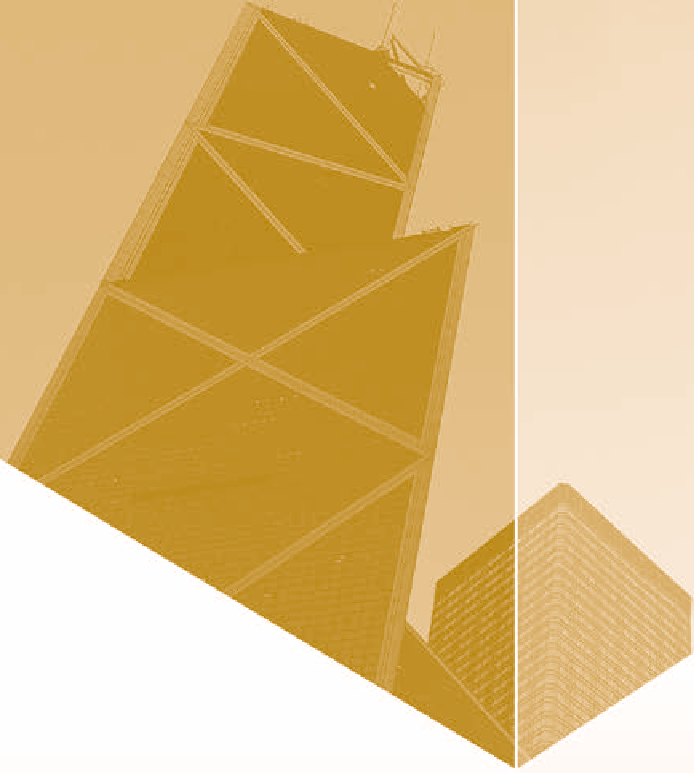
ANNUAL REPORT 2018

TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1239

TEAMWAY
International Group Holdings Limited



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Gefei *(Chairman)*
(appointed on 6 March 2018)
Mr. He Xiaoming *(Vice Chairman)*
Ms. Ngai Mei
Mr. Ling Zheng *(resigned on 6 March 2018)*

Independent Non-Executive Directors

Mr. So Stephen Hon Cheung
Mr. Chan Chung Yin Victor
(appointed on 28 September 2018)
Mr. Poon Lai Yin Michael *(appointed on 19 March 2019)*
Ms. Bu Yanan *(resigned on 28 September 2018)*
Ms. Man See Yee *(resigned on 19 March 2019)*

AUDIT COMMITTEE (THE "AUDIT COMMITTEE")

Mr. Poon Lai Yin Michael *(Chairman)*
(appointed on 19 March 2019)
Mr. So Stephen Hon Cheung
Mr. Chan Chung Yin Victor
(appointed on 28 September 2018)
Ms. Bu Yanan *(resigned on 28 September 2018)*
Ms. Man See Yee *(resigned on 19 March 2019)*

NOMINATION COMMITTEE (THE "NOMINATION COMMITTEE")

Mr. Poon Lai Yin Michael *(Chairman)*
(appointed on 19 March 2019)
Mr. So Stephen Hon Cheung
Mr. Chan Chung Yin Victor
(appointed on 28 September 2018)
Ms. Bu Yanan *(resigned on 28 September 2018)*
Ms. Man See Yee *(resigned on 19 March 2019)*

REMUNERATION COMMITTEE (THE "REMUNERATION COMMITTEE")

Mr. Chan Chung Yin Victor *(Chairman)*
(appointed on 28 September 2018)
Mr. So Stephen Hon Cheung
Mr. Poon Lai Yin Michael *(appointed on 19 March 2019)*
Ms. Bu Yanan *(resigned on 28 September 2018)*
Ms. Man See Yee *(resigned on 19 March 2019)*

COMPANY SECRETARY

Ms. Choi Yee Man

AUDITORS

Zenith CPA Limited
Rooms 2103–05, 21/F
Dominion Centre
43–59 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China Limited
Industrial and Commercial Bank of China Limited
China Minsheng Banking Corp., Ltd.
Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
DBS Bank Ltd.
Industrial Bank Co. Ltd.
Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Ltd
PO Box 1350, Clifton House, 75 Fort Street
Grand Cayman KY1–1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

PO Box 1350, Clifton House, 75 Fort Street
Grand Cayman KY1–1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2005–2006, 20/F, Tower 6
The Gateway, Harbour City
Tsim Sha Tsui, Kowloon Hong Kong

STOCK CODE

01239

COMPANY WEBSITE

www.teamwaygroup.com

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Teamway International Group Holdings Limited (formerly known as Jin Bao Bao Holdings Limited, the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present all shareholders of the Company (the "**Shareholders**") the annual report of the Company for the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the business of (i) design, manufacture and sale of packaging products and structural components in the People's Republic of China (the "**PRC**"); (ii) provision of corporate secretarial, consultancy and business valuation services; and (iii) property investment.

Packaging Products and Structural Components Business

Revenue

Most of the Group's customers under the packaging products and structural components business are leading consumer electrical appliance manufacturers in the PRC.

An analysis of revenue by products is as follows:

	Year ended 31 December			
	2018		2017	
	RMB'000	%	RMB'000	%
Packaging products				
Air conditioners	100,533	25.8	98,961	32.3
Televisions	99,712	25.6	71,358	23.3
Refrigerators	70,372	18.1	48,386	15.7
Washing machines	64,876	16.6	44,707	14.6
Water heaters	16,494	4.2	12,829	4.2
Information technology products	18,874	4.8	12,005	3.9
Others	2,168	0.6	836	0.3
Structural components				
For air conditioners	16,755	4.3	17,573	5.7
Total	389,784	100.0	306,655	100.0

The revenue by product type remained relatively stable. During the current year, the revenue derived from the Group's products for air conditioners and television (including packaging products and structural components) made the largest and second largest contributions to the segment revenue, amounting to approximately RMB217,000,000 or 55.7% of total segment revenue (2017: approximately RMB187,892,000 or 61.3% of total segment revenue).

