are appointed for specific terms. Mr. Chen Jinzhong, Roy has been appointed for a term of 1 year commencing from 28 June 2018, which may be terminated by not less than three months' notice in writing served by either party on the other. Mr. Wang Xianzhang has been appointed for a term of 1 year commencing from 1 June 2018, which may be terminated by not less than 3 months' notice in writing served by either party on the other. Mr. Zhu Tianxiang has been appointed for a term of 1 year commencing from 21 January 2019, which may be terminated by not less than 3 months' notice in writing served by either party on the other. Mr. Chai Chung Wai has been appointed for a term of 1 year commencing from 22 February 2019, which may be terminated by not less than three months' notice in writing served by either party on the other. None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with the article 83(3) of the articles of association of the Company (the "**Articles**"), Mr. Zhu Tianxiang and Mr. Chai Chung Wai will hold office only until the forthcoming AGM and, being eligible, offer themselves for re-election at the same meeting.

In accordance with the article 84(1) of Articles, at each AGM, one third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Mr. Zhang Wenbin and Mr. Chen Jinzhong, Roy will retire at the AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election.

Where vacancies arise at the Board, candidates will be proposed and put forward to the Board by the Nomination Committee (as defined below) as set out below under the section on Nomination Committee.

CORPORATE GOVERNANCE

The Board has carried out its duties and responsibilities as set out in D.3 in Appendix 14 to the Listing Rules including the development of policies and practices on corporate governance, monitoring the training and continuous professional development of Directors and senior management, reviewing the compliance with the Code, disclosure in this Corporate Governance Report and legal and regulatory requirements of the Company.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors attended training programmes on commercial, legal and regulatory requirements in relation to a listed company in Hong Kong and/or the industry in which the Group conducts its businesses.

A summary of training received by the Directors for the year ended 31 December 2018 according to the records provided by the Directors is as follows:

Names of Directors	Training organised by professional organizations	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Chen Jianbao *(Chairman and Joint chief executive officer)*	✓	✓
Ms. Cai Xiuman	✓	✓
Mr. Zhang Wenbin *(Joint chief executive officer)*	✓	✓
Mr. Wang Qingshan	✓	✓
Mr. Zhu Tianxiang (appointed on 21 January 2019)	✓	✓
Mr. Wang Wei *(Vice-chairman)* (resigned on 1 January 2019)	✓	✓
Non-executive Director		
Mr. Song Pengcheng (resigned on 1 November 2018)	✓	✓
Independent non-executive Directors		
Mr. Chen Jinzhong, Roy	✓	✓
Mr. Wang Xianzhang	✓	✓
Mr. Chai Chung Wai (appointed on 22 February 2019)	✓	✓
Mr. Lee Ho Yiu Thomas (retired on 28 June 2018)	✓	✓
Mr. Gu Renliang (resigned on 1 November 2018)	✓	✓

SECURITIES TRANSACTIONS

Pursuant to a resolution passed by the Board on 4 September 2011, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the year ended 31 December 2018.

BOARD COMMITTEES

The Company established the Audit Committee, a remuneration committee (the "**Remuneration Committee**"), and a nomination committee (the "**Nomination Committee**") on 4 September 2011.

Audit Committee

The Audit Committee comprises 3 independent non-executive Directors, namely, Mr. Chen Jinzhong, Roy, Mr. Wang Xianzhang and Mr. Chai Chung Wai. Mr. Chen Jinzhong, Roy is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and approve the Group's financial reporting system, risk management and internal control systems. In addition, the major duties of the Audit Committee are as follows:

Relationship with the Group's auditor

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(d) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Group's financial information

(e) to review and monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from audit;

  (iv) going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(f) Regarding (e) above:

  (i) members of the Audit Committee should liaise with the Board and the senior management, and the Audit Committee must meet, at least twice a year, with the Group's auditor; and

  (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts it should give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer, external auditor or internal control officer;

Oversight of the Group's financial reporting system, risk management and internal control systems

(g) to review the Company's financial controls, and unless expressly addressed by the Board, to review the Company's risk management and internal control systems;

(h) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(i) to consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(j) where an internal audit function exists, to review the internal audit programme, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(k) to review the Group's financial and accounting policies and practices;

(l) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;

(m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(n) to act as the key representative body for overseeing the Company's relations with the external auditor;

(o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(p) to report to the Board on the matters set out in these terms of reference; and

(q) to consider other topics, as defined by the Board.

Two meetings of the Audit Committee were held during the year ended 31 December 2018 to consider and review the audited financial statements of the Group for the year ended 31 December 2017 and the unaudited financial statements of the Group for the six months ended 30 June 2018 and the attendance of the Audit Committee members of such meetings is set out on page 15.

A recent meeting of the Audit Committee was held on 28 March 2019 to consider and review the audited financial statements of the Group for the year ended 31 December 2018, risk management and internal control related matters. Members of the Audit Committee have reviewed the draft auditor's report.

Remuneration Committee

The Remuneration Committee comprises 3 independent non-executive Directors, namely, Mr. Chen Jinzhong, Roy, Mr. Wang Xianzhang and Mr. Chai Chung Wai. Mr. Chen Jinzhong, Roy is the chairman of the Remuneration Committee.

The major duties of the Remuneration Committee are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(c) to make recommendations to the Board of the remuneration of non-executive Directors;

(d) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(e) to review and approve management's remuneration proposals by reference to the Board's corporate goals and objectives;

(f) to review and approve compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(i) to report to the Board on the matters set out in these terms of reference; and

(j) to consider other topics, as defined by the Board.

The Remuneration Committee held two meetings during the year ended 31 December 2018 to review and approve the remuneration packages of Directors and senior management of the Group.

The remuneration of Directors is determined with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. Details of emoluments of Directors for the year ended 31 December 2018 are set out in note 13 to the financial statements. The number of senior management of the Group whose remuneration for the year ended 31 December 2018 fell within the following band is as follows:

	Number of senior management
HK$nil-HK$1,000,000	2
HK$1,500,000-HK$2,000,000	–

Nomination Committee

The Nomination Committee comprises 3 independent non-executive Directors, namely, Mr. Chen Jinzhong, Roy, Mr. Wang Xianzhang and Mr. Chai Chung Wai. Mr. Chen Jinzhong, Roy is the chairman of the Nomination Committee.

The major duties of the Nomination Committee are as follows:

(a) to review the structure, size and composition of the Board (including the skills, knowledge and experience) 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;

(c) to assess the independence of independent non-executive Directors;

(d) 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 officer of the Group; and

(e) to give due regard to the benefits of diversity on the Board against objective criteria in reference to the board diversity policy when performing its duties.

Where vacancy on the Board exists, the Nomination Committee will carry out a selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations, and select or make recommendations to the Board on the selection of candidates for directorship.

The Nomination Committee held two meetings during the year ended 31 December 2018 to nominate the members of Board for retirement and re-election at the Meeting, and to review the structure, size, diversity of the Board. The Nomination Committee has also adopted the following diversity policy and the nomination policy (the "**Nomination Policy**") on the Board:

We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our directors unique.

NOMINATION POLICY

The Board has adopted the Nomination Policy on 9 August 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

(1) identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;

(2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

(3) reviewing the profiles of the shortlisted candidates and interview them; and

(4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

MEETING ATTENDANCE

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. The attendance of individual Directors at these meetings during the year ended 31 December 2018 is set out below:

	Attendance			
	Board meeting(s)	**Audit Committee meeting(s)**	**Remuneration Committee meeting(s)**	**Nomination Committee meeting(s)**
Executive Directors				
Mr. Chen Jianbao *(Chairman and Joint chief executive officer)*	6/6	–	–	–
Ms. Cai Xiuman	6/6	–	–	–
Mr. Zhang Wenbin *(Joint chief executive officer)*	6/6	–	–	–
Mr. Wang Qingshan	6/6	–	–	–
Mr. Zhu Tianxiang (appointed on 21 January 2019)	N/A	–	–	–
Mr. Wang Wei *(Vice-chairman)* (resigned on 1 January 2019)	6/6	–	–	–
Non-executive Director				
Mr. Song Pengcheng (resigned on 1 November 2018)	5/5	–	–	–
Independent non-executive Directors				
Mr. Chen Jinzhong, Roy	6/6	2/2	2/2	2/2
Mr. Wang Xianzhang	6/6	2/2	2/2	2/2
Mr. Chai Chung Wai (appointed on 22 February 2019)	N/A	–	–	–
Mr. Lee Ho Yiu Thomas (retired on 28 June 2018)	2/2	1/1	1/1	1/1
Mr. Gu Renliang (resigned on 1 November 2018)	4/4	2/2	1/1	1/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group to ensure that these financial statements give a true and fair presentation in accordance with the International Financial Reporting Standards.

The statement by the auditor about their reporting responsibilities is set out in the independent auditor's report on pages 41 to 43.

The Directors noted that according to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately RMB260,467,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net liabilities of approximately RMB558,656,000. The Directors are aware of the indication of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

INDEPENDENT AUDITOR

The Audit Committee reviews and monitors the independent auditor's independence, objectivity and effectiveness of the audit process. It receives each year letter from the independent auditor confirming their independence and objectivity and holds meetings with representatives of the independent auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it.

The remuneration payable to the independent auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2018 amounted to approximately HK$1.4 million and HK$0.2 million respectively. Non-audit services include tax review and agreed-upon procedures regarding preliminary announcement of results for the year ended 31 December 2018.

COMPANY SECRETARY

Mr. Tsang Ho Yin ("**Mr. Tsang**"), was appointed as the company secretary of the Company (the "**Company Secretary**") on 1 November 2018 following the resignation of Mr. Cheng Kit Hung on the same day. Mr. Tsang is responsible for facilitating the Board process, as well as communications among Board members, with Shareholders and management. According to Rule 3.29 of the Listing Rules, Mr. Tsang has taken no less than 15 hours of relevant professional training for the year ended 31 December 2018.

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The management believes that effective communication with the investment community in a timely manner through various media is essential. The Company held regular briefings, attended investor conferences and participated in roadshows to meet institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Company's business and development.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, Shareholders can contact Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, if they have any enquiries about their shares and dividends. The contact details of the Company are set out in the section entitled "Corporate Information" in this report.

The AGM allows the Directors to meet and communicate with Shareholders. The Company ensures that Shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. The members of the Audit, Remuneration and Nomination Committees and the external auditor will also attend the AGM to answer questions from Shareholders.

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of the AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his/her power under the Articles to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Voting results are posted on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

Shareholder(s) holding not less than one-tenth of the paid up capital of the Company can make a written requisition to the Board or the Company Secretary to require an extraordinary general meeting (the "**EGM**") to be called pursuant to article 58 of the Articles. The written requisition shall specify the business to be transacted in the meeting, must be signed by the requisitionist and shall be deposited at the principal place of business of the Company in Hong Kong, which is presently situated at Room 1408B, 14/F., Shun Tak Centre West Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders or investors can make enquiry or to provide suggestions to the Company via the postal address: Room 1408B, 14/F., Shun Tak Centre West Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

To put forward proposals at a general meeting, the Shareholders should submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's principal place of business in Hong Kong stated above.

DIVIDEND POLICY

The Board has adopted the dividend policy (the "**Dividend Policy**") on 9 August 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the shareholders of the Company. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

During the year ended 31 December 2018, the AGM was convened and held on 28 June 2018. The attendance record of the Directors at the AGM is set out below:

	Attendance at general meeting
Executive Directors	
Mr. Chen Jianbao *(Chairman and Joint Chief Executive Officer)*	0/1
Ms. Cai Xiuman	0/1
Mr. Zhang Wenbin *(Joint Chief Executive Officer)*	0/1
Mr. Wang Qingshan	1/1
Mr. Zhu Tianxiang (appointed on 21 January 2019)	N/A
Mr. Wang Wei *(Vice-chairman)* (resigned on 1 January 2019)	0/1
Non-executive Director	
Mr. Song Pengcheng (resigned on 1 November 2018)	0/1
Independent non-executive Directors	
Mr. Chen Jinzhong, Roy	1/1
Mr. Wang Xianzhang	0/1
Mr. Chai Chung Wai (appointed on 22 February 2019)	N/A
Mr. Lee Ho Yiu Thomas (retired on 28 June 2018)	1/1
Mr. Gu Renliang (resigned on 1 November 2018)	0/1

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, there were no changes in any of the Company's constitutional documents. The Articles are available on the websites of the Stock Exchange and the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year ended 31 December 2018, the Board complied with the code provisions on risk management and internal control as set out in the Corporate Governance Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. Self-assessment and comprehensive risk assessment surveys have been conducted during the review. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

The Board is also vested with the responsibility to disseminate to the Shareholders and the public and inside information in the form of announcements and circulars, in accordance with the Listing Rules.

DISCLAIMER OF OPINION

The management of the Company have discussed with auditors and the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2018 contained: i) material uncertainty related to the going concern, ii) Emphasis of matter-winding up petition, details of which has been set out under basis for disclaimer of opinion in the independent auditor's report.

The Audit Committee regularly and critically review with any judgmental area. For the year ended 31 December 2018, there are no disagreements between the Audit Committee and the management of the Company concerning the disclaimer of opinion.

Audit qualifications and the rectification

The audited consolidated financial statements of the Group made available to the Company show that ZHONGHUI ANDA expressed a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2018.