Cost of sales

The following table sets out a breakdown of the cost of sales for the periods stated below:

	Year ended 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Raw materials	**259,108**	**77.6**	198,885	75.7
Direct labour costs	**27,742**	**8.3**	22,891	8.7
Manufacturing overhead	**46,925**	**14.1**	41,125	15.6
Staff costs	**3,857**	**1.2**	3,193	1.2
Depreciation	**9,635**	**2.9**	6,882	2.6
Utilities	**24,861**	**7.4**	21,310	8.1
Processing charges	**7,991**	**2.4**	9,165	3.5
Others	**581**	**0.2**	575	0.2
Total	**333,775**	**100**	262,901	100.0

For the year ended 31 December 2018, the cost of sales amounted to approximately RMB333,775,000 increased by approximately RMB70,874,000 or 27.0% when compared to that of approximately RMB262,901,000 for the year ended 31 December 2017. The increase in cost of sales, which is mainly contributed by the increase in raw materials costs, was increasing at a similar pace with the increment in revenue which was reflected in similar gross profit margins of approximately 14.4% for the year ended 31 December 2018 and approximately 14.3% for the year ended 31 December 2017.

The challenging operating conditions, mainly led by the increase in cost of sales, are expected to continue and affect the operating environment of packaging products and structural components business in the current year.

Supply of raw materials

The Group purchases raw materials and components necessary for the manufacturing of the Group's packaging products and structural components from independent third parties. The raw materials mainly include expanded polystyrene ("**EPS**") and expanded polyolefin ("**EPO**"). The Group retains a list of approved suppliers of raw materials and components and only makes purchases from the list. The Group has established long- term commercial relationships with its major suppliers for a stable supply and timely delivery of high quality raw materials and components. The Group had not experienced any major difficulties in procuring raw materials and components necessary for the manufacture of packaging products for the year ended 31 December 2018. The Group continues to diversify its suppliers of raw materials and components to avoid over reliance on a single supplier for any type of raw materials and components.

Production capacity

The Group's three factories are capable of a maximum annual manufacturing capacity, in aggregate, of 20,000 tonnes of packaging products and structural components. The current production capacity enables the Group to promptly respond to market demand and strengthen its market position.

Provision of Corporate Secretarial, Consultancy and Business Valuation Services Business

The provision of corporate secretarial, consultancy and business valuation services business is conducted under Treasure Found Investments Limited and its subsidiaries (collectively referred to as "**Treasure Found Group**"). For the year ended 31 December 2018, a segment revenue of approximately RMB6,198,000 (2017: RMB72,361,000) and a segment loss of approximately RMB211,286,000 (2017: a segment profit of approximately RMB62,357,000). The decrease in segment revenue was primarily due to a substantial decrease in the fees income generated from the provision of consultancy services during the current year. Details of this segment information are set out in Note 5 to the consolidated financial statements.

The corporate secretarial, consultancy and business valuation services covered a variety of services, including consultancy service on accounting and internal control matters, corporate secretarial service, business valuation service, loan facilitation service, property agency service, transaction agency service, project agency service, strategic planning service and ad-hoc strategic consultancy service.

Property Investment Business

For the year ended 31 December 2018, there are two investment properties in the property portfolio of the Group.

The existing investment property in Hong Kong situated at Flat A, 21/F., Tower 1, One SilverSea, 18 Hoi Fai Road, Tai Kok Tsui, Kowloon, Hong Kong (registered in the Land Registry as Kowloon Inland Lot No. 11158) with gross floor area of approximately 1,568 square feet recorded a fair value gain of approximately RMB1,493,000.

The existing investment property in Singapore situated at 1 Bishopsgate#04-06 Bishopsgate Residences, Singapore 247676 (registered in the Singapore Land Authority under the Land Lot No. TS24- U13661M) with a gross floor area of approximately 3,068 square feet recorded a fair value loss of approximately RMB3,502,000.

Both investment properties in Hong Kong and Singapore were still at vacant possession and no revenue was generated from this business segment.

Impairment of loan and interest receivables

As set out in note 20 to the consolidated financial statements, Great Earn International Limited ("**Great Earn**"), an indirect wholly-owned subsidiary of the Company, entered into loan agreement with Rossoneri Sport Investment Co. Limited ("**Rossoneri**") to provide a facility in the principal amount of United States Dollars ("**US$**") 8,300,000 (approximately RMB53,906,000) (the "**Loan**") to Rossoneri. Subsequently, both parties entered into a supplemental deed to extend the maturity date of the Loan and the terms of repayments. Despite tremendous effort that our Company has made which includes sending numerous reminders and arranging our company's lawyer to send demand letters, Rossoneri was only able to repay all the accrued interests up to 30 April 2018 and part of the principal amount of US$1,000,000 to the Company. In order to protect the interests of the Company and the shareholders as a whole, the Company decided to take legal actions and arranged the Company's lawyer to issue the writ of summons to Rossoneri, and the two guarantors (Mr. Li Yong Hong and Ms. Huang Qingbo) respectively on 15 August 2018. The pleading stage of the case is now closed and the Company is currently seeking the advice of the Company's lawyers as to whether it is feasible to apply summary judgement against the said parties. Assuming that judgement is granted in favor of the Company, the Company will then seek advice from the Company's lawyers on the best option to enforce the judgement. Since the Loan has been overdue for long time and the timing and result for the court to make final judgement are unknown, the Directors have taken a prudent approach to make an impairment loss on the full amount of the outstanding principal amount in the sum of US$7,300,000 (approximately RMB47,995,000) for the year ended 31 December 2018.

Receipt of shareholders loan and dividends from an investment entity

On 30 October 2018, Lucrum 1 Investment Limited ("**Lucrum 1**") disposed all of its shares of Cityneon Holdings Limited ("**Cityneon**") (the "**Disposal**"). Mutual Power International Limited ("**Mutual Power**", an indirect wholly-owned subsidiary of the Company) holds 8.5% shareholding in the issued share capital of Lucrum 1. Based on the 8.5% shareholding Mutual Power holds in the issued share capital of Lucrum 1, Lucrum 1 shall repay Mutual Power outstanding shareholders loan and other liabilities ("**Shareholders Loan**") and distribute approximately Singapore dollars ("**SIN$**") 5,585,749.67 as dividends to Mutual Power from the proceeds of the Disposal. Details have been disclosed in the announcement dated 30 October 2018.

Up to 22 March 2019, Mutual Power has received the full amount of shareholders loan and dividends from Lucrum 1.

FUTURE OUTLOOK

Packaging Products and Structural Components Business

Chinese economy is still in and will remain in an important period of strategic opportunities for a long time. It is expected that the PRC's government will continue to apply the principal of "seeking growth while maintaining stability" for a prolonged period of time. It is anticipated that Chinese macroeconomy will maintain a continuous and steady growth as a whole in 2019.

Although the turnover of the packaging products and structural components business of the Group has been growing steadily in these two years, the increasing cost of sales led by the increase in raw material costs, manufacturing overheads, direct labour costs and commodities prices show no sign to slow down and adversely affect the financial performance.

The Group will continue to look for ways and remedies to improve the efficiency of the production process. Despite the challenging operating conditions, the packaging products and structural components business has been providing a source of stable income for the Group and is expected to continue in the near future.

Provision of Corporate Secretarial, Consultancy and Business Valuation Services Business

During the second half of year in 2018, the management had numerous meetings with Chan Ka Wing ("**Mr. Chan**"), the person responsible for the management of Treasure Found Investments Limited and its subsidiaries (the "**Treasure Found Group**"). Mr. Chan has advised the management that the business prospects is not good and he does not expect any significant improvement in the performance of the business of the Treasure Found Group.

As a result of concerns regarding the performance and management of the Treasure Found Group, the management engaged Briscoe Wong Advisory ("**BWA**") on 15 November 2018 to carry out an investigation and in relation thereto to also arrange for representatives to be appointed to the key operating companies of the Treasure Found Group. Based on the information available to the management, including information provided by BWA from its investigation, the business of the Treasure Found Group was heavily dependent on Mr. Chan and the customers were from his personal network. The business of the Treasure Found Group dropped significantly in 2018 and Mr. Chan was unable to provide any explanation for the large sudden drop in business and was also unable to provide any business plan to develop new business and customers going forward. Due to a significant decrease in revenue in the second half of year in 2018 that lead to unsatisfactory financial performance and the uncertainty in business prospects of the provision of corporate secretarial, consultancy and business valuation services business going forward, the Board passed a resolution on 22 March 2019 to discontinue the provision of corporate secretarial, consultancy and business valuation services business.

Property Investment Business

The global property market appears to be showing signs of slowing down in 2018. As in the Hong Kong's property market, the home price growth has moderated slightly from peak levels in 2017 on the back of the HKSAR Government's policy for increasing public housing and control measures for imposing vacant property taxes, coupled with interest rate rises and external impacts of the China-US trade war. Under such circumstances, the Group will adopt a more cautious attitude in managing its investment property portfolio. Despite the above factors, the Group is positive about the prospect of the global property market and capital appreciation of the properties' values in the long run.

PROSPECTS

Looking forward to 2019, the global economy will continue to grow slowly, and the development of China-US trade negotiations will bring uncertainties to the recovery of the global economy. The external environment is intense and complex, and changes and worries weighed on stable economic operation. In view of current situation of the global economy and the unsatisfactory financial performances of our current business, the Group cannot just sit and wait for opportunities and will continue to look for attractive investment opportunities from time to time to broaden and diversify its income source with the aim to promote long-term development for the Group.

The Group will adopt a prudence approach and maintain a conservative treasury policy in the use of our funds for investment while cautiously explore and expand our investment portfolio. For diversification purpose, the Group may seek for investment opportunities beyond the Hong Kong region.

In order to capture any investment opportunities in a timely manner and/or optimising the financial position of the Group, the Company will continue to explore fund raising opportunities that may arise in the market or may realise the existing investment to raise sufficient funds to achieve such purpose.

FINANCIAL REVIEW

Financial results

For the year ended 31 December 2018, the Group recorded the revenue of approximately RMB395,982,000, representing a increase of 4.5% when compared to that of approximately RMB379,016,000 for the year ended 31 December 2017.

Loss attributable to owners of the Company was approximately RMB320,312,000 for the year ended 31 December 2018 when compared to loss of approximately RMB1,975,000 for the year ended 31 December 2017. The substantial increase in loss for the year ended 31 December 2018 was mainly attributable to one-off and non-operating items of both impairment loss on goodwill and impairment loss on loan and interest receivables amounted to approximately RMB210,950,000 and RMB47,995,000.

Basic and diluted loss per share were RMB2.90 cents respectively (2017: basic and diluted loss per share of RMB0.02 cents respectively).

Liquidity and financial resources

As at 31 December 2018, bank balances and cash of the Group amounted to approximately RMB24,458,000 of which approximately 59.7% was denominated in Hong Kong dollars ("**HK$**"), approximately 0.1% was denominated in US$, approximately 0.2% was denominated in SIN$ and the rest was denominated in RMB (2017: approximately RMB64,691,000 of which approximately 58.3% was denominated in HK$, approximately 8.9% was denominated in US$ and the rest was denominated in RMB).

As at 31 December 2018, the Group's bank borrowing of approximately RMB12,000,000 (2017: approximately RMB5,000,000) had variable interest rates and was repayable within one year, which was secured by the Group's buildings and prepaid land lease payments. As at 31 December 2018 and 2017, all of the bank borrowings were denominated in RMB.

As at 31 December 2018, the Group's other borrowings of (i) approximately RMB190,797,000 (2017: approximately RMB187,345,000) had fixed interest rate at 10% per annum and was repayable within one year, which the Company has been actively negotiating with the lender in relation to a proposed extension, which was secured by the entire issued share capital of a wholly-owned subsidiary of the Company and were denominated in HK$; and (ii) approximately RMB177,382,000 (2017: RMB172,766,000) had fixed interest rate at 10% per annum, were repayable on 10 May 2020, were unsecured and were denominated in US$; and (iii) approximately RMB21,727,000 (2016: Nil) had fixed interest rate at 6.5% per annum, were repayable within one year, were unsecured and were denominated in US$. The Group's other borrowing of approximately RMB24,775,000 as at 31 December 2017 which had fixed interest rate at 8% per annum had been fully settled during the year.

Capital Structure

As at 31 December 2018, a total of 11,033,340,000 Shares with par value of HK$0.001 each are in issue.

Subsequent to the balance sheet date, on 4 February 2019, the Company allotted and issued 550,000,000 shares (the "**Share Subscriptions**") with par value of HK$0.001 each in the share capital of the Company in relation to the share subscriptions dated 7 January 2019 pursuant to the general mandate granted at the annual general meeting of the Company dated 19 June 2018.

On 21 February 2019, the Board put forward to the shareholders of the Company (the "**Shareholders**") a proposal of share consolidation (the "**Share Consolidation**") on the basis that every ten (10) issued existing ordinary shares with par value of HK$0.001 each in the share capital of the Company be consolidated into one (1) consolidated share with par value of HK$0.01 each. Pursuant to the resolution passed by the Shareholders at the extraordinary general meeting of the Company on 21 February 2019, the Share Consolidation became effective on 22 February 2019. After taking into the effect of both the Share Subscriptions and Share Consolidation, a total of 1,158,334,000 Shares with par value of HK$0.01 each are in issue as at the date of this announcement.