The audit qualifications as set out in the draft audited consolidated financial statements for the year ended 31 December 2018 and the relevant rectifications are summarized below:

Audit qualifications *Material uncertainty relating to the going concern basis*	**Rectifications**
As at 31 December 2018, there were conditions which indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As disclosed in note 27 to the consolidated financial statements, the Group was in default on repayments of the borrowings with principal amount of approximately RMB77,415,000, together with accrued interests and penalties of approximately RMB8,877,000 as at 31 December 2018. In which, borrowings with principal amount of approximately RMB14,641,000 and RMB54,674,000 were secured by a charge over the Group's prepaid land lease payments and personal guarantee from a director, respectively. As disclosed in note 28 to the consolidated financial statements, the Company was in default on repayments of several debentures with principal amount of approximately RMB20,430,000, together with accrued interests and penalties of approximately RMB90,000 as at 31 December 2018. As disclosed in note 29 to the consolidated financial statements, the Company was in default on repayments of the convertible bonds with principal amount of approximately RMB351,203,000, together with accrued interests and penalties of approximately RMB36,662,000 as at 31 December 2018. In addition to the default of the Group's borrowings, debentures and convertible bonds, we draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately RMB260,467,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net liabilities of RMB558,656,000. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of the Group. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements.	The Directors reviewed the Group's financial and liquidity position, and have taken the following actions to mitigate the liquidity issues faced by the Group: (a) the controlling shareholder and major shareholders of the Group have confirmed that they will provide continuous financial support to the Group for a period of twelve months from the date of approval of these consolidated financial statements for the year ended 31 December 2018 by the Directors; (b) possible fund raising activities including, but not limited to placing, rights issues or open offer and issuance of convertible bonds are to be attempted; (c) the Group is in negotiation with the Company's bondholders for new borrowings and extensions of existing borrowings and convertible bonds upon due dates and applying for future credit facilities; and (d) the management plans to improve the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business which will provide a growing and recurring source of income. In light of the measures and arrangements as described above, the Directors consider the Group will have sufficient working capital to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis. The Directors are of the view that the disclaimer of opinion on going concern is not expected to be relevant for the consolidated financial statements of the Group for the financial year in which the above point of view are successed.

STAKEHOLDERS ENGAGEMENT

We identified the key stakeholder of our business operations. We interact with our stakeholders regularly through various communication channels. The following table illustrates the issues of concern of our major stakeholders and the ways we communicate with stakeholders:

Stakeholder	Expectation	Engagement channel	Measures
Government	– To comply with laws – Proper tax payment – Promote regional economic development and employment	– On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval – Public information disclosed in HKEX, such as: Interim reports, Annual reports, Announcements – Company website	– Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation, and actively undertook social responsibilities.
Shareholders and Investors	– Return on investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholder – Business risk management	– Annual general meeting and other shareholder meetings – Public information disclosed in HKEX, such as: Interim reports, Annual Report, Announcements – Company website – Meeting with investors and analysts	– Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/ circulars and interim report in the year. Carried out different forms of investor activities with an aim to improve investors' recognition. Held results briefing once. Disclosed company contact details on website and in reports and ensured all communication channels available and effective.
Employees	– Safeguard rights and interests of employees – Working environment – Career development opportunities – Self-actualization – Health and safety	– Regular meetings – Training, seminars and briefing sessions – Annual performance appraisal – Intranet and emails	– Provided a healthy and safe working environment; developed a fair mechanism for promotion; cared for employees by helping those in need and organizing employee activities.

Stakeholder	Expectation	Engagement channel	Measures
Customers	– Safe and high-quality products – Stable relationship – Information transparency – Integrity – Business ethics	– Company website, Brochures, Interim reports, Annual reports, Announcements – Email and Customer service hotline – Feedback forms – Regular meetings	– Strengthened quality management to ensure stable service quality, and entered into long-term strategic cooperation agreements.
Suppliers/ Partners	– Long-term partnership – Honest cooperation – Fair and open – Information resources sharing – Risk reduction	– Business meetings, supplier conferences, phone calls and interviews – Regular meetings – Review and assessment – Tendering process – Company website – Email, circulars and manual	– Invited tenders publicly to select the best suppliers and contractors, performed contracts obligation according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors
Horizontal/ Industry associations	– Experience sharing – Corporations – Fair competition	– Industry conferences – Site visit	– Stuck to fair play, cooperated with horizontal to realize win-win results, shared experiences and attended different seminars of the industry so as to promote sustainable development of the industry.
Financial Institution	– Compliance with the law and regulations – Disclosure information	– Consulting – Information disclosure – Reports	– Complied with regulatory requirements in a strict manner, disclosed and reported real information in a timely and accurate manner according to law.
Media	– Transparent information – Communication with media	– Company website – Interviews – Media conference – Media gathering	– Organized conference, media gathering and site visit to enhance the communication with media

Stakeholder	Expectation	Engagement channel	Measures
Public and communities	– Community involvement – Social responsibilities – Promote employment	– Volunteering – Charity and social investment – Public information disclosed in HKEX, such as: Annual reports	– Gave priority to local people seeking jobs from the Company so as to promote community building and development; protected the communities' ecological environment, and provided timely compensation and assistance; provided volunteer service, kept communication channels open between the Group and the communities and villagers, co-sponsored community activities to promote the building up of harmonious communities.

A. ENVIRONMENTAL ASPECTS

Aspect A1: Emissions

To demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to environmental protection, the Group endeavors to minimize the environmental impact of the business activities and maintain green operations and green office practices.

The Group's principal business during the year ended 31 December 2018 (the "Year") was manufacturing and sale of casual footwear, apparel and related accessories, and operating gas station in the People's Republic of China (the "PRC").

This report covers the Group's material environmental and social impacts during the Year. This report covers operations of all the Group's principal subsidiaries set out in Note 7 of the Group's consolidated financial statements for the year ended 31 December 2018 included in the Group's 2018 Annual Report.

Exhaust Emission

The exhaust emission of the Group mainly derives from the fuels used by vehicles. As at 31 December 2018, the Group had 1 vehicle which consumed an aggregate of 2,226.7 liters of gasoline and travelled 30,493 km, and has 1 vehicle which consumed an aggregate of 575.95 liters of diesel and travelled 8,984 km. Due to the business nature of the Group, employees take public transport to visit customers' companies and vehicles of the Group are used only in special cases. Meanwhile, the Group encourages employees to take electric public transport whenever possible for meetings or activities and reduce the use of private cars. For activities at nearer destinations, the Group encourages employees to walk as far as possible instead of taking the transportation.

Type of Exhaust	Amount of Emissions (kg)
Nitrogen oxides	43.16
Sulphur oxides	0.04
Particulate emissions	4.04

Greenhouse Gas Emissions (GHG)

The Group's main sources of greenhouse gas emissions are direct emissions from vehicles. The indirect emissions are partly from the electricity and heat consumptions for office operation. The indirect emissions are also from the transportation activities during its business processes to produce and deliver products to customers, and during its employees taking planes for business trips. The Group attaches great importance to adopting the energy saving initiatives as mentioned in the section "Use of Resources", and reduce the impact of these emissions on the environment by monitoring energy consumption and reducing itineraries which require the Group's senior management taking private cars.

During the Year, employees travelled by plane 79 times for business trips. Those trips by plane generated an aggregate of 14.18 tonnes of carbon dioxide emissions. Employees only take plane for business trips when necessary as the Group pursues the policy of emissions reduction. Under normal circumstances, the Group will arrange for conference calls or video conferences instead of face-to-face meetings to reduce indirect greenhouse gas emissions from transportation.

During the Year, greenhouse gas emissions were as follows:

Greenhouse Gas Emissions	Unit	Amount
Scope 1 – Direct Emissions	Tonnes of carbon dioxide equivalent	7.63
Scope 2 – Energy Indirect Emissions	Tonnes of carbon dioxide equivalent	3.25
Scope 3 – Other Indirect Emissions	Tonnes of carbon dioxide equivalent	14.18
Total	Tonnes of carbon dioxide equivalent	25.06

Waste and Wastewater

The Group obtains water from public utilities, and consumes water mainly during the manufacturing of casual footwear, apparel and related accessories, deliver products to customers and in the Group's general administration. The Group does not withdraw water directly from the ecosystem and has no operation in water stressed area. The Group's efficient use of water would contribute to preserving local communities or indigenous peoples' access to fresh water. Solid waste produced by the Group was mainly generated from daily office operation, including daily paper usage, office document waste and food waste by employees.

The Group is committed to reducing waste production and encourages employees to recycle stationery and reduce waste with an aim to reduce waste production from the source. To mitigate the Group's impact on fresh water resources, the Group has policies to minimize water consumption and maximize the use of recycled water during its business processes, and to avoid select water suppliers which withdraw water from sources that have high biodiversity value, have been proclaimed as conservation areas, or of great important to local communities or indigenous people, so far as it is economically and operationally feasible.

Type of Exhaust	Amount of Emissions (Tonne)
Water	75,329

Aspect A2: Use of Resources

The Group places high priority on the efficient use of resources. The major resources used by the Group are electricity, water, and paper. The Group strives to improve the efficient use of natural resources, such as minimizing waste/emissions and implementing effective recycling program. Practical measures are implemented as follows.

Electricity

The Company acknowledges the importance of energy saving and the fact that reducing electricity consumption will indirectly reduce greenhouse gas emissions so the Group has promoted various energy saving strategies. To strengthen each employee's awareness on environmental protection and energy saving, the Group has placed reminders of "For electricity saving, please switch off the light when leaving" at prominent places in the office. The Group encourages employees to set office air conditioner at a moderate temperature and switch them off when they are not in use to reduce electricity consumption.

During the Year, total electricity consumption of the Group amounted to 3,603,767 kWh.

Paper

The Group has implemented environmental protection measures to minimize paper usage at the office. Employees are encouraged to use both sides of paper, and the back of single-sided documents is used for printing or as draft paper. If possible, employees may use the suitable font size and indentation to minimize the pages. Besides, electronic media is recommended for circulation and communication so as to minimize paper usage.

During the Year, total resource consumption was as follows:

Use of Resources	Unit	Amount
Electricity consumption	kWh	3,406,274
Water consumption	Tonne	75,329

The Group will keep recording its resource consumption for reviewing effectiveness of its conservation measures in the future and formulating more specific improvement measures and objectives.

Aspect A3: The Environment and Natural Resources

The Group raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Group's performance, promote environmental awareness amongst the customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in sections "Emission" and "Use of Resource", the Group strives to minimize the impacts to the environment and natural resources.

B. SOCIAL ASPECTS

The Group regards employees as the cornerstone of its corporate operation and development. Therefore, the Group attaches great importance to the training and welfare of employees, and are committed to providing a working environment with job satisfaction. The Group provides competitive remuneration and sound promotion opportunities to facilitate career development of employees.

During the Year, the Group strictly complied with labour legislations and related regulations in the PRC and Hong Kong. The Group was not involved in any violation relating to labour practices and would have a significant impact on the Group.

Aspect B1: Employment

The Group aims to attract and retain talents, ensures a safe and equal working environment for employees, provides development opportunities and promotes employees' health and well-being. The Group has formulated the staff manual according to relevant labour regulations, covering the Group's remuneration and dismissal, recruitment and promotion, working hours, leave and standards of other rights and benefits. The Group strictly complied with the Labour Law of the PRC, the Labour Contract Law of the PRC and other applicable laws and regulations in the PRC.

As of 31 December 2018, the Group had a total of 100 employees, with the employee structure as follows:

Age Group	Male Employees	Female Employees	Total
18 to 25	9	1	10
26 to 30	29	14	43
31 to 40	25	11	36
41 to 50	6	0	6
Elder than 51	3	2	5
Total	72	28	100

Talent Recruitment and Retention

Employees are the core assets to maintaining corporate competitiveness, and the key to corporate success. The Group provides a fair and impartial talent selection system and continuously improves the system to recruit talents. The Group has formulated an annual recruitment plan and filled job vacancies based on the principle of "internal staffs before external candidates" in order to offer internal promotion and re-designation opportunities to existing employees. The Group recruits external candidates through the Company's website, recruitment website, job market, newspapers and media, headhunting companies and employee's referral. The Group ensures that the recruitment and promotion processes are fair, open and transparent, and selects candidates depending on objective factors such as candidates' working experience, skills, academic background, communication skills, personal qualities.

The Group adheres to the principle of employing talents with both ability and moral integrity, and regards morality, knowledge, ability and performance as the main evaluation criteria, so as to put talents at suitable positions and retain talents. The Group has formulated a set of staff performance appraisal mechanism, in which appropriate remuneration adjustment is made annually based on staff performance to reduce talent loss.

Remuneration and Benefits

The Group provides staff with reasonable and competitive remuneration and staff benefits. Based on work performance, periodic performance and job appraisal, the Group provides remuneration adjustment and job promotion. The Group strictly complied with the Social Insurance Law of the Peoples Republic of China (中華人民共和國社會保障法) and the Labour Law of the Peoples Republic of China (中華人民共和國勞動法), and made timely contribution to "five social insurance and one housing fund (五險一金)" (being five social insurance, including endowment insurance, medical insurance, unemployment insurance, maternity insurance and employment injury insurance, and housing provident fund), mandatory provident fund and labour insurance. Apart from basic statutory holidays, wedding and funeral leave, maternity leave, work-related injury leave, annual leave and family planning leave, the Group also offers additional staff benefits, including working luncheon and transportation allowances. These benefits boost employees' sense of belonging to the Group, create a good working atmosphere and enhance enterprise cohesion.

Equal Opportunity and Diversity

As a diversified enterprise, the Group strives to create a diversified and harmonious working environment for employees and protect them from discrimination and harassment. The Group formulated employment policies in strict accordance with the Labour Law of the Peoples Republic of China (中華人民共和國勞動法) and the Labour Contract Law of the Peoples Republic of China (中華人民共和國勞動合同法) and provides equal opportunities in respect of recruitment, training, promotion, job transfer, remuneration, benefits and termination of contracts. These equal employment opportunities are not affected by age, gender, physical conditions, marital status, family status, race, colour, nationality, religion, political connection or sexual orientation. The Group requires employees to abide by anti-discrimination practices as set out in the Employee Code of Conduct.

The Group also values female employees' career development and ensures that they have equal promotion opportunities as male employees. The Group also complies with the requirements under the Law of the People's Republic of China on the Protection of Women's Rights and Interests (中華人民共和國婦女權益保障法). Female employees' employment contracts will not be released or terminated during their pregnancy, maternity leave and breastfeeding period and they are entitled to basic salaries.