Details of the Share Subscriptions have been disclosed in the announcements dated 7 January 2019 and 4 February 2019. Details of the Share Consolidation have been disclosed in the circular dated 31 January 2019.

Capital expenditure

Capital expenditure of the Group mainly includes the purchase of property, plant and equipment and investment property. For the year ended 31 December 2018, capital expenditure of the Group amounted to approximately RMB60,932,000 (2017: approximately RMB15,041,000).

Capital commitment

As at 31 December 2018, the Group had no capital commitment (2017: approximately RMB32,326,000).

Contingent liabilities

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

Pledge of assets

The Group had pledged (i) assets of buildings and prepaid land lease payments to the bank in the amount of approximately RMB13,487,000 as at 31 December 2018 (2017: approximately RMB3,063,000); and (ii) the entire issued share capital of a wholly-owned subsidiary of the Company to the lender as at 31 December 2018 and 2017.

Segment information

Details of segment information of the Group for the year ended 31 December 2018 are set out in Note 5 to the audited consolidated financial statements.

Gearing ratio

As at 31 December 2018, the gearing ratio was 0.94 (2017: 0.52), which was measured on the basis of the Group's total borrowings divided by total assets.

Foreign exchange risk

Business transactions of the Group are mainly denominated in HK$ and RMB. Accordingly, the Directors consider that the Group is not exposed to significant foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the Group's management monitors foreign exchange exposure. In the view of the fluctuation of RMB in recent years, the Group will consider hedging significant foreign currency exposure should the need arise.

Human resources and training

As at 31 December 2018, the Group has 695 employees (2017: 677 employees). Total employee benefit expenses amounted to approximately RMB57,514,000 (2017: approximately RMB45,698,000). The Group has a management team (including product design and development team) with extensive industry experience. The Group has adopted an employee-focused management concept to involve the Group's staff in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and a number of initiatives to enhance the productivity of its employees. The Group conducts regular performance reviews for its employees. The remuneration, promotion and salary increments of the employees are assessed according to their performance, professional and working experience, and prevailing market practices. In addition, the Group has implemented training programs for employees in various positions.

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our Shareholders, customers, suppliers and business partners for their unremitting support, and the management team and all our staff for their contributions.

On behalf of the Board

Xu Gefei
Chairman and Executive Director

Hong Kong, 28 March 2019

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability and to earn the confidence of Shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all Shareholders.

For the year ended 31 December 2018, the Company has adopted the code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**CG Code**") contained in the Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the CG Code. The Company was in compliance with the applicable Code Provisions for the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the Company's code of conduct regarding securities transactions and dealings by the Directors. Each of the existing Directors, upon specific enquiries by the Company, confirmed that they have complied with the Model Code during the year ended 31 December 2018.

BOARD OF DIRECTORS

Members of the Board of Directors

As at the date of this annual report, the Board comprised the following Directors, (i) executive Directors, Mr. Xu Gefei (Chairman), Mr. He Xiaoming (Vice Chairman), and Ms. Ngai Mei; and (ii) independent non-executive Directors, Mr. Poon Lai Yin Michael, Mr. Chan Chung Yin Victor and Mr. So Stephen Hon Cheung.

The biographies of all Directors are set out in the section headed "Biographical Details of Directors" in this annual report. All Directors have the relevant experiences for effectively carrying out their respective duties.

In accordance with Rule 3.10 of the Listing Rules, the Company has already appointed three independent non-executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the Shareholders and the Company. The Company has received annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and believes that, for the year ended 31 December 2018 and up to the date of this annual report, they were independent to the Company in accordance with the relevant requirements of the Listing Rules.

Responsibilities of Directors

All newly-appointed Directors receive comprehensive and formal training on the first occasion of their appointments to ensure that they have a proper understanding of the businesses and development of the Group and are fully aware of their responsibilities under the statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and corporate governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group.

Supply of and Access to Information

In respect of regular Board meetings, and so far, as practicable in all other cases, an agenda accompanied by the relevant Board papers are sent to all Directors in a timely manner and before the intended date of a Board meeting.

All Directors are entitled to have access to Board papers, minutes and related materials.

The Operation of the Board

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board is also responsible for formulating the development targets and objectives, material acquisitions and disposals, material capital investment, dividend policies, the appointment and removal of directors and senior management, remuneration policies and other major operation and financial issues of the Company. The powers and duties of the Board include convening Shareholders' meetings and reporting the Board's work at Shareholders' meetings, implementing resolutions passed at Shareholders' meetings, determining business plans and investment plans, formulating annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the memorandum and articles of association of the Company (the "**Articles of Association**"). Daily business operations and administrative functions of the Group are delegated to the management.

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Code Provision A.1.1 of the CG Code stipulates that the Board shall convene meetings regularly and convene at least four board meetings every year (approximately once a quarter).

During the year ended 31 December 2018, the Board held 9 meetings. The attendance of the Directors at the Board meetings is as follows:

Directors	Meetings attended/held
Executive Directors	
Mr. Xu Gefei *(Chairman) (appointed on 6 March 2018)*	3/6
Mr. He Xiaoming *(Vice Chairman)*	2/9
Ms. Ngai Mei	9/9
Mr. Ling Zheng *(Chairman) (resigned on 6 March 2018)*	1/3
Independent Non-Executive Directors	
Mr. So Stephen Hon Cheung	7/9
Mr. Chan Chung Yin Victor *(appointed on 28 September 2018)*	1/1
Mr. Poon Lai Yin Michael *(appointed on 19 March 2019)*	N/A
Ms. Bu Yanan *(resigned on 28 September 2018)*	4/8
Ms. Man See Yee *(resigned on 19 March 2019)*	6/9

In general, notices of meetings of the Board are sent to all Directors through email or fax before the dates of meetings. In order to enable the Directors to consider the issues to be approved in the meetings with adequate time, the notices of regular Board meetings are sent to all Directors 14 days prior to the convening of the meeting while prior notification of the convening of ad hoc board meetings are made to all Directors in due course. In order to provide all Directors with a full picture of the latest operating conditions of the Company, the management representatives of the Company will report the latest operating conditions of the Company and the implementation of the issues resolved in the last Board meeting to all the Directors before the convening of the meeting.