Aspect B2: Health and Safety

We place emphasis on occupational health and work safety during the delivery of our services as it is our concern not to put our employees, our subcontractors and the general public in hazards. Insurance policies purchased can cover and protect our employees in the office and construction site. We have also adopted an occupational health and safety manual as required by relevant occupational health and safety laws, rules and regulations under the supervision of our project directors.

Our key occupational health and work safety measures are set out below:

- Effective promotion and communication of safety procedures are maintained through, among others, establishing safety bulletin and detailed record of accident statistics, holding regular internal and external safety meetings, documenting safety measures and issues identified for each project by preparing safety reports and training records;
- We regularly attend safety training, typically covering safety procedures for performing different types of work, first-aid training, safety procedures for emergency and duties and procedures for reporting hazards, incidents, accidents and diseases, and good housekeeping of workplaces;
- All workers on site are required to follow the general safety rules which are communicated to the workers before they commence work and posted on prominent notice boards on site;

- We designate a staff who have the relevant qualifications as our safety supervisor for each of our projects. Risk assessments are generally conducted by the relevant safety supervisor to identify the potential hazards and accidents and provide suggestion on proper preventive measures prior to commencement of works.

Aspect B3: Development and Training

The Group has provided comprehensive trainings to employees, including face-to-face trainings, sharing among departments, internal and external trainings. The Group has provided employees with diversified on-the-job training. Orientation trainings were offered to new employees in respect to skills and knowledge trainings and attitude building. Skills and knowledge trainings and attitude building allow new employees to be familiar with the corporate culture and the background of the Group. According to job duties and company development, the Group provides employees with skills and trainings. Continuous assessments are conducted to keep track on the performance of employees.

Trainings covered a variety of topics in order to cater the needs for employees from different departments, for instance, management skills and trainings related to medical devices. The Group believes development of employees are crucial to sustainable corporate development. The Group will enhance the training system in order to promote personal development of employees.

Employees training	**Number of employees trained**	**Training Hours**
Senior management	4	128
Administrative staff and sales	20	640
Other staff	3	96
Technical staff	2	64

Aspect B4: Labour standards

The Group strictly complies with the laws and regulations in the PRC. The Group tolerates no child labour or forced and compulsory labour, allows no employment of child labour or forced and compulsory labour which are prohibited by international standards and relevant regulations in the PRC. Before employment, new employees shall show their ID cards to avoid child labour. During the Year, the Group was not aware of any non-compliance regarding child labour, forced or compulsory labour in its operation.

Protection of the Interests of Employees

The Group is committed to protecting human rights, and has established a respectful, honest and fair working environment for employees and customers and complied all relevant laws and regulations. Laws and regulations relating to employment and labour which would have significant impacts on the Group include the Labour Law of the People's Republic of China（中華人民共和國勞動法）and the Labour Contract Law of the People's Republic of China（中華人民共和國勞動合同法）. There was no significant violation by the Group during the Year.

Operational Practices

The Group believes that the best operational practices are keys to the realisation of sustainable development and long-term corporate growth. Our qualities of integrity, honesty and fairness have also been reflected in the Code of Business Conduct, Employee Code of Conduct, supply chain management, environmental protection practices and product assurance.

Aspect B5: Supply Chain Management

The Group works closely with its subcontractors and suppliers who are committed to high quality, environmental, health and safety standards. Policies and procedures for selection and evaluation of subcontractors and suppliers are established for staff to follow. New subcontractors and suppliers are accessed with established criteria for comparison purpose. We carefully evaluate the performance of our subcontractors and suppliers and select them based on a range of factors that are stated in the relevant policies and procedures. We maintain a list of approved subcontractors and suppliers which is updated according to our assessment of their performance on a continuous basis.

Thus, we believe there are no significant environmental and social risks for our management decision on supply chain management.

Aspect B6: Product Responsibility

Providing efficient and high-quality services to customers have always been the utmost concern for the Group. The Group's objective is that customers have confidence in our product and services and they are provided with sufficient information to make informed choices. To improve service quality of the Group, the Group conducts site visits and regular visits in order to have in-depth understanding on actual demands and development targets of customers. By establishing long-term and good cooperation with customers, the Group has efficiently supported the economic development in the regions of operation and indirectly facilitated employment in those regions. Meanwhile, the Group has proactively acquired customer feedbacks, including feedbacks from site visits and feedbacks by phone. Therefore, the Group has a set of policies and procedures in place to monitor and control quality, so as to ensure customers' opinions are efficiently collected and handled.

Protection of Customer Data and Privacy

The Group handles significant amount of personal data and credit information of customers. The Group upholds a belief that information security and privacy are key principles for operation. The Group's employees are required to sign a confidentiality agreement acknowledging receipt and agreement of their responsibility and obligation regarding the protection and non-disclosure of customer data. In addition, information can only be used in authorized business activities. Employees disclosing such information to other parties is considered as data theft. Related employees shall bear corresponding responsibility.

During the Year, there were no noted case of violation of relevant laws or regulations regarding product responsibility.

Aspect B7: Anti-Corruption

The Company is committed to upholding ethics and integrity during the operation process. No form of corruption or bribery is tolerated. Sound judgements for transactions with customers, suppliers, contractors, job seekers, colleagues or any other third party should be ensured. All applicable laws and regulations shall be duly complied with so as to always maintain the highest standard of integrity. During the Year, the Company rigidly abided by the Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法) and other laws and regulations in respect of anti-corruption, bribery, fraud and money laundering. Reference to the aforesaid laws and regulations, the Group has developed the 'Anti-Money Laundering Policy', which provided that staff of the business department shall learn potential customers' background completely through consulting documentation and communicating with customers according to relevant internal guidance before commencing business dealings with them. The Company's risk management department also collects information of current customers in respect of uses of proceeds, sources of repayment funding and operational conditions. The risk management department also acquires the latest information from time to time and report to the senior management once abnormal situation is identified.

Pursuant to the requirements of the Group's relevant policies, employees may question suspected misconduct or misconduct orally or in writing. The Group will make every effort to treat all reports in a strictly confidential way. The identity of the reporting and complaining employee is not allowed to be disclosed without his/her consent, unless the Group is legally obliged to disclose the employee's identity and other information. In case of suspected corruption or other criminal offences, the Group will report to the applicable departments.

The Group has always strictly complied with relevant laws and regulations. During the Year, no corruption behavior nor litigation by the Group or employees of the Group has been noticed.

Aspect B8: Community Investment

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. The Group strives to develop long-term relationship with our stakeholders and seek to make contributions to programmes that have a positive impact on community development.

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

PRINCIPAL ACTIVITIES

The principal activity of Company is investment holding and the principal activities of its subsidiaries are set out in note 39 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the sections of Chairman's Letter to Shareholders, Management Discussion and Analysis, Environment, Social and Governance Report, Five-Year Financial Summary and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "**SFO**") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. Important events affecting the Group occurred since the end of the year ended 31 December 2018 are mentioned under "Events after the reporting period".

Key Risk Factors

The following lists out the key risks and uncertainties facing the Group:

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

Key Relationships with Employees, Customers and Suppliers

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found during in the year ended 31 December 2018.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

Our major suppliers are natural gas suppliers which had business relationship with the Group for over two years on average. Our largest supplier is headquartered in Shangqiu which is a natural gas supplier. The credit period from the major suppliers is 30 to 60 days. The payables were usually settled within the credit period. Details of the trade payables of the Group as at 31 December 2018 are set out in note 25 to the financial statements. The Company will conduct review and assessment on the suppliers periodically to ensure stable supply source is maintained.

During the year ended 31 December 2018, the Group did not have any significant disputes with our major suppliers.

Our major customers include distributors to sell footwear products to the end consumers and department stores and natural gas users in the PRC. The years of business relationship with the Group over 2 years and the credit terms granted to the major customers ranged from 30 to 60 days. Details of the trade receivables of the Group as at 31 December 2018 are set out in note 22 to the financial statements.

Most of the Group's revenue was generated from customers in the PRC. Should there be any material adverse change in the political, economic, legal or social conditions in the PRC and the Group is unable to divert sales to other markets outside of the PRC, the turnover, profitability and prospects may be adversely affected. The Group will also continue to review competitive edges of the Group in the industry and market trend.

RESULTS & DIVIDENDS

Results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 44. Other movements in reserves are set out in the consolidated statement of changes in equity on page 47.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 94 of this report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company has no reserves available for distribution to the shareholders (2017: approximately RMB Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or applicable laws of the Cayman Islands where the Company was incorporated.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 16 to the financial statements.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in note 27 to the financial statements. Bank borrowings repayable within one year or on demand are classified as current liabilities in the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the Group's five largest customers accounted for approximately 60.9% of the Group's total revenue and the Group's largest customer for the year accounted for approximately 21.8% of the Group's total revenue. The Group's five largest suppliers accounted for approximately 99.7% of the Group's total purchases, while the largest supplier for the year accounted for approximately 96.3% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors or their respective close associates or any of the Shareholders who owns more than 5% of the Company's number of issued shares has any interest in any of the Group's five largest customers or suppliers.

MANAGEMENT CONTRACTS

Save as disclosed herein, no contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year ended 31 December 2018.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report are as follows:

Executive Directors

Mr. Chen Jianbao *(Chairman and Joint Chief Executive Officer)*
Ms. Cai Xiuman
Mr. Zhang Wenbin *(Joint Chief Executive Officer)*
Mr. Wang Qingshan
Mr. Zhu Tianxiang (appointed on 21 January 2019)
Mr. Wang Wei *(Vice-Chairman)* (resigned on 1 January 2019)

Non-executive Director

Mr. Song Pengcheng (resigned on 1 November 2018)

Independent Non-executive Directors

Mr. Chen Jinzhong, Roy
Mr. Wang Xianzhang
Mr. Chai Chung Wai (appointed on 22 February 2019)
Mr. Lee Ho Yiu Thomas (retired on 28 June 2018)
Mr. Gu Renliang (resigned on 1 November 2018)

In accordance with the Articles, at each AGM, one third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Mr. Zhang Wenbin and Mr. Chen Jinzhong, Roy will retire at the AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the requirement of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

On 28 June 2018, Mr. Lee Ho Yiu Thomas has informed the Company that he would not offer himself for re-election and retired as an independent non-executive Director as he would like to devote more time to pursue other business commitments.

On 1 November 2018, Mr. Song Pengcheng and Mr. Gu Renliang resigned as a non-executive Director and an independent non-executive Director respectively due to other business commitments.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 38 to 40 of this report.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2018.

EMPLOYEES

As at 31 December 2018, the Group had 127 employees in total.

Total staff costs for the year amounted to approximately RMB21.5 million and the details are set out in note 12 to the financial statements. The Group determined the remuneration packages of all employees (include the Directors) with reference to their qualification, experience, job nature, performance and market condition.

The Group has established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the rules and regulations of the PRC and the existing policy requirements of the local government. The Group also maintains the employee short-term health insurance and unforeseen injury insurance. In addition, the Group provides staff quarters to its employees.

Directors and qualified employees of the Company may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the Share Option Scheme (as defined below).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF EQUITY DERIVATIVES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (as defined by Part XV of the SFO) as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under Section 352 of the SFO are as follows:

(A) Long position in shares of the Company:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Chen Jianbao (Note 1)	Interest of controlled corporation	722,267,408	44.96%
Ms. Cai Xiuman (Note 2)	Interest of controlled corporation	150,000,000	9.34%
	Beneficial owner	20,950,000	1.30%
Mr. Zhang Wenbin (Note 3)	Interest of spouse	170,950,000	10.64%

Notes:

1. Mr. Chen Jianbao is deemed to be interested in the 722,267,408 shares as he directly holds 34.57% of Huarong Energy Investment Company Limited.

2. Ms. Cai Xiuman is the beneficial owner of the entire issued share capital of Festive Boom Limited which holds 150,000,000 shares. Ms. Cai Xiuman is also the director of Festive Boom Limited.

3. Mr. Zhang Wenbin is deemed to be interested in the 170,950,000 shares beneficially held by his spouse Ms. Cai Xiuman.

(B) Long position in the underlying shares of the Company:

Holders	Grant date	Exercise from	Exercise until	Number of share options held: Balance as at 1 January 2017	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Balance as at 31 December 2018	Exercise price (HK$)	Approximate percentage of shareholding in the Company
Mr. Lee Ho Yiu Thomas (Note)	17 October 2014	17 October 2014	17 October 2024	500,000	–	–	–	500,000	–	0.72	0.03%
Total:				500,000	–	–	–	500,000	–		

Note:

Mr. Lee Ho Yiu Thomas, who was an independent non-executive Director, retired on 28 June 2018. His share options were lapsed on the same day.

(C) Long position in shares of the Company's associated corporation(s):

Name of Director	Name of associated corporation	Number of share(s)	Percentage of shareholding in the company
Ms. Cai Xiuman	Festive Boom Limited	1	100%

As at 31 December 2018, save as disclosed herein, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the report, 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 of the Company or his connected entities had a material interest, either directly or indirectly, subsisted at the end of the year ended 31 December 2018 or at any time during the year ended 31 December 2018.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or their respective close associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, the following persons, other than the Directors and chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long position in shares and underlying shares

Name	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Sun Siu Kit (Note 1)	Interest of controlled corporations	932,409,025	58.04%
廣東錦烽集團有限公司 (Note 2)	Interest of controlled corporations	932,409,025	58.04%
華融致遠投資管理有限責任公司 (Note 3)	Interest of controlled corporations	932,409,025	58.04%
華融華僑資產管理股份有限公司 (Note 4)	Interest of controlled corporations	932,409,025	58.04%
China Huarong Asset Management Co., Ltd. (Note 5)	Interest of controlled corporations	932,409,025	58.04%
Ministry of Finance of the People's Republic of China (Note 5)	Interest of controlled corporations	932,409,025	58.04%
Central China International Investment Company Limited (Note 6)	Beneficial owner	208,333,333	12.97%
Central China Securities Co. Ltd. (Note 6)	Interest of controlled corporations	208,333,333	12.97%
Central China International Financial Holdings Company Limited (Note 7)	Interest of controlled corporations	208,333,333	12.97%
Festive Boom Limited	Beneficial owner	150,000,000	9.34%
Golden Talent Global Merit Selection Fund Series SPC	Investment manager	162,452,000	10.11%

Notes:

1. Mr. Sun Siu Kit is deemed to be interested in the 932,409,025 shares as he indirectly holds 100% of the issued share capital of 廣東錦烽集團有限公司.