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties as set out in the Code Provision D.3.1. During the year ended 31 December 2018, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year, all Directors were provided with regular updates on the Group's business and operation and information which covered topics including but not limit to the CG Code, the disclosure and compliance of inside information, updates and changes in relation to legislative and regulatory requirements in which the Group conducts its business for their study and reference. During the year, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills pursuant to the CG Code. All Directors (being Mr. Ling Zheng, Mr. He Xiaoming, Mr. Xu Gefei, Ms. Ngai Mei, Ms. Bu Yanan, Ms. Man See Yee, Mr. So Stephen Hon Cheung and Mr. Chan Chung Yin, Victor received regular briefings and updates from the company secretary of the Company on the Group's business, operations and corporate governance matters, studied publications, books and other reading materials or attended seminars or workshops delivered by professionals, which are relevant to their duties and responsibilities.

COMMITTEES UNDER THE BOARD

The Audit Committee, the Remuneration Committee and the Nomination Committee were established under the Board. These committees perform supervision and control of the Company based on their written terms of reference.

Audit Committee

The Company established the Audit Committee on 10 June 2011 with written terms of reference in compliance with the Code Provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (an independent non-executive Director appointed on 19 March 2019 with the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules who serves as Chairman of the Audit Committee), Mr. So Stephen Hon Cheung and Mr. Chan Chung Yin Victor (appointed on 28 September 2018). Ms. Bu Yanan and Ms. Man See Yee had ceased to be the members of the Audit Committee since their resignations as independent non-executive Directors on 28 September 2018 and 19 March 2019 respectively.

The written terms of reference of the Audit Committee are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website.

During the year ended 31 December 2018, the Audit Committee had considered, reviewed and discussed areas of concerns during the audit process, the compliance of company policy, the internal control procedures and the corporate governance of the Group and had approved the annual audited financial statements and the interim financial statements, respectively. There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee had held 2 meetings during the year ended 31 December 2018.

The attendance of the members of the Audit Committee at the Audit Committee meeting is as follows:

Directors	**Meetings attended/held**
Mr. Poon Lai Yin Michael *(Chairman) (appointed on 19 March 2019)*	N/A
Mr. So Stephen Hon Cheung	2/2
Mr. Chan Chung Yin Victor *(appointed on 28 September 2018)*	N/A
Ms. Bu Yanan *(ceased to be member on 28 September 2018)*	1/2
Ms. Man See Yee *(ceased to be member on 19 March 2019)*	2/2

Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Directors passed on 10 June 2011. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced and high caliber individuals. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (appointed on 19 March 2019), Mr. So Stephen Hon Cheung and Mr. Chan Chung Yin Victor (appointed on 28 September 2018). Mr. Poon Lai Yin Michael is the Chairman of the Nomination Committee. Ms. Bu Yanan and Ms. Man See Yee had ceased to be the members of the Nomination Committee since their resignations as independent non-executive Directors on 28 September 2018 and 19 March 2019 respectively.

The written terms of reference of the Nomination Committee are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board and assessing the independence of the independent non-executive Directors and other related matters.

The Nomination Committee had held 3 meetings during the year ended 31 December 2018.

The attendance of the members of the Nomination Committee at the Nomination Committee meeting is as follows:

Directors	**Meeting attended/held**
Mr. Poon Lai Yin Michael *(Chairman) (appointed on 19 March 2019)*	N/A
Mr. So Stephen Hon Cheung	2/3
Mr. Chan Chung Yin Victor *(appointed on 28 September 2018)*	N/A
Ms. Bu Yanan *(ceased to be member on 28 September 2018)*	3/3
Ms. Man See Yee *(ceased to be member on 19 March 2019)*	3/3

During the year ended 31 December 2018, the Nomination Committee had reviewed the structure, size and composition of the Board and the retirement and re-appointment arrangement of the Directors at the Company's forthcoming annual general meeting.

Board Diversity Policy

The Board has adopted a board diversity policy in accordance with the requirement set out in the CG Code (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the policy. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 10 June 2011 in compliance with the Code Provisions of the CG Code. The Company has adopted the Code Provisions to make recommendations to the Board to determine the remuneration packages of individual executive Directors and the members of senior management. The primary duties of the Remuneration Committee include: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them. The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Chan Chung Yin Victor (appointed on 28 September 2018), Mr. So Stephen Hon Cheung and Mr. Poon Lai Yin Michael (appointed on 19 March 2019). Mr. Chan Chung Yin Victor is the Chairman of the Remuneration Committee. Ms. Bu Yanan and Ms. Man See Yee had ceased to be the members of the Remuneration Committee since their resignations as independent non-executive Directors on 28 September 2018 and 19 March 2019 respectively.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website. The Remuneration Committee shall meet at least once every year for reviewing the remuneration policies.

The Remuneration Committee had held 3 meetings during the year ended 31 December 2018.

The attendance of the members of the Remuneration Committee at the Remuneration Committee meeting is as follows:

Directors	**Meeting attended/held**
Mr. Chan Chung Yin Victor *(Chairman) (appointed on 28 September 2018)*	N/A
Mr. So Stephen Hon Cheung	2/3
Mr. Poon Lai Yin Michael *(appointed on 19 March 2019)*	N/A
Ms. Bu Yanan *(ceased to be member on 28 September 2018)*	3/3
Ms. Man See Yee *(ceased to be member on 19 March 2019)*	3/3

During the year ended 31 December 2018, the Remuneration Committee reviewed the existing remuneration policies of the Company.

Further particulars regarding Directors' and chief executive's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 9 and Note 10 to the audited consolidated financial statements. As the members of the Board coincide with the members of the senior management of the Group and the remuneration of Directors have been disclosed, no disclosure about the remuneration payable to members of senior management could be made.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Mr. He Xiaoming, Ms. Ngai Mei, Mr. So Stephen Hon Cheung, Mr. Xu Gefei, Mr. Chan Chung Yin Victor and Mr. Poon Lai Yin Michael were appointed for an initial term of one year commencing from 5 March 2015, 28 February 2017, 11 August 2017, 6 March 2018, 28 September 2018 and 19 March 2019 respectively. All of their appointments are renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointed and subject to termination by either party upon giving not less than 3 months' prior written notice to the other party.

In accordance with article 112 of the Articles of Association, any Director appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Mr. Chan Chung Yin Victor and Mr. Poon Lai Yin Michael will retire from office as the independent non-executive Directors at the forthcoming annual general meeting of the Company and each of them, being eligible, will offer themselves for re-election respectively.

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting, at least one third of the Directors shall retire from office by rotation. Each director shall retire at least once every three years and such Directors shall include those who have been assumed the longest term of office since their last election or re-election. Ms. Ngai Mei will retire from office as executive Director by rotation at the forthcoming annual general meeting of the Company and be eligible to offer herself for re-election.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the accounts and the consolidated financial statements of the Company for the year ended 31 December 2018. The auditors to the Company acknowledge their reporting responsibilities in the independent auditors' report on the consolidated financial statements for the year ended 31 December 2018. Save as disclosed in this report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

COMPANY SECRETARY

The company secretary of the Company, Ms. Choi Yee Man ("**Ms. Choi**"), appointed on 1 June 2015, is responsible for facilitating the process of Board meetings, as well as communications among Board members, with Shareholders and the management of the Company. Ms. Choi is a fellow member of the Hong Kong Institute of Certified Public Accountants. She holds a bachelor's degree in Business Administration from City University of Hong Kong. She possesses extensive experience in the area of accounting, finance, auditing and internal control.

During the year ended 31 December 2018, Ms. Choi undertook not less than 15 hours of professional training to update her skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

AUDITORS' REMUNERATION

Remuneration to the external auditors of the Company amounted to HK$1,500,000 for the provision of annual audit services for the year ended 31 December 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for establishing, maintaining and monitoring a sound and effective system of internal control and risk management of the Group. The Group's risk management and internal control system is designed to safeguard the shareholders' investment and the Group's assets against misappropriation and unauthorised disposition, to identify and manage key risks that may impact the Group's performance and to ensure strict compliance with relevant laws and regulations. However, systems of risk management and internal control, no matter how well designed and operated, can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

The Board has established process on an ongoing basis for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the systems of risk management and internal control from time to time in response to the changes to the business environment or regulatory guidelines.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Report on review of risk management and internal control systems is submitted to the Audit Committee and the Board at least once a year. During the year ended 31 December 2018, the Board, through the Audit Committee, had performed annual review of the effectiveness and adequacy of the systems of risk management and internal controls of the Group covering all material controls in area of financial, operational and compliance controls and risk management functions. No material internal control aspects of any significant problems were identified. The Board and the Audit Committee considered that (i) the key areas of the Group's risk management and internal control systems are reasonably implemented during the year; and (ii) there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year. The Board will regularly review their adequacy and effectiveness.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings or other general meetings to communicate with the Shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company's annual general meeting provides a useful platform for direct communication between the Board and Shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

During the year ended 31 December 2018, the Company held 1 general meeting, which was the annual general meeting (the "**2018 AGM**") held on 19 June 2018.

The attendance record of the Directors at the general meetings during the year ended 31 December 2018 is set out below:

Directors	**Meetings attended/held**
Executive Directors	
Mr. Xu Gefei *(Chairman) (appointed on 6 March 2018)*	1/1
Mr. He Xiaoming *(Vice Chairman)*	1/1
Ms. Ngai Mei	0/1
Mr. Ling Zheng *(Chairman) (resigned on 6 March 2018)*	N/A
Independent Non-Executive Directors	
Mr. So Stephen Hon Cheung	1/1
Mr. Chan Chung Yin Victor *(appointed on 28 September 2018)*	N/A
Mr. Poon Lai Yin Michael *(appointed on 19 March 2019)*	N/A
Ms. Bu Yanan *(resigned on 28 September 2018)*	1/1
Ms. Man See Yee *(resigned on 19 March 2019)*	1/1

The Company's external auditors also attended the 2018 AGM.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the Articles of Association, extraordinary general meetings of the Company (the "**EGM(s)**") shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. 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) himself (themselves) 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 to convene the EGM(s), shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy (the "**Policy**") on 16 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Any such questions shall be first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Suites 2005–2006, 20/F., Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request. Any such proposals shall be first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Suites 2005– 2006, 20/F., Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and the Shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.teamwaygroup.com.

During the year ended 31 December 2018, there had been no significant change in the Company's constitutional documents.

PERMITTED INDEMNITY

The Company has arranged appropriate insurance covers in respect of any possible legal action against the Directors and officers of the Group and the insurance coverage is reviewed on an annual basis.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xu Gefei (徐格非) ("Mr. Xu"), aged 43, is the Chairman and an Executive Director of the Company since 6 March 2018. He has been the legal representative and executive director of Shanghai Tian Yuan Decoration and Design Works Company Limited* (上海天元裝飾設計工程有限公司), a company principally engaged in architectural decoration design, building decoration design, business consulting, convention and exhibition services, sales of building materials, and the provision of the first-rate European kitchen cabinet systems and electrical appliances to high-end properties in China since 2008. Mr. Xu also established Shanghai Tian Yuan Environmental Works* (上海天元環境工程) in 2014 and developed the APS gas chromatographic air purifiers under the key brand name "IIECC*(艾易西)". Mr. Xu expanded his business into the Hong Kong market in 2013 and has since been the sole director and shareholder of Yitou (China) Limited, a company principally engaged in trading and investment business in Hong Kong. He has accumulated extensive business operation experiences in the utilities, real estate, finance, manufacturing and other sectors.

Mr. He Xiaoming (何笑明) ("Mr. He"), aged 45, is the Vice Chairman and an Executive Director of the Company since 5 March 2015. He is an entrepreneur in various industries, including real estate, manufacturing and distribution, etc. He also possesses extensive business management, corporate planning and property investment experience. Mr. He currently serves as the chairman, an executive director and the chief executive officer of Yuk Wing Group Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 1536).

Ms. Ngai Mei (魏薇) ("Ms. Ngai"), aged 36, is an Executive Director of the Company since 28 February 2017. Ms. Ngai also holds directorship in various subsidiaries of the Company. Ms. Ngai graduated from Manchester Metropolitan University, UK and has more than ten years working experience in corporate management and merger and acquisition. She once worked in China Minsheng Banking Corporation Limited ("CMBC"), during which time she participated in the CMBC Initial Public Offerings, was responsible for overall planning of overseas investor relations and participated in various large roadshows cooperated closely with investment banks, financial public relation and related professional teams. She also joined the acquisition of Asia Commercial Bank and participated in the license application of CMBC's Hong Kong Branch. Ms. Ngai was also responsible for investor relations and corporate financing of Hong Kong listed companies, leading a number of financing projects.