2. 廣東錦烽集團有限公司 is deemed to be interested in the 932,409,025 shares as it holds 40% of the issued share capital of 華融華僑資產管理股份有限公司 which indirectly holds 100% of the issued share capital of Infinity Growth Capital Limited, which holds 210,141,617 convertible shares and also holds 65.43% of the issued share capital of Huarong Energy Investment Company Limited, which holds 465,884,543 shares and 256,382,865 convertible shares.

3. 華融致遠投資管理有限責任公司 is deemed to be interested in the 932,409,025 shares as it holds 51% of the issued share capital of 華融華僑資產管理股份有限公司 which indirectly holds 100% of the issued share capital of Infinity Growth Capital Limited, which holds 210,141,617 convertible shares and also holds 65.43% of the issued share capital of Huarong Energy Investment Company Limited, which holds 465,884,543 shares and 256,382,865 convertible shares.

4. 華融華僑資產管理股份有限公司 is deemed to be interested in the 932,409,025 shares as it holds 100% of the issued share capital of Huarong Overseas Investment Holdings Co., Limited, which directly holds 100% of the issued share capital of Infinity Growth Capital Limited, which holds 210,141,617 convertible shares and also holds 65.43% of the issued share capital of Huarong Energy Investment Company Limited, which holds 465,884,543 shares and 256,382,865 convertible shares.

5. Ministry of Finance of the People's Republic of China is deemed to be interested in the 932,409,025 shares as it holds 67.75% of issued share capital of China Huarong Asset Management Co., Ltd. which directly holds 100% of the issued share capital of 華融致遠投資管理有限責任公司.

6. Central China Securities Co., Ltd. is deemed to be interested in the 208,333,333 shares as it directly holds 100% of the issued share capital of the Central China International Financial Holdings Company Limited, and indirectly holds 100% of the issued share capital of Central China International Investment Company Limited.

7. Central China International Financial Holdings Company Limited is deemed to be interested in the 208,333,333 shares as it directly holds 100% of the issued share capital of the Central China International Investment Company Limited.

Save as disclosed above, the Directors are not aware of any person, other than the Directors whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares of equity derivatives and debentures" above, who had an interest or short positions in the Shares or underlying Shares that were required to be recorded pursuant to Section 336 of Part XV of the SFO as of 31 December 2018.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year ended 31 December 2018 are set out below:

Share Option Scheme

Pursuant to a resolution passed by all the Shareholders on 4 September 2011, the Company has conditionally adopted the share option scheme (the "**Share Option Scheme**") for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors were authorised to grant options to subscribe for the Shares and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (as defined in the prospectus of the Company dated 16 September 2011 (the "**Prospectus**")), being 120,000,000 Shares, excluding any options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. On 28 June 2016, a resolution was passed by the Shareholders to refresh the limit of Share Option Scheme, being 160,649,842 Shares, representing 10% of Shares in issue as at the date of that general meeting.

Unless otherwise approved by the Shareholders in general meeting, the number of Shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the Shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors. Unless otherwise approved by the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules, the number of Shares that may be granted to a substantial Shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the Shares in issue, having an aggregate value in excess of HK$5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a Share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share. Each grantee shall pay HK$1.00 to the Company at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date. The remaining life of the Share Option Scheme is 2 years.

Further details of the Share Option Scheme are set out in note 32 to the financial statements and the announcements of the Company dated 17 October 2014, 6 July 2015 and 29 April 2016. Details of movements in the options granted under the Share Option Scheme of the eligible participants during the year ended 31 December 2018 are as follows:

				Number of share options held							
Holders	Grant date	Exercise from	Exercise until	Balance as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2018	Exercise price (HK$)	Approximate percentage of shareholding in the Company
Mr. Lee Ho Yiu Thomas	17 October 2014	17 October 2014	17 October 2024	500,000	–	–	–	500,000	–	0.72	0.03%
Employees of the Group	17 October 2014	17 October 2014	17 October 2024	11,000,000	–	–	–	–	11,000,000	0.72	0.68%
	29 April 2016	29 April 2016	29 April 2026	80,500,000	–	–	–	–	80,500,000	0.46	5.01%
Business partners and consultants of the Group	29 April 2016	29 April 2016	29 April 2026	55,500,000	–	–	–	–	55,500,000	0.46	3.45%
				147,500,000	–	–	–	500,000	147,000,000		

As at the date of this report, the total number of securities for issue under the Share Option Scheme is 307,649,842, representing approximately 19.15% of the issued share capital of the Company.

Convertible Bonds

On 21 November 2016, the Company issued the convertible bonds (the "**First Convertible Bonds**") with a principal amount of HK$92,000,000 and HK$120,000,000 respectively. On 28 December 2016, the Company issued the First Convertible Bonds with a principal amount of HK$150,000,000. The Company considered the issue of the First Convertible Bonds could raise funds in the capital market.

Assuming that there is no change in share capital of the Company since 31 December 2018 and the conversion rights attached to the First Convertible Bonds are exercised in full, the number of issued shares of the Company will be increased by 779,024,482 (the "**First Conversion Shares**"), representing approximately 48.49% of the issued share capital of the Company as at 31 December 2018 (i.e. 1,606,498,422 Shares) and approximately 32.66% of the issued share capital of the Company as enlarged (i.e. 2,385,522,904 Shares) by the allotment and issue of the First Conversion Shares.

In accordance with the terms of the First Convertible Bonds, the First Convertible Bonds mature on 26 October 2018. The Company negotiated the terms of extension and amendments of the First Convertible Bonds with the subscriber. No formal agreement has entered into in relation to such extension and amendment.

Dilution impact of the conversion of First Convertible Bonds

Set out below is the dilution effect on equity interest of the substantial shareholders of the Company upon the fully conversion of the outstanding First Convertible Bonds.

Substantial Shareholders	As at 31 December 2018		Upon full conversion of First Convertible Bonds as at 31 December 2018	
	Number of Shares	Approximately % of issued Shares	Number of Shares	Approximately % of issued Shares
Mr. Chen Jianbao	465,884,543	29.00	465,884,543	19.53
Huarong Energy Investment Company Limited	Nil	Nil	256,382,865	10.75

Dilution impact on loss per share

As calculated based on loss attributable to owners of the Company of approximately HK$70.1 million for the six months ended 31 December 2018, basic and diluted earnings per share of the Company amounted to HK0.04 cent and HK0.03 cent, respectively.

The Company shall not redeem the First Convertible Bonds at its option prior to the maturity date.

Details of the convertible bonds are set out in the note 29 to the financial statements.

According to the terms and conditions of the First Convertible Bonds, the First Convertible Bonds have maturity periods of two years and 22 months from their respective dates of completion, i.e. on 20 November 2018 and 27 October 2018. Thus, an analysis on the Company's share price at which it would be equally financially advantageous for the securityholders to convert or redeem the First Convertible Bonds based on their implied rate of return at a range of dates in the future is not applicable.

USE OF PROCEEDS

As at 31 December 2018, the net proceeds from the Convertible Bonds of approximately HK$349 million had been fully utilized which for acquisition of business, repayment of the existing debts and general working capital.

The following table summarizes the intended and actual use of proceeds up to 31 December 2018.

Business objectives	Actual net proceeds (HK$ million)	Actual amount utilized up to 31 December 2017 (HK$ million)	Actual amount utilized subsequent to 31 December 2017 and up to 31 December 2018 (HK$ million)	Remaining unutilized balance as at 31 December 2018 (HK$ million)
Acquisition of business	131	131	–	–
Repayment of the existing debts	192	192	–	–
General working capital purposes	26	26	–	–
	349	349	–	–

DEBENTURES

For the year ended 31 December 2018, the amount issued and consideration received by the Company were HK$68.9 million and HK$68.9 million respectively. The Company intended to use the net proceeds for the repayment of the existing debts and as the general working capital of the Group.

Details of the debentures of the Company are set out in note 28 to the financial statements.

CONNECTED TRANSACTIONS

There was no other transactions which constituted connected transaction(s) or continuing connected transaction(s) of the Company during the year ended 31 December 2018.

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

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

PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficiency of public float at all times during the year ended 31 December 2018 and at any time up to the date of this report.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken in the normal course of business are provided under note 38 to the financial statements, and none of which constitutes a connected transaction as defined under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 was audited by KPMG and the consolidated financial statements for the years ended 31 December 2015, 2016, 2017 and 2018 were audited by ZHONGHUI ANDA CPA Limited ("**Zhonghui**").

During the year ended 31 December 2015, KPMG retired as auditor of the Company on 5 June 2015 and Zhonghui was appointed as auditor of the Company on 25 June 2015. Saved as disclosed above, there were no other changes of auditor of the Company in the preceding three years.

Zhonghui will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of Zhonghui as auditor of the Company is to be proposed at the forthcoming AGM.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend the AGM, the register of members of the Company will be closed from Thursday, 30 May 2019 to Wednesday, 5 June 2019 (both days inclusive), during which period no transfer of Shares can be registered. The holders of shares whose names appear on the register of members of the Company on Wednesday, 5 June 2019 will be entitled to attend and vote at the AGM. In order to qualify for attending the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on Wednesday, 29 May 2019.

On behalf of the Board

Chen Jianbao
Chairman

Hong Kong, 28 March 2019

Board of Directors and Senior Management

Biographies of each member of the Directors and senior management team are set out below:

EXECUTIVE DIRECTORS

Mr. Chen Jianbao（陳建寶）, aged 44, is an executive Director, the chairman and joint chief executive officer of the Group. Mr. Chen graduated from Xian Politics Institute, China where he majored in Economics and Management and holds a master degree from the School of Economics and Management of Tsinghua University, China. Since 2011, Mr. Chen has been the managing director of Beijing Bai Na Sheng Shi International Culture Company Limited. Mr. Chen has also been the managing director of Beijing Ideva Energy Management Company Limited since 2013. Before that, Mr. Chen was an officer of the media project team of News and Information Centre of Xinhua News Agency. Mr. Chen was appointed as an executive director of North Mining Shares Company Limited（北方礦業股份有限公司）, a company listed on the Stock Exchange (stock code: 433), from April 2015 to August 2015. Mr. Chen has extensive experience in corporate management.

Ms. Cai Xiuman（蔡秀滿）, aged 48, is an executive Director. Ms. Cai was appointed as a Director on 12 February 2010. She is a founder of the Group and primarily responsible for overall strategic business development, management and operation. Ms. Cai joined the Group in 1995 and served as a general manager in Shishi Haomai Shoes Industrial Co., Ltd. ("**Shishi Haomai**") responsible for strategic planning and sales management. She established Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. ("**Fujian Jinmaiwang**") in 2003 and served as a deputy manager, responsible for overall finance and administration. She further established Luotuo (Quanzhou) Shoes and Garments Co., Ltd. ("**Luotuo Quanzhou**") in 2005. Ms. Cai has over 20 years of experience in sales and marketing in shoe manufacturing industry. Prior to joining the Group, Ms. Cai worked in a shoe manufacturing company, namely Shishi City De Shili Shoes Industry Company Limited（石獅市德士利鞋業有限公司）, and was responsible for financial management. Ms. Cai is the wife of Mr. Zhang Wenbin, another executive Director.

Mr. Zhang Wenbin（張文彬）, aged 52, is an executive Director and the joint chief executive officer of the Group. Mr. Zhang was appointed as a Director on 2 February 2011. He is a founder of the Group and has over 20 years of experience in shoes manufacturing industry. Mr. Zhang established Shishi Haomai in 1995 and served as a deputy general manager. He has been appointed as the chief executive director and general manager of Jinmaiwang Fujian since 2003. In 2007, Mr. Zhang was appointed as the deputy council chairman of the 3rd Bao Gai Business Association of Shishi City（石獅市寶蓋商會）and was a representative of the 4th National People's Congress of the People's Republic of Congress of Shishi City from 2003 to 2006. Prior to joining the Group, Mr. Zhang worked in a shoe manufacturing company, namely Shishi City De Shili Shoes Industry Company Limited（石獅市德士利鞋業有限公司）, and was responsible for sales management. Mr. Zhang is currently a committee member of Shishi Industrial and Commercial Commission（石獅市工商業聯合會）and Shishi Association for Quality and Technical Supervision（石獅市質量技術監督協會）. Mr. Zhang is the husband of Ms. Cai Xiuman, another executive Director.

Mr. Wang Qingshan（王慶三）, aged 79, is an executive Director. Mr. Wang was appointed as a Director on 14 April 2016. Mr. Wang obtained a degree in Refinery and Chemical Engineering from Xi'an Shiyou Institute (now known as Xi'an Shiyou University). Following graduation, Mr. Wang joined Fushun Petroleum Institute under the Ministry of Petroleum Industry（石油工業部撫順石油學院）which is currently subordinated to Petro Factory I of PetroChina Fushun Petrochemical Company（中石油撫順石化公司石油一廠）and had taken up positions of factory director and chief engineer. Later, he joined Shenzhen Nanyou (Holdings) Ltd.（深圳南油集團公司）in 1989 and had served as chairman and general manager of Nanyou Petroleum & Chemicals Co., Ltd.（南油石化公司）. From 2001 to 2005, Mr. Wang worked in Geomaxima Holdings Company Limited, a company listed in the Stock Exchange as vice general manager. During 2006, Mr. Wang was chief engineer and consultant of Dongguan Yelian Petroleum Bitumen Co., Ltd（東莞市曄聯改性道路瀝青有限公司）. Mr. Wang has gained extensive experience in aspect of operation and management within petrochemical enterprises (including production, storage and transportation), early stage preparation and construction for petrochemical engineering (refinery, petrochemical and storage), as well as construction and management for railway lines and petrochemical terminals dedicated for transportation of hazardous articles.