* English translation of the Chinese name of the PRC entity is for identification purpose only.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So Stephen Hon Cheung (蘇漢章) ("Mr. So"), aged 63, is an Independent Non-Executive Director since 11 August 2017, and is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. So is a director of the accounting firm T.M Ho, So & Leung CPA Limited, and is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Professional Accountants of Canada and a member of the Society of Certified Management Accountants of Canada. He holds a bachelor degree in commerce from the University of British Columbia, Canada. He has extensive experience in the commercial sector of manufacturing, wholesale and trading and in public practice working for various companies in Hong Kong, China and Canada. Mr. So is an independent non-executive director of Pinestone Capital Limited (stock code: 804) since May 2015, PINE Technology Holdings Limited (stock code: 1079) since September 2002 and both YGM Trading Limited (stock code: 375) and Yangtzekiang Garment Limited (stock code: 294) since 20 September 2017, the shares of those companies are listed on the Main Board of the Stock Exchange. From May 2011 to February 2017, Mr. So was an independent non-executive director of Milan Station Holdings Limited (stock code:1150), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Chan Chung Yin Victor (陳仲然) ("Mr. Chan"), aged 58, is an Independent Non-Executive Director of the Company since 28 September 2018, and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Chan obtained his Bachelor of Arts degree from the University of Hong Kong in 1984. He has been admitted as a Solicitor of the High Court of Hong Kong since 1991 and has over 26 years of experience in commercial law, and civil and criminal litigations. He is now the principal of his own solicitors firm, Messrs. Victor Chan & Co. Mr. Chan is a non-executive director of On Real International Holdings Limited, a company listed on the GEM Board of the Stock Exchange (stock code: 8245) since 16 January 2019 and an independent non-executive director of Sanai Health Industry Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1889) since 5 October 2018. From 29 September 2018 to 11 January 2019, Mr. Chan was an independent non-executive director of Elegance Optical International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 907).

Mr. Poon Lai Yin, Michael (潘禮賢) ("Mr. Poon"), aged 47, is an independent Non-Executive Director of the Company since 19 March 2019, and is the Chairman of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Poon has over 20 years of experience in financial reporting, business advisory, auditing, taxation, accounting, merger and acquisition. From March 1995 to February 1997, he worked in Chan Chak Chung & Co. and his last position was audit senior. From March 1997 to June 1999, he worked in Ho & Au Yeung and his last position was audit semi-senior. From November 2000 to March 2002 he served as senior accountant in Arthur Anderson & Co., which was merged into PricewaterhouseCoopers in 2002. Mr. Poon obtained a bachelor's degree in administrative studies from York University, Canada in June 1995 and a master's degree in practicing accounting from Monash University, Australia in July 1998. Mr. Poon has been a fellow member of HKICPA since July 2009, and a member with CPA Australia since March 2000 respectively. Mt. Poon passed the qualification examination of Asset Management Association of China(中國證券投資基金業協會從業資格考試) in 2016.

Mr. Poon is an independent non-executive director of China Uptown Group Company Limited (the shares of which are listed on the main board of the Stock Exchange with stock code: 2330) since November 2006, an independent non-executive director of Smartac Group China Holdings Limited (formerly known as Sino Dragon New Energy Holdings Limited, China Zirconium Limited and Asia Zirconium Limited, the shares of which are listed on the main board of the Stock Exchange with stock code: 395) since January 2010, an executive director and the chief financial officer if Huakang Biomedical Holdings Company Limited (the shares of which are listed on the GEM of the Stock Exchange with stock code: 8622) since August 2017, an independent non-executive director of Cityneon Holdings Limited (the shares of which are listed on the main board of the Singapore Exchange Limited with stock code: 5HJ. SGX) since August 2017. From February 2016 to July 2017, Mr. Poon was an alternative director of Vincent Medical Holdings Limited (the share of with are listed on the main board of the Stock Exchange with stock code: 1612).

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the Company's subsidiaries as at 31 December 2018 are set out in Note 1 to the audited consolidated financial statements in this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Details of (i) business review and (ii) future development of the Group's business are set out respectively in the sections headed "Business review" and "Future outlook" under "Letter from the Board" of this annual report from pages 3 to 7.

Principal Risks and Uncertainties

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group.

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Business Risk

Performance of our Group's core business will be affected by various factors, including but not limited to the economic conditions of PRC and Hong Kong and the performance of Hong Kong property market, which would not be mitigated even with careful and prudent investment strategy and strict control procedures.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel, but may lead to the increment of labor cost.

Foreign Exchange Rates Risk

As part of the Group's assets and liabilities were denominated in HK$ and US$, in view of the potential RMB exchange rate fluctuations, our Group will continue to closely monitor the exposure and take any actions when appropriate.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group's management closely monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

The financial risk management policies and practices of the Group are set out in Note 38 to the audited consolidated financial statements.

There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, the Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment and incorporates environmental friendly practices into its daily course of business to achieve efficient use of resources, water and energy saving and waste reduction.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("**ESG**") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. To the best knowledge of the Directors, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2018. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2018.

Relationship with Suppliers, Customers and other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. During the year ended 31 December 2018, there were no material and significant dispute between the Group and its key stakeholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and financial position of the Group as at 31 December 2018 are set out in the audited consolidated financial statements on pages 38 to 111 in this annual report.

The Directors do not recommend the payment of any dividends for the year ended 31 December 2018 (2017: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 112 of this annual report. This summary does not form part of the audited consolidated financial statements.

DIVIDEND POLICY

The Board resolved on 15 March 2019 to adopt a policy on payment of dividends. The Board may from time to time determine and pay to the Company's shareholders such interim dividends as it considers appropriate. The Board may recommend the payment of special dividends and final dividends which are required to be approved by an ordinary resolution of shareholders of the Company in general meetings of an amount not exceeding the amount recommended by the Board.

It is the policy of the Company to allow its shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth. The Company may pay dividends twice a year, being interim dividends and final dividends. The Board may also declare and pay special dividends in addition to such dividends if it considers appropriate. The Board will continue to review this dividend policy from time to time and reserves the right to amend or modify this dividend policy when the Board may deem necessary and this dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors:

(a) the interest of the shareholders;

(b) statutory and regulatory restrictions;

(c) the actual and expected financial results of the Group;

(d) economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(e) the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

(f) the possible effects on the Group's credit-worthiness, the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed by the Group's lenders;

(g) the current and future operations, liquidity position and capital requirements of the Group; and

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

The dividend payout ratio will vary from year to year. There is no assurance that dividends will be paid in any particular amount for any given period.