* *For identification purpose only*

Mr. Zhu Tianxiang（朱天相）, aged 46, is an executive Director, Mr Zhu was appointed as a Director on 21 January 2019. Mr. Zhu graduated from the School of Accountancy of Jiangxi College of Finance and Economics with a degree in international accounting and securities investment. Mr. Zhu has extensive experience in financial management and possesses professional qualification in accounting. He served as a manager of financial department in various companies from August 1994 to July 2002. From December 2004 to June 2008, Mr. Zhu served as a senior management member, a member of the president office, the chief duty compliance officer and the vice president of Founder Securities Limited. Subsequently, Mr. Zhu occupied various important positions in Credit Suisse Founder Securities Limited such as financial controller and secretary to the board. In addition, Mr. Zhu also served as the group general manager of Shenzhen Dasheng Agricultural Group Co., Ltd.*（深圳市大生農業集團有限公司）. Mr. Zhu was a director and general manager of Shangdong Jiangquan Company Limited*（山東江泉股份有限公司）and then he resigned as a director. Mr. Zhu is currently a non-executive director of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (formerly known as Shanghai Tonva Petrochemical Co., Ltd.) (Hong Kong listed company stock code:1103).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Jinzhong, Roy（陳錦忠）, aged 47, is an independent non-executive Director and the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chen was appointed as a Director on 14 April 2016. Mr. Chen graduated from the Finance Institute of Nankai University and majored in International Finance. He also obtained a master's degree in Business and Administration from the University of South Australia. Mr. Roy Chen joined Fujian Huaxing Trust and Investment Company Limited（福建華興信託投資公司）in 1993. Later, in 1997, he took up the position of general manager of Securities Operation Department in Golden Sino (Holdings) Limited（香港華財集團控股有限公司）, responsible for conducting analysis and research into economic situation, selection of equity investment, research into listed companies and the company's equity investment. From 2004 to 2011, Mr. Roy Chen worked in China Packaging Group Company Limited, a company listed on the Stock Exchange (stock code: 572), as general manager assistant, responsible for the company's financial investment and conducting timely in-depth research into investing sectors, bank and investor relations coordination, and assisting the company in capital market activities such as merger and acquisition, assets restructuring and business reorganization.

Mr. Wang Xianzhang（王憲章）, aged 76, is an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee Mr. Wang was appointed as a Director on 12 January 2017. He is a member of the 10th National People's Political Consultative Conference (NPPCC) Committee. He was appointed as a party representative of the 16th National Congress of Chinese Communist Party, the dean and honorary dean of the insurance department of the Central University of Finance and Economics as well as the director of the Insurance Association of China. Mr. Wang also served as the deputy general manager of People's Insurance Company of China (Dalian Branch)*（中國人民保險公司大連分公司）, the general manager of People's Insurance Company of Liaoning Province*（遼寧省人民保險公司）, and held various positions at China Life Insurance Company Limited, including the deputy general manager, vice chairman of the board, secretary of party committee and general manager. In addition, Mr. Wang was appointed as directors of a number of listed companies in Hong Kong, including serving as the chairman of the board of China Life Insurance Co. Ltd. (stock code: 2628), the executive director of Pacific Century Insurance Holdings Limited and the independent non-executive director of Beijing Enterprises Holdings Limited (stock code: 392). Currently, he serves as the independent non-executive director of Eagle Ride Investments Limited (stock code: 901).

Mr. Chai Chung Wai（齊忠偉）, aged 52, is an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chai was appointed as a Director on 22 February 2019. He holds a master's degree in Chinese Accounting which was jointly granted by Jinan University in Guangzhou, China and the Hong Kong Polytechnic University, and a master's degree in Business Administration from the University of Manchester. He is a fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants, an associate of The Institute of Chartered Accountants in England and Wales, and a fellow member of The Hong Kong Institute of Directors. He has extensive experience of over 20 years in accounting and financial fields. He is currently an independent non-executive director of Asia Coal Limited (a company listed in Hong Kong, stock code: 835) and Sino-Life Group Limited (a company listed in Hong Kong, stock code: 8296).

SENIOR MANAGEMENT

Mr. Wu Shulin（吳樹林）, aged 53, joined the Group in 2003 and was appointed as a sales and marketing director（營銷總監）. He is responsible for strategic planning, sales and management of the Group. Mr. Wu is also a general manager of Luotuo Quanzhou since 2005. He has over 20 years of experience in sales and marketing. Prior to joining the Group, Mr. Wu served as business manager of a commodity factory Shishi Xinhu Commodity Factory（石獅新湖日用品廠）from 1984 to 1990. Between 1991 to 2002, he served as a deputy general manager of Shishi Dexiang Food Company Limited（石獅德祥食品有限公司）. Mr. Wu is the husband of Mr. Zhang Wenbin's younger sister.

Mr. Zhang Zuqiao（張祖僑）, aged 44, joined the Group in 1998 and was appointed as the technical director（技術總監）of the Group since 2001. Mr. Zhang is responsible for the development of new products and management of production technology of the Group. Mr. Zhang has over 12 years of experience in shoe manufacturing.

ZHONGHUI

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SINO ENERGY INTERNATIONAL HOLDINGS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Sino Energy International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 93, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainty related to going concern

As at 31 December 2018, there were conditions which indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

As disclosed in note 27 to the consolidated financial statements, the Group was in default on repayments of the borrowings with principal amount of approximately RMB77,415,000, together with accrued interests and penalties of approximately RMB8,877,000 as at 31 December 2018. In which, borrowings with principal amount of approximately RMB14,641,000 and RMB54,674,000 were secured by a charge over the Group's prepaid land lease payments and personal guarantee from a director, respectively.

As disclosed in note 28 to the consolidated financial statements, the Company was in default on repayments of several debentures with principal amount of approximately RMB20,430,000, together with accrued interests and penalties of approximately RMB90,000 as at 31 December 2018.

As disclosed in note 29 to the consolidated financial statements, the Company was in default on repayments of the convertible bonds with principal amount of approximately RMB351,203,000, together with accrued interests and penalties of approximately RMB36,662,000 as at 31 December 2018.

In addition to the default of the Group's borrowings, debentures and convertible bonds, we draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately RMB260,467,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net liabilities of RMB558,656,000. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of the Group. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements.

However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity of the financial support from the controlling shareholder as described above. There are no other satisfactory audit procedures that we could adopt to determine whether the controlling shareholder has the financial ability to honour the financial support to the Group. We disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Emphasis of Matter – Winding Up Petition

We draw attention to note 40 to the consolidated financial statements which describes the petition received by the Company from Lin Cangze in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") under Companies Winding-up Proceedings No. 43 of 2019 that the Company may be wound up by the High Court on the ground that the Company is insolvent and unable to pay its debt. The High Court subsequently ordered petition be withdrawn.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the disclosure requirements of 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.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the the Hong Kong Institute of Certified Public Accountants and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Audit Engagement Director
Practising Certificate Number P06353
Hong Kong, 28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	7	**103,474**	192,717
Cost of sales		**(88,498)**	(184,998)
Gross profit		**14,976**	7,719
Other income	8	**6,114**	15,334
Distribution and selling expenses		**(4,887)**	(4,177)
Administrative expenses		**(143,696)**	(202,721)
Loss from operation		**(127,493)**	(183,845)
Finance costs	10	**(130,237)**	(139,196)
Loss before tax		**(257,730)**	(323,041)
Income tax	11	**(2,737)**	(4,203)
Loss for the year	12	**(260,467)**	(327,244)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(52,647)**	52,120
Total comprehensive loss for the year		**(313,114)**	(275,124)
Loss for the year attributable to:			
Owners of the Company		**(260,467)**	(322,344)
Non-controlling interests		**–**	(4,900)
		(260,467)	(327,244)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(313,114)**	(270,224)
Non-controlling interests		**–**	(4,900)
		(313,114)	(275,124)
Loss per share	15		
Basic and diluted (RMB)		**(0.16)**	(0.20)

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	16	**144,363**	155,796
Prepaid land lease payments	17	**4,883**	4,988
Investments at fair value through profit or loss	18	**40,000**	40,000
Other assets	19	**–**	25,000
Goodwill	20	**47,568**	47,568
		236,814	273,352
Current assets			
Inventories	21	**5,278**	19,541
Trade and other receivables	22	**160,181**	320,626
Prepaid land lease payments	17	**105**	105
Amount due from a director	23	**82,876**	64,672
Bank and cash balances	24	**596,151**	592,838
		844,591	997,782
Current liabilities			
Trade and other payables	25	**106,672**	112,924
Tax payables		**14,789**	22,266
Amount due to a director	26	**4,666**	14,792
Borrowings	27	**86,292**	105,881
Debentures	28	**76,773**	42,217
Convertible bonds	29	**387,865**	316,720
		677,057	614,800
Net current assets		**167,534**	382,982
Total assets less current liabilities		**404,348**	656,334
Non-current liabilities			
Debentures	28	**963,004**	901,876
		963,004	901,876
NET LIABILITIES		**(558,656)**	(245,542)

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Capital and reserves			
Share capital	30	**130,258**	130,258
Reserves	31(a)	**(686,556)**	(373,442)
Equity attributable to owners of the Company		**(556,298)**	(243,184)
Non-controlling interests		**(2,358)**	(2,358)
TOTAL DEFICIT		**(558,656)**	(245,542)

The consolidated financial statements on pages 44 to 93 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

Approved by:

Chen Jianbao
Director

Cai Xiuman
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Convertible bonds equity reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	130,258	384,423	2,268	29,020	78,315	34,033	(14,249)	(617,028)	27,040	2,542	29,582
Total comprehensive loss for the year	–	–	–	–	–	–	52,120	(322,344)	(270,224)	(4,900)	(275,124)
Lapsed of share options	–	–	–	–	–	(638)	–	638	–	–	–
Transfer to statutory reserve	–	–	–	1,230	–	–	–	(1,230)	–	–	–
At 31 December 2017	130,258	384,423	2,268	30,250	78,315	33,395	37,871	(939,964)	(243,184)	(2,358)	(245,542)
At 1 January 2018	**130,258**	**384,423**	**2,268**	**30,250**	**78,315**	**33,395**	**37,871**	**(939,964)**	**(243,184)**	**(2,358)**	**(245,542)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(52,647)**	**(260,467)**	**(313,114)**	**–**	**(313,114)**
Lapsed of share options	**–**	**–**	**–**	**–**	**–**	**(114)**	**–**	**114**	**–**	**–**	**–**
Transfer to statutory reserve	**–**	**–**	**–**	**(423)**	**–**	**–**	**–**	**423**	**–**	**–**	**–**
At 31 December 2018	**130,258**	**384,423**	**2,268**	**29,827**	**78,315**	**33,281**	**(14,776)**	**(1,199,894)**	**(556,298)**	**(2,358)**	**(558,656)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Loss before tax	**(257,730)**	(323,041)
Adjustments for:		
Finance costs	**130,237**	139,196
Interest income	**(5,067)**	(5,693)
Depreciation	**5,264**	5,534
Amortisation of prepaid land lease payments	**105**	105
Impairment loss on goodwill	**–**	21,330
Impairment loss on trade receivables	**32,429**	39,766
Impairment loss on prepayments	**52,163**	8,580
(Reversal of impairment)/impairment loss on other receivables	**(80)**	580
Impairment loss of property, plant and equipment	**5,807**	–
Impairment loss of other assets	**–**	26,692
Impairment loss of inventories	**8,534**	52,680
Loss on disposal of property, plant and equipment	**39**	–
Loss on early redemption of promissory notes	**–**	283
Loss on deregistration of a subsidiary	**13**	–
Gain on early redemption of debentures	**(1,023)**	(4,035)
Loss on fair value changes on derivative financial instrument	**–**	2,824
Operating cash flows before working capital changes	**(29,309)**	(35,199)
Change in inventories	**5,729**	53,325
Change in trade and other receivables	**80,137**	197,758
Change in trade and other payables	**(6,252)**	(116,600)
Cash generated from operations	**50,305**	99,284
Tax paid	**(10,214)**	(6,662)
Net cash generated from operating activities	**40,091**	92,622
Cash flows from investing activities		
Purchase of property, plant and equipment	**(50)**	(12,361)
Proceeds from disposal of property, plant and equipment	**373**	–
Refund of prepayment for purchase of property, plant and equipment	**–**	5,000
Refund of prepayment for acquisition of a subsidiary	**–**	116,138
Interests received	**864**	1,780
Advance to a director	**(4,279)**	(9,191)
Repayment from a director	**5,595**	88,441
Change in other assets	**25,000**	–
Changes in pledged deposits	**–**	7,654
Net cash generated from investing activities	**27,503**	197,461

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Cash flows from financing activities		
New bank loans raised	**–**	89,899
Repayment of bank loans	**(24,970)**	(289,954)
Net proceeds from issuing debentures	**54,607**	122,013
Repayment of debentures	**(56,805)**	(51,461)
Repayment of promissory notes	**–**	(104,081)
Interests paid	**(27,686)**	(54,523)
Change in due to a director	**(10,126)**	14,792
Net cash used in financing activities	**(64,980)**	(273,315)
Net increase in cash and cash equivalents	**2,614**	16,768
Cash and cash equivalents at beginning of year	**592,838**	586,834
Effect of changes in foreign exchange rate	**699**	(10,764)
Cash and cash equivalents at end of year	**596,151**	592,838
Analysis of cash and cash equivalents		
Bank and cash balances	**596,151**	592,838

1. GENERAL INFORMATION

Sino Energy International Holdings Group Limited (the" Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 1408B, 14/F., Shun Tak Centre West Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, changed from 27/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong, effective from 23 January 2019, respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively "the Group") were principally engaged in manufacturing and sale of casual footwear, apparel and related accessories and operating gas station in the People's Republic of China (the "PRC"). The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately RMB260,467,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net liabilities of approximately RMB558,656,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder and major shareholders, at a level sufficient to finance the working capital requirements of the Group. The controlling shareholder and major shareholders have agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

Accordingly, the directors of the Group are of the opinion that it is appropriate to prepare the consolidated financial statements on the going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. IFRSs comprise International Financial Reporting Standards; International Accounting Standards and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group financial statements and amounts reported for the current year and prior years except as stated below.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

IFRS 9 (2014) "Financial Instruments"

Available-for-sale investments are now classified as equity investments at fair value through other comprehensive income.

IFRS 9 (2014) has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2017 RMB'000	**1 January 2017** RMB'000
Decrease in other assets	(40,000)	(40,000)
Increase in investments at fair value through profit or loss	40,000	40,000

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs, the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by certain financial instruments which are carried at their fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of key assumptions and estimates. It also requires directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidation *(continued)*

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– 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;

– Income and expenses 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 exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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.

Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	The shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion
Plant and Machinery	5-10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5-10 years
Leasehold improvements	The shorter of the unexpired term of lease and their estimated useful lives

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

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Operating leases

Leases that do not substantially transfer all the risks and rewards of ownership of assets to the Group are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

– Financial assets at amortised cost; and

– Investments at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and lease receivables. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loss allowances for expected credit losses *(continued)*

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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 end of the reporting period.

Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible bonds and the fair values assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds equity reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible bonds issued, the Group measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible bonds issued and that of the identifiable consideration received, and the difference is recognised in the profit or loss immediately unless qualified for capitalisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other income

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the at the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Group to the funds.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) *(continued)*

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements apart from those involving estimations, which are dealt with below.

(a) Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to financial statements.

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(d) Allowance for slow-moving inventories and net value of inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the impairment test of goodwill are explained in note 19 to consolidated financial statements.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate 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) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the management review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the management consider that the Group's credit risk is significantly reduced.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 18% (2017: 14%) and 57% (2017: 42%) of the Group's trade and other receivables were due from the Group's largest customer and the five largest customers, respectively.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	**Definition**	**Loss provision**
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

	Total RMB'000
At 31 December 2018	
Other receivables	**97,596**
Provision for loss allowance	**(81,053)**
Carrying amounts	**16,543**
At 31 December 2017	
Other receivables	98,521
Provision for loss allowance	(81,053)
Carrying amounts	17,468
Weighted average expected credit loss rate	
2018	83%
2017	82%
Loss allowance at 1 January 2017	(80,566)
Increase in provision in 2017	(487)
Loss allowance at 31 December 2017 and 2018	(81,053)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

The maturity analysis of the Group's financial liabilities is as follows:

	Carrying amounts	Total contractual undiscounted cash flow			
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018					
Trade and other payables	**101,728**	**101,728**	**–**	**–**	**–**
Amount due to a director	**4,666**	**4,666**	**–**	**–**	**–**
Borrowings	**86,292**	**86,292**	**–**	**–**	**–**
Debentures	**1,039,777**	**104,105**	**119,794**	**860,616**	**238,586**
Convertible bonds	**387,865**	**387,865**	**–**	**–**	**–**
	1,620,328	**684,656**	**119,794**	**860,616**	**238,586**
31 December 2017					
Trade and other payables	103,873	103,873	–	–	–
Amount due to a director	14,792	14,792	–	–	–
Borrowings	105,881	105,881	–	–	–
Debentures	944,093	69,768	74,111	527,066	582,761
Convertible bonds	316,720	354,015	–	–	–
	1,485,359	648,329	74,111	527,066	582,761

(d) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, debentures and convertible bonds which were mainly issued at fixed rates. As the Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(f) Financial instruments by category

The carrying amounts of each of the category of the Group's financial instruments at the end of the reporting period are as follows:

	2018	2017
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**830,146**	906,693
Investments at fair value through profit or loss	**40,000**	40,000
Financial liabilities		
Financial liabilities at amortised cost	**1,620,328**	1,485,359

6. FINANCIAL RISK MANAGEMENT *(continued)*

(g) Fair value

Fair value estimates are made at a specific point of time and are based on relevant market information and information about the financial instruments. These estimates are subjective to nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

The Group's investments at fair value through profit or loss are carried at fair value as at 31 December 2018 and 2017.

The following disclosures of fair value measurements use a fair value hierarchy which has three levels:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

Disclosures of level in fair value hierarchy at 31 December 2018:

	Fair value measurement usings:			**Total**
	Level 1	**Level 2**	**Level 3**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Investments at fair value through profit or loss	**–**	**–**	**40,000**	**40,000**

Disclosures of level in fair value hierarchy at 31 December 2017:

	Fair value measurement usings:			Total
	Level 1	Level 2	Level 3	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at fair value through profit or loss	–	–	40,000	40,000

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2018:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(g) Fair value *(continued)*

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurement

At 31 December 2018

Description	**Valuation technique**	**Unobservable inputs**	**Rate**	**Effect on fair value for increase of inputs**	**Fair value RMB'000**
Investments at fair value through profit or loss	**Discounted cash flow**	**Weighted average cost of capital**	**12.00%**	**Decrease**	**40,000**

At 31 December 2017

Description	Valuation technique	Unobservable inputs	Rate	Effect on fair value for increase of inputs	Fair value RMB'000
Investments at fair value through profit or loss	Discounted cash flow	Weighted average cost of capital	11.50%	Decrease	40,000

During the two years, there were no changes in the valuation techniques used.

Reconciliation of assets measured at fair value based on level 3:

Description	**Investments at fair value through profit or loss**	
	2018 RMB'000	2017 RMB'000
At beginning of the year	**40,000**	40,000
Net gains or losses recognised in consolidated profit or loss	**–**	–
At end of the year	**40,000**	40,000

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other income in the statement of profit or loss and other comprehensive income.

7. REVENUE

The Group's revenue recognised during the year represents manufacturing and sale of casual footwear, apparel and related accessories; and operating of gas station for the year. An analysis of the Group's revenue for the year is as follows:

	2018 RMB'000	2017 RMB'000
Footwear, apparel and related accessories	8,788	69,402
Operating of gas station	94,686	123,315
	103,474	192,717

Disaggregation of revenue from contracts with customers:

	For the year ended 31 December 2018		
Segments	Operation of gas stations RMB'000	Manufacturing and sale of casual footwear, apparel and related accessories RMB'000	Total RMB'000
Geographical markets			
The PRC	94,686	8,788	103,474
Major products/service			
Shoes	–	8,788	8,788
Gas	94,686	–	94,686
Total	94,686	8,788	103,474
Timing of revenue recognition			
At a point in time	94,686	8,788	103,474

7. REVENUE *(continued)*

	For the year ended 31 December 2017		
Segments	Operation of gas stations RMB'000	Manufacturing and sale of casual footwear, apparel and related accessories RMB'000	Total RMB'000
Geographical markets			
The PRC	123,315	69,402	192,717
Major products/service			
Shoes	–	69,402	69,402
Gas	123,315	–	123,315
Total	123,315	69,402	192,717
Timing of revenue recognition			
At a point in time	123,315	69,402	192,717

Manufacturing and sale of casual footwear, apparel and related accessories

The Group manufactures and sells casual footwear, apparel and related accessories to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 90 to 180 day. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers 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.

Operation of gas stations

The Group sells natural gas to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 90 day.

A receivable is recognised when the products are delivered to the customers 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.

8. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Interest income on bank deposits	**864**	1,780
Interest income from other loan receivables	**4,203**	3,913
Gain on early redemption of debentures	**1,023**	4,035
Penalty income from early redeemed debentures	**–**	5,597
Sundry income	**24**	9
	6,114	15,334

9. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has two reportable segments: Operation of gas station and manufacturing and sale of casual footwear, apparel and related accessories.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include unallocated corporate income and expenses.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

	Operation of gas station RMB'000	**Manufacturing and sale of casual footwear, apparel and related accessories and others** RMB'000	**Total** RMB'000
Year ended 31 December 2018:			
Reportable segment revenue	**94,686**	**8,788**	**103,474**
Reportable segment profit/(loss)	**7,987**	**(111,291)**	**(103,304)**
Other material non-cash items:			
Impairment loss of trade and other receivables	**–**	**84,512**	**84,512**
Impairment loss of inventories	**–**	**8,534**	**8,534**
Impairment loss of property, plant and equipment	**–**	**5,807**	**5,807**
Year ended 31 December 2017:			
Reportable segment revenue	**123,315**	**69,402**	**192,717**
Reportable segment profit/(loss)	**12,277**	**(156,544)**	**(144,267)**
Other material non-cash items:			
Impairment loss of goodwill	**–**	**21,330**	**21,330**
Impairment loss of trade and other receivables	**–**	**48,926**	**48,926**
Impairment loss of other assets	**–**	**26,692**	**26,692**
Impairment loss of inventories	**–**	**52,680**	**52,680**

9. SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segment revenue and profit or loss:

	2018 RMB'000	2017 RMB'000
Revenue:		
Reportable segment revenue	**103,474**	192,717
Loss		
Reportable segment loss	**(103,304)**	(144,267)
Elimination of inter-segment revenue	**–**	–
Reportable segment loss derived from the Group's external customers	**(103,304)**	(144,267)
Other revenue and other net income	**3,987**	5,702
Unallocated head office and corporate expenses	**(161,150)**	(188,679)
Consolidated loss for the year	**(260,467)**	(327,244)

10. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest expenses on		
– Interests on bank loans	**6,575**	15,738
– Interests on debentures (note 28)	**65,258**	63,188
– Interests on promissory notes	**–**	17,063
– Interests on convertible bonds (note 29)	**58,404**	43,207
	130,237	139,196

11. INCOME TAX

	2018 RMB'000	2017 RMB'000
Current tax:		
– Hong Kong Profits Tax for the year	**–**	–
– PRC Enterprise Income Tax for the year	**2,737**	4,098
– PRC Enterprise Income Tax under-provision in prior years	**–**	105
	2,737	4,203

No provision for Hong Kong Profits Tax is required since the Group did not generate any assessable profit in Hong Kong during for the year (2017: RMB Nil).

According to the Law of the People's Republic of China on Enterprise Income Tax, the tax rate for all PRC subsidiaries of the Company is 25% from 1 January 2008 onwards.

At the end of the reporting period, the Group has unused tax losses of approximately RMB186,022,000 (2017: approximately RMB132,951,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

11. INCOME TAX *(continued)*

The reconciliation between the income tax and the loss before tax are as follows:

	2018 **RMB'000**	2017 RMB'000
Loss before tax	**(257,730)**	(323,041)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**(53,504)**	(70,531)
Tax effect of non-taxable income	**(319)**	(1,662)
Tax effect of non-deductible expenses	**44,741**	65,954
Under-provision in prior years	**–**	105
Tax effect of tax losses not recognised	**11,819**	10,337
Income tax for the year	**2,737**	4,203

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2018 **RMB'000**	2017 RMB'000
Auditor's remuneration	**1,200**	1,218
Cost of inventories sold	**88,498**	184,998
Depreciation	**5,264**	5,534
Amortisation of prepaid land lease payments	**105**	105
Loss on disposal of property, plant and equipment	**39**	–
Minimum lease payments under operating leases in respect of office premises	**5,239**	8,003
Impairment loss of goodwill	**–**	21,330
Impairment loss of trade receivables	**32,429**	39,766
Impairment loss of property, plant and equipment	**5,807**	–
Impairment loss of trade prepayments	**52,163**	8,580
(Reversal of impairment)/impairment loss of other receivables	**(80)**	580
Impairment loss of inventories	**8,534**	52,680
Impairment loss of other assets	**–**	26,692
Loss on deregistration of a subsidiary	**13**	–
Loss on early redemption of promissory note	**–**	283
Gain on early redemption of debenture	**(1,023)**	(4,035)
Loss on fair value changes on derivative financial instrument	**–**	2,824
Staff costs (including directors' remuneration – note 13):		
Salaries, bonus and allowances	**21,388**	17,544
Contributions to defined contribution retirement schemes	**82**	111

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each director were as follows:

	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Total RMB'000
Executive Directors				
Ms. Cai Xiuman		203	–	203
Mr. Wang Wei	1	101	–	101
Mr. Zhang Wenbin		203	30	233
Mr. Chen Jianbao		844	–	844
Mr. Wang Qingshan		101	–	101
Non Executive Directors				
Mr. Song Pengcheng	2	–	–	–
Independent Non Executive Directors				
Mr. Lee Ho Yiu Thomas	3	76	–	76
Mr. Gu Renliang	2	86	–	86
Mr. Chen Jinzhong, Roy		101	–	101
Mr. Wang Xianzhang		101	–	101
Total for the year ended 31 December 2018		1,816	30	1,846

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

The emoluments of each director were as follows: *(continued)*

	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Total RMB'000
Executive Directors				
Ms. Cai Xiuman		208	53	261
Mr. Wang Wei	1	104	–	104
Mr. Zhang Wenbin		208	55	263
Mr. Sun Hui Ding		4	–	4
Mr. Chen Jianbao		867	–	867
Mr. Wang Qingshan		104	–	104
Non Executive Directors				
Mr. Song Pengcheng	2	–	–	–
Independent Non-executive Directors				
Mr. Lee Ho Yiu Thomas	3	156	–	156
Mr. Gu Renliang	2	104	–	104
Mr. Chen Jinzhong, Roy		104	–	104
Mr. Wang Xianzhang		101	–	101
Total for the year ended 31 December 2017		1,960	108	2,068

Notes:

1. Resigned as a director on 1 January 2019

2. Resigned as a director on 1 November 2018

3. Retired on 29 March 2018

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

The five highest paid employees during the year included 1 (2017: nil) director, details of whose remuneration are set out in information above. Details of the remuneration of the remaining four (2017: five) non-director, highest paid employee for the year are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other benefits	**6,722**	2,300
Retirement benefits scheme contributions	**137**	66
Equity-settled share-based payments	**–**	–
	6,859	2,366

The number of non-director, highest paid employee whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
Emolument band:		
HK$nil – HK$1,000,000	**–**	5
HK$1,500,000 – HK$2,000,000	**4**	–

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join the Group or as compensation for loss of office other than those disclosed above. In addition, during the years ended 31 December 2018 and 2017, no directors waived any emoluments.

14. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: RMB Nil).

15. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB260,467,000 (2017: approximately RMB322,344,000) and the weighted average of 1,606,498,000 ordinary shares (2017: 1,606,498,000) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2017 and 2018.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2017	63,329	14,989	5,312	3,230	–	106,497	193,357
Additions	–	661	388	564	10,748	–	12,361
At 31 December 2017 and 1 January 2018	63,329	15,650	5,700	3,794	10,748	106,497	205,718
Additions	–	2	48	–	–	–	50
Disposal	–	–	–	(564)	–	–	(564)
At 31 December 2018	63,329	15,652	5,748	3,230	10,748	106,497	205,204
Accumulated depreciation and impairment							
At 1 January 2017	24,825	8,474	4,752	2,940	–	3,397	44,388
Charge for the year	2,539	1,621	191	163	1,020	–	5,534
At 31 December 2017 and 1 January 2018	27,364	10,095	4,943	3,103	1,020	3,397	49,922
Charge for the year	2,535	1,458	136	114	1,021	–	5,264
Impairment loss recognised	–	–	–	–	5,807	–	5,807
Disposal	–	–	–	(152)	–	–	(152)
At 31 December 2018	29,899	11,553	5,079	3,065	7,848	3,397	60,841
Carrying amounts							
At 31 December 2018	33,430	4,099	669	165	2,900	103,100	144,363
At 31 December 2017	35,965	5,555	757	691	9,728	103,100	155,796

The Group has carried out a review of the recoverable amount of its property, plant and equipment of approximately RMB135,933,000 (2017: approximately RMB139,286,000) as at 31 December 2018 with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited (2017: Ascent Partners Valuation Service Limited). The recoverable amount is assessed based on fair value less costs of disposal by using replacement cost basis under level 3 fair value measurement. No impairment loss is recognised for the year ended 31 December 2018 (2017: RMB Nil) as the recoverable amount of the subject property, plant and equipment is larger than and close to its carrying amount as at 31 December 2018.

The Group carried out reviews of the recoverable amount of certain property, plant and equipment in 2018 based on value-in-use calculations. Accordingly, the reviews led to the recognition of an impairment loss of approximately RMB5,807,000, that has been recognised during the year.

17. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
At 1 January	**5,093**	5,198
Amortisation for the year	**(105)**	(105)
At 31 December	**4,988**	5,093
Current portion	**(105)**	(105)
Non-current portion	**4,883**	4,988

As at 31 December 2018, the Group has pledged its prepaid lease payments with a carrying amount of approximately RMB1,140,000 (2017: approximately RMB1,140,000) to secure for general banking facilities granted to the Group (see note 27).

18. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Non-current assets		
Investments		
– Agricultural cooperation project in Fujian	**40,000**	40,000

The amount represents an investment amount in relation to an agricultural cooperation agreement entered into between a subsidiary of the Company and a local partner who has an agricultural land of approximately 20,000 acre in Fujian. According to the cooperation agreement, the amount is mainly for expansion of agricultural infrastructure and development of green houses which are under construction and in healthy progress in align with the expectation of the Group.

19. OTHER ASSETS

The amount represented the money placed with a local capital investment and fund management company for investing into real-estate related projects and or some other short-term financial products with good potential of profits growth/yield. During the year, the investment agreement is cancelled and the amount is refunded to the Group.

20. GOODWILL

	RMB'000
Cost	
At 31 December 2017 and 31 December 2018	96,931
Accumulated impairment losses	
At 1 January 2017	28,033
Impairment loss recognised	21,330
At 31 December 2017 and 1 January 2018	49,363
Impairment loss recognised	–
At 31 December 2018	49,363
Carrying amounts	
At 31 December 2018	47,568
At 31 December 2017	47,568

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the cash generating units as follows:

	2018 **RMB'000**	2017 RMB'000
Operating of gas station	**47,568**	47,568

Impairment testing of goodwill

Gas station cash-generating unit

Goodwill is tested for impairment for this cash-generating unit by the management by estimating the recoverable amount of the cash-generating unit based on value in use calculations. The value in use calculation uses cash flow projections based on the financial budgets approved by the management covering a 5 year period. The performance of gas station during the year ended 31 December 2018 met with the forecast, hence no impairment loss has been recognised on gas station for the year ended 31 December 2018 as a result of the impairment test. Key assumptions used by the management in the value in use calculation of the cash-generating unit include budgeted revenue and profit margins. The pre-tax discount rate used for estimating the value in use is 12.89%.

21. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**16**	4,340
Work in progress	**296**	1,420
Finished goods	**4,966**	13,781
	5,278	19,541

22. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**330,444**	388,078
Less: allowance for trade receivables	**(308,695)**	(276,266)
	21,749	111,812
Deposit, prepayments and other receivables	**138,432**	208,814
	160,181	320,626

Included in deposits, prepayments and other receivables are mainly (i) advances to suppliers for purchases of raw materials and finished goods amounting to approximately RMB7,760,000 net of impairment provision of approximately RMB249,311,000 (2017: approximately RMB94,840,000 net of impairment provision of approximately RMB197,148,000); (ii) other loans receivable of approximately RMB114,129,000 (2017: approximately RMB96,506,000) to independent third parties with interest rate of 0% to 8% per annum; and (iii) other receivables amounting to approximately RMB16,543,000 net of impairment provision of approximately RMB81,053,000 (2017: approximately RMB17,468,000 net of impairment provision of approximately RMB81,053,000).

The Group allows an average credit period of 90 to 180 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for trade receivables, presented based on the invoice date at the end of the reporting period.

	2018 RMB'000	2017 RMB'000
Within 90 days	**7,827**	26,211
91-180 days	**7,143**	1,641
181-360 days	**5,135**	9,972
Over 361 days	**1,644**	73,988
	21,749	111,812

Trade receivables are normally due within 90 to 180 days (2017: 90 to 180 days) from the date of billing. The Group also offers revolving credit to its customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on factors such as the customers' credit history and current ability to pay. The funding need of a customer for the purpose of expanding its sales network is also taken into consideration.

22. TRADE AND OTHER RECEIVABLES *(continued)*

Allowance for trade receivables

The movements in allowance for trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of the reporting period	**276,266**	236,500
Allowance for the year	**32,429**	39,766
At the end of the reporting period	**308,695**	276,266

The Group applies the simplified approach under IFRS 9 (2014) to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current RMB'000	**Within 90 days past due** RMB'000	**91-180 days past due** RMB'000	**181-360 days past due** RMB'000	**Over 361 days past due** RMB'000	**Total** RMB'000
At 31 December 2018						
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**100%**	
Receivable amount (RMB'000)	**14,967**	**2,699**	**2,437**	**1,552**	**308,789**	**330,444**
Loss allowance (RMB'000)	**–**	**–**	**–**	**–**	**(308,695)**	**(308,695)**
At 31 December 2017						
Weighted average expected loss rate	0%	0%	0%	34%	83%	
Receivable amount (RMB'000)	27,851	8,425	1,548	28,582	321,672	388,078
Loss allowance (RMB'000)	–	–	–	(9,796)	(266,470)	(276,266)

23. AMOUNT DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance are as follows:

Name	**Terms of cash advances made by the Group**	**Maximum amount outstanding during the year** RMB'000	**2018 RMB'000**	2017 RMB'000
Amount due from a director				
Ms. Cai Xiu Man	Unsecured, repayable on demand and interest-free	82,876	**82,876**	64,672

24. BANK AND CASH BALANCES

At the end of reporting period, the bank and cash balances of Group denominated in RMB amounted to RMB550,359,000 (2017: RMB472,631,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

25. TRADE AND OTHER PAYABLES

	2018 **RMB'000**	2017 RMB'000
Trade payables	**35,964**	39,748
Contract liabilities	**4,944**	9,051
Other payables and accruals	**65,764**	64,125
	106,672	112,924

(a) An aging analysis of the trade payables at the end of the reporting period, based on invoice dates, is as follows:

	2018 **RMB'000**	2017 RMB'000
Within 2 months	**5,002**	1,083
More than 2 months but within 3 months	**200**	616
More than 3 months but within 12 months	**21,462**	10,316
More than 12 months	**9,300**	27,733
	35,964	39,748

26. AMOUNT DUE TO A DIRECTOR

The advance as at 31 December 2018 and 2017 is unsecured, non-interest bearing and has no fixed repayment terms.

27. BORROWINGS

	2018 **RMB'000**	2017 RMB'000
Analysed as:		
Bank loans – secured	**62,545**	82,751
Bank loans – unsecured	**9,106**	8,489
Other loans – secured	**14,641**	14,641
	86,292	105,881

At 31 December 2018 and 2017, all of the Group's banking facilities were subject to the fulfillment of certain covenants as are commonly found in lending arrangements with financial institutions. If the Group breached the covenants,the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 6.

27. BORROWINGS *(continued)*

At 31 December 2018, the borrowings with principal amount of approximately RMB77,415,000 (2017: approximately RMB102,385,000), together with accrued interests and penalties of approximately RMB8,877,000 (2017: approximately RMB3,496,000) were overdue by the Group. As a result, the Group is subjected to a penalty interest expense. In which, borrowings with principal amount of approximately RMB14,641,000 and approximately RMB54,674,000 (2017: approximately RMB14,641,000 and approximately RMB79,644,000) were secured by a charge over the Group's prepaid land lease payments and personal guarantee from a director, respectively.

The effective interest rates per annum at the end of the reporting period were as follows:

	2018	2017
Short-term borrowings:		
Variable-rate	**N/A**	N/A
Fixed-rate	**6.69% – 10.86%**	4.44% – 7.12%

28. DEBENTURES

(a) The debentures are repayable as follows:

	2018 **RMB'000**	2017 RMB'000
At 1 January	**944,093**	895,181
Addition	**54,607**	122,013
Repayment	**(56,805)**	(51,461)
Gain on early redemption of debentures	**(1,023)**	(4,035)
Interests charge	**65,258**	63,188
Interests paid	**(19,782)**	(13,746)
Exchange difference	**53,429**	(67,047)
At 31 December	**1,039,777**	944,093
Current portion	**(76,773)**	(42,217)
Non-current portion	**963,004**	901,876

During the year ended 31 December 2018, the Company has repaid a total amount of approximately RMB56,805,000 (2017: approximately RMB51,461,000) which included an early redemption of debentures approximately RMB25,322,000 (2017: approximately RMB39,900,000), resulting in a gain on early redemption of debentures amounting to approximately RMB1,023,000 (2017: approximately RMB4,035,000).

As at the end of the reporting period, the debentures with principal amount of approximately RMB20,430,000 (2017: RMB Nil), together with accrued interests and penalties of approximately RMB90,000 (2017: RMB Nil) are matured and become repayable on demand.

28. DEBENTURES *(continued)*

(b) Significant terms and repayment schedule of debentures:

During the year ended 31 December 2018, the Company issued a number of HKD denominated debentures with an aggregate principal of approximately HK$68,900,000 (2017: approximately HK$1,361,497,000).

The debentures are unsecured, bearing interest rate at a range of per annum 3.4%-10.5% per annum (2017: 3.4%-10.5% per annum), and repayable during the period from June 2018 to December 2028. The interest expenses are calculated using the effective interest method by applying the effective rates at a range of 3.4% – 25.9%. The aging of the carrying amount of the debentures is analysed as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**76,773**	42,217
In the second year	**95,006**	47,641
In the third to fifth years, inclusive	**687,650**	392,550
After five years	**180,348**	461,685
	1,039,777	944,093

During the year ended 31 December 2018, interest expenses totaling of approximately RMB19,782,000 (2017: approximately RMB13,746,000) were paid to debenture holders.

29. CONVERTIBLE BONDS

(a) Convertible Bonds CB-A and CB-B

On 21 November 2016, the Company issued CB-A and CB-B with a principal amount of HK$92,000,000 and HK$120,000,000, respectively. Both CB-A and CB-B have a maturity period of two years from the date of completion to 20 November 2018 and entitle the holders to convert the bonds into new ordinary shares of the Company at an initial conversion price of HK$0.4378 and HK$0.46805 per share, respectively, subject to adjustments as stipulated in the terms and conditions of the convertible bonds subscription agreement. The Company shall not redeem the convertible bonds at its option prior to the maturity date. Interest of 7.5% per annual on the principal amount of the convertible bonds will be paid half-yearly in arrears. The maturity redemption value shall be repaid as 127% of the principal amount and deduct the interest paid or payable in respect of the convertible bond. As at the end of the reporting period, the CB-A and CB-B are matured and become repayable on demand.

(b) Convertible Bonds CB-C

On 28 December 2016, the Company issued CB-C with a principal amount of HK$150,000,000. The CB-C has a maturity period of 22th month from the date of completion and entitles the holders to convert the bonds into new ordinary shares of the Company at an initial conversion price of HK$0.48 per share, subject to adjustments in accordance with the terms and conditions of the convertible bonds subscription agreement. The Company shall not redeem the convertible bonds at its option prior to the maturity date. Interest of 7.5% per annual on the principal amount of the convertible bonds will be paid half-yearly in arrears. The maturity redemption value shall be repaid as 122% of the principal amount and deduct the interest paid or payable in respect of the convertible bond. As at the end of the reporting period, the CB-C are matured and become repayable on demand.

29. CONVERTIBLE BONDS *(continued)*

(b) Convertible Bonds CB-C *(continued)*

On 18 January 2019, the Company, a holder and the guarantors entered into the supplemental agreement in respect of the proposed amendments on certain terms and conditions of the CB-C in the principal amount of HK$100,000,000. For details, please refer to announcements of the Company dated 18 January 2019, 27 February 2019 and 15 March 2019.

The net proceeds received from the issue of the convertible bonds have been split between the liability element and an equity component, as follows:

	CB-A RMB'000	CB-B RMB'000	CB-C RMB'000	Total RMB'000
At 1 January 2017	82,683	107,989	129,501	320,173
Interests charged	10,992	14,264	17,951	43,207
Interest paid	(5,985)	(7,805)	(9,758)	(23,548)
Exchange difference	(5,966)	(7,788)	(9,358)	(23,112)
At 31 December 2017 and 1 January 2018	81,724	106,660	128,336	316,720
Interests charged	13,891	17,951	26,562	58,404
Interest paid	(2,912)	(3,798)	–	(6,710)
Exchange difference	4,923	6,418	8,110	19,451
At 31 December 2018	97,626	127,231	163,008	387,865

The interest charged for the year is calculated by applying an effective interest rate of 12.51%-12.73% to the liability component for the 20-24 month period since the bonds were issued.

The convertible bonds with principal amount of approximately RMB351,203,000 (2017: RMB Nil), together with accrued interests and penalties of approximately RMB36,662,000 (2017: RMB Nil) have been matured during the year ended 31 December 2018 and the Group is in the negotiation on the extension of the convertible bonds with the bond holders.

30. SHARE CAPITAL

	Number of share	Amount HK$,000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	1,000,000

	2018 Number of share	2018 Amount HK$'000	2017 Number of share	2017 Amount HK$'000
Issued and fully paid:				
Ordinary shares of HK$0.10 each at 1 January and 31 December	**1,606,498,422**	**160,650**	1,606,498,422	160,650
Equivalent to (RMB'000)		**130,258**		130,258

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to maximise the returns to shareholders through the optimisation of the debt and equity balance and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions affecting the Group.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves).

An increase in the debt-to-adjusted capital ratio for the year was mainly due to the issue of the Company's convertible bonds during the year.

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in note 27, neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements in either current or prior year.

31. RESERVES

(a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium RMB'000	Other reserve RMB'000	Convertible bonds equity reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	384,423	164,969	78,315	33,993	40,022	(809,585)	(107,863)
Total comprehensive loss	–	–	–	–	(39,427)	(247,478)	(286,905)
Lapsed of share options	–	–	–	(638)	–	638	–
At 31 December 2017	384,423	164,969	78,315	33,355	595	(1,056,425)	(394,768)
At 1 January 2018	384,423	164,969	78,315	33,355	595	(1,056,425)	(394,768)
Total comprehensive income/(loss)	–	–	–	–	20,609	(127,807)	(107,198)
Lapsed of share options	–	–	–	(114)	–	114	–
At 31 December 2018	384,423	164,969	78,315	33,241	21,204	(1,184,118)	(501,966)

(c) Nature and purpose of reserves of the Group

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Other reserve

Other reserve represents the difference between the Group's interest in the historical carrying value of an entity under common control of the same group of equity shareholders and the acquisition consideration paid for that entity; and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange under the reorganisation of the Group completed on 2 February 2011.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in note 4.

31. RESERVES *(continued)*

(c) Nature and purpose of reserves of the Group *(continued)*

(iv) Statutory reserve

Transfers from retained profits to PRC statutory reserve are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve can be used to make good prior years' losses, if any, and may be converted into paid-up capital provided that the balance after such conversion is not less than 25% of the registered capital.

(v) Capital reserve

The capital reserve comprises the portion of the grant date rate value of unexercised share options granted to employees of the Group and other parties that has been recognised in accordance with the accounting policy adopted for share-based payments in note 4.

(vi) Convertible bonds equity reserve

The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 4 to the consolidated financial statements.

32. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 4 September 2011 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, business partners and consultants of the Group to take up options at HK$1 consideration to subscribe for shares of the Company. The options vest immediately from the date of grant and are then exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Contractual life of options
Options granted to directors on 17 October 2014	15,500,000	10 years
Options granted to employees on 17 October 2014	35,000,000	10 years
Options granted to business partners and consultants on 17 October 2014	69,500,000	10 years
Options granted to business partners, consultants and employees on 29 April 2016	136,000,000	10 years
Total share options granted	256,000,000	

All of the share options vesting conditions are immediate from the date of grant.

32. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	Number of options 2018	2017
Outstanding at the beginning of the period	**147,500,000**	149,500,000
Granted during the period	**–**	–
Lapsed during the period	**(500,000)**	(2,000,000)
Outstanding at the end of the period	**147,000,000**	147,500,000

No share options are exercised for the year ended 31 December 2017 and 2018.

The share options outstanding as at 31 December 2018 have a weighted average remaining contractual life of 7.19 years (2017: 8.21 years) and the exercise prices range from HK$0.46 to HK$0.72 (2017: HK$0.46 to HK$0.72).

(c) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	Number 2018	2017
17 October 2014 to 17 October 2024	HK$0.72	**11,000,000**	11,500,000
29 April 2016 to 29 April 2026	HK$0.46	**136,000,000**	136,000,000
		147,000,000	147,500,000

33. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Investments in subsidiaries	**1,055,910**	938,137
	1,055,910	938,137
Current assets		
Other receivables, deposits and prepayments	**879**	316
Bank balances and cash	**1,248**	60,413
	2,127	60,729
Current liabilities		
Accruals and other payables	**2,103**	2,563
Debentures	**76,773**	42,217
Convertible bonds	**387,865**	316,720
	466,741	361,500
Net current liabilities	**(464,614)**	(300,771)
Non-current liabilities		
Debentures	**963,004**	901,876
	963,004	901,876
NET LIABILITIES	**(371,708)**	(264,510)
Capital and reserves		
Share capital	**130,258**	130,258
Reserves	**(501,966)**	(394,768)
TOTAL DEFICIT	**(371,708)**	(264,510)

34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Amount due to a director RMB'000	Bank loans RMB'000	Debentures RMB'000	Promissory notes RMB'000	Convertible bonds RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2017	–	302,440	895,181	181,160	320,173	1,698,954
Changes in cash flows	14,792	(212,297)	56,806	(109,068)	(23,548)	(273,315)
Non-cash changes						
– Interest charged	–	15,738	63,188	17,063	43,207	139,196
– Gain on early redemption of debentures	–	–	(4,035)	–	–	(4,035)
– Loss on early redemption of promissory notes	–	–	–	283	–	283
– Settled by other receivables arising from profits guarantee	–	–	–	(80,456)	–	(80,456)
– Exchange difference	–	–	(67,047)	(8,982)	(23,112)	(99,141)
At 31 December 2017 and 1 January 2018	14,792	105,881	944,093	–	316,720	1,381,486
Changes in cash flows	(10,126)	(26,164)	(21,980)	–	(6,710)	(64,980)
Non-cash changes						
– Interest charged	–	6,575	65,258	–	58,404	130,237
– Gain on early redemption of debentures	–	–	(1,023)	–	–	(1,023)
– Exchange difference	–	–	53,429	–	19,451	72,880
At 31 December 2018	4,666	86,292	1,039,777	–	387,865	1,518,600

35. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2017: RMB Nil).

36. LEASE COMMITMENTS

(a) At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of certain office premises and machinery are analysed as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**4,351**	5,196
In the second to fifth year inclusive	**–**	3,718
	4,351	8,914

37. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2018 **RMB'000**	2017 RMB'000
Property, plant and equipment		
Contracted but not provided for	**45,040**	45,040

38. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

	2018 **RMB'000**	2017 RMB'000
Rental expenses	**119**	147

The rental expenses is paid to Cai Xiu Man

(b) During the year ended 31 December 2009, UK Greiff (beneficially owned by Ms. Cai Xiu Man) granted a license to Greiff Xiamen for the use of the trademark "Greiff" for an initial period of ten years for a royalty of RMB80,000 per annum, at the end of initial period all terms are renegotiated. The licensing agreement was subsequently terminated and replaced by a revised licensing agreement signed on 10 February 2011 for granting Greiff Xiamen a sole and exclusive license to use the trademark "Greiff" for a term from 10 February 2011 to 27 January 2019. Pursuant to the revised licensing agreement, no charge will be payable on the use of the trademark by the Group.

(c) Key management personnel remuneration
The emoluments of the Company's directors, who are also identified as members of key management of the Group, are set out in note 13.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the financial position of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration	Issued/paid-up capital	Percentage of the Company's direct ownership interest	Percentage of the Company's indirect ownership interest	Principal activities
Chuang Wei Limited	British Virgin Islands	US$10,000	100%	–	Investment holding
Jinmaiwang Group Limited 金邁王控股有限公司	Hong Kong	10,000 shares HK$1 per share	–	100%	Investment holding
Fujian Jinmaiwang (note i, ii) 福建金邁王鞋服製品有限公司	The PRC	Registered capital of HK$120,000,000	–	100%	Manufacturing and sales of casual footwear
Shishi Haoma (note ii) 石獅市豪邁鞋業有限公司	The PRC	Registered capital of RMB1,500,000	–	100%	Manufacturing and sales of casual footwear
Luotuo Quanzhou (note i, ii) 駱駝（泉州）鞋服有限公司	The PRC	Registered capital of USD10,000,000	–	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
Greiff Xiamen (note i, ii) 哥雷夫（廈門）國際貿易有限公司	The PRC	Registered capital of RMB8,000,000	–	100%	Trading of casual footwear, apparel and related accessories
Jiangsu Active (note i, ii) 江蘇動感鞋業有限公司	The PRC	Registered capital of RMB110,000,000	–	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
Quanzhou Jialong Shoes Industry Co., Ltd. ("Quanzhou Jialong") (note i, ii) 泉州市嘉隆鞋業有限責任公司	The PRC	Registered capital of RMB500,000	–	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
Jinmaiwang (Xiamen) Clothing Trading Co., Ltd ("Jinmaiwang (Xiamen)") (note ii, iii) 金邁王（廈門）服飾貿易有限公司	The PRC	Registered capital of RMB180,000,000	–	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
Beijing Ah Huo System Networks Co., Limited ("Ah Huo") (note ii) 北京阿火網絡科技有限公司	The PRC	Registered capital of RMB100,000	–	51%	Mobile game products development

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name	Place of incorporation/ registration	Issued/paid-up capital	Percentage of the Company's direct ownership interest	Percentage of the Company's indirect ownership interest	Principal activities
Peak Business Asia Limited 峰業亞洲有限公司	British Virgin Islands	US$100	–	100%	Investment holding
Shangqiu Shi Yuan Sheng New Energy Co., Limited (note ii) 商丘市元盛新能源有限公司	The PRC	Registered capital of RMB10,000,000	–	100%	Investment holding
Shangqiu Shi Wuzhou New Energy Co., Limited (note ii) 商丘市五洲新能源有限公司	The PRC	Registered capital of RMB10,000,000	–	100%	Operating gas stations
Tang Energy Technical Beijing Company Limited (note ii, iv) 唐能科技(北京)有限公司	The PRC	Registered capital of US$90,000,000	–	100%	Investment in energy related activities

(i) These entities are wholly foreign-owned enterprises established in the PRC.

(ii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(iii) Jinmaiwang (Xiamen) was established on 3 July 2014 and no capital was paid up as at 31 December 2017 and 2018. Jinmaiwang Hong Kong, a wholly owned subsidiary of the Company is committed to contribute the unpaid registered capital of RMB180,000,000 of Jinmaiwang (Xiamen) on or before 2 July 2019.

(iv) Tang Energy Technical Beijing Company Limited was established on 5 January 2017.

40. EVENTS AFTER THE REPORTING PERIOD

On 11 March 2019, the Company entered into the subscription agreement with the subscriber pursuant to which the subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, an aggregate of 77,335,826 subscription shares at the subscription price of HK$0.2565 per subscription share.

On 12 February 2019, the Company received a petition (the "Petition") from Lin Cangze (the "Petitioner") in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") under Companies Winding-up Proceedings No. 43 of 2019 that the Company may be wound up by the High Court on the ground that the Company is insolvent and unable to pay its debt. With reference to the announcement dated 18 March 2019, upon the join application of the Company and the Petitioner, the High Court ordered on 15 March 2019, inter alia, that the Petition be withdrawn. For details, please refer to announcements of the Company dated 12 February 2019, 20 February 2019 and 18 March 2019.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2019.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
RESULTS					
Revenue	584,720	290,545	226,440	192,717	**103,474**
Loss before tax	(135,788)	(531,553)	(320,759)	(323,041)	**(257,730)**
Income tax	5,447	(11,115)	(3,655)	(4,203)	**(2,737)**
Loss for the year	(130,341)	(542,668)	(324,414)	(327,244)	**(260,467)**
Attributable to:					
Owners of the Company	(130,341)	(544,403)	(324,196)	(322,344)	**(260,467)**
Non-controlling interests	–	1,735	(218)	(4,900)	**–**
	(130,341)	(542,668)	(324,414)	(327,244)	**(260,467)**

	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
ASSETS AND LIABILITIES					
Non-current assets	215,139	316,530	439,524	273,352	**236,814**
Current assets	1,368,373	1,573,740	1,543,873	997,782	**844,591**
Current liabilities	(589,428)	(677,973)	(664,896)	(614,800)	**(677,057)**
Non-current liabilities	(379,656)	(946,216)	(1,288,919)	(901,876)	**(963,004)**
Net Assets/(liabilities)	614,428	266,081	29,582	(245,542)	**(558,656)**
Attributable to:					
Owners of the Company	614,428	263,321	27,040	(243,184)	**(556,298)**
Non-controlling interests	–	2,760	2,542	(2,358)	**(2,358)**
	614,428	266,081	29,582	(245,542)	**(558,656)**