Form of Dividend

Subject to compliance of the Company's applicable laws and regulations, Memorandum and Articles of Association of the Company, the financial reporting standards the Group has adopted and the Companies Laws of the Cayman Islands, dividends may be paid in cash or be satisfied wholly or partly in the form of allotment of shares of the Company. The Board may also consider the issuance of bonus shares on a basis permitted by the applicable laws and regulations.

USE OF PROCEEDS FROM THE PLACING AND PUBLIC OFFER

The Company was successfully listed on the Main Board of the Stock Exchange on 18 November 2011 by way of placing and public offer (the "**Placing and Public Offer**").

The proceeds received by the Company from the Placing and Public Offer, after deducting the relevant costs of the Placing and Public Offer, amounted to approximately HK$44,500,000 in total. As at 31 December 2018, the Group had used net proceeds of approximately HK$41,355,000, of which (i) approximately HK$2,700,000 had been used for the repayment of bank loan; (ii) approximately HK$2,900,000 had been used as general working capital; (iii) approximately HK$25,855,000 was used for acquiring, remodifying and upgrading of plant and machines; and (iv) approximately HK$9,900,000 was used for acquiring and remodifying of mould. The remaining net proceeds to be used for acquiring, remodifying and upgrading of plant and machines amounted to approximately HK$3,145,000 as at 31 December 2018.

USE OF PROCEEDS FROM THE SHARE SUBSCRIPTIONS

The Company completed the allotment and issuance of 833,340,000 shares with par value of HK$0.001 each on 28 June 2017 by way of share subscription (the "**Share Subscription 2017**"). The proceed received by the Company from the Share Subscription 2017, after deducting the relevant costs of the Share Subscription 2017, amounted to approximately HK$50,000,000 in total. The Company intended to use the net proceeds as the general working capital but ended up using the whole amount for the acquisition of the residential premises in Singapore which was completed on 22 February 2018. The Board decided to change the intended uses of net proceeds for the reason of expansion and diversification of the property portfolio of the Group in order to capture possible long-term capital gain in the future.

The Company completed the allotment and issuance of 550,000,000 shares with par value of HK$0.001 each on 4 February 2019 by way of share subscription (the "**Share Subscription 2019**"). The proceed received by the Company from the Share Subscription 2019, after deducting the relevant costs of the Share Subscription 2019, amounted to approximately HK$11,000,000 in total. The Company intended to use the net proceeds as general working capital and for repayment of interests of existing debts. As at the date of this announcement, the Company has used HK$5,000,000 for repayment of interests of an existing debt.

MANDATORY CONDITIONAL CASH OFFER AND LAPSE OF THE OFFER

On 10 January 2018, China Goldjoy Securities Limited for and on behalf of Grand Luxe Limited (Mr. Xu Gefei, the executive Director of the Company, is the sole beneficial owner of all of the issued share capital of Grand Luxe Limited) (the "**Offeror**") made the voluntary cash offer (the "**Offer**") to acquire all of the issued shares of the Company other than those already owned by the Offeror and the concert parties. On 16 January 2018, the Offeror and the parties acting in concert with it held an aggregate of 3,617,100,000 shares, representing 32.78% of the entire issued share capital of the Company and thus, the Offeror had an obligation to make the mandatory offer (the "**Mandatory Offer**"). The condition of the Offer (which has become the Mandatory Offer), being the Offeror and parties acting in concert with it carrying more than 50% of the voting rights of the Company, has not been satisfied and the Mandatory Offer lapsed on 21 February 2018.

Details of the Offer and the lapse of the Offer were disclosed in the Company's announcements dated 10 January 2018, 16 January 2018, 31 January 2018 and 21 February 2018 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the audited consolidated financial statements in this annual report.

RESERVES

Details of the movements of reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity in page 41.

Movements in the distributable reserves of the Company and the Group during the year ended 31 December 2018 are set out in Note 40 to the audited consolidated financial statements and in the consolidated statement of changes in equity in page 41.

BANK BORROWINGS

Details of bank borrowings of the Group are set out in Note 27 to the audited consolidated financial statements in this annual report.

REMUNERATION POLICY

The Group determines its employee salaries with reference to the prevailing market salary rate of respective locations, experience as well as performance of such employees. In order to motivate the Group's employees and retain talent, the Group has adopted the employee incentives, which include the share option scheme and bonus sharing arrangement. The employee incentives are available to the Group's employees who are considered qualified for such incentives by the management members of the Group based on their performances in the year under review. For details of the share option scheme, please refer to the paragraph headed "Share Option Scheme" in this annual report.

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, benefits in kind or discretionary bonuses relating to the performance of the Group. The Group also reimburses the Directors and senior management of the Company for expenses which are necessarily and reasonably incurred for providing services to the Group or discharging their duties in relation to the operations of the Group. When reviewing and determining the specific remuneration packages for the executive Directors and senior management, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment elsewhere in the Group and desirability of performance-based remuneration.

Details of the remuneration of Directors and chief executive are set out in Note 9 to the audited consolidated financial statements in this annual report.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement plans which cover the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee(s) in Hong Kong. Particulars of these retirement plans are set out in Note 3.4 to the audited consolidated financial statements in this annual report.

SHARE OPTION SCHEME

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "**Scheme**") on 10 June 2011 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "**Shares**") to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 18 November 2011 and shall be valid and effective for a period of ten years commencing on 10 June 2011, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the Shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the Shareholders' approval and issue of a circular in compliance with the Listing Rules. In any event, the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company shall not exceed 30% of the Shares in issue from time to time.

The total number of securities available for issue under the Scheme as at the date of this annual report was 1,020,000,000 Shares which represented 10% of the issued share capital of the Company as at the date of the 2016 annual general meeting (i.e. 14 June 2016). The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

During the period between the date of the listing of Shares on the Main Board of the Stock Exchange and 31 December 2018, no option has been granted by the Company under the Scheme.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors" in this annual report.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Xu Gefei *(Chairman) (appointed on 6 March 2018)*
Mr. He Xiaoming *(Vice Chairman)*
Ms. Ngai Mei
Mr. Ling Zheng *(resigned on 6 March 2018)*

Independent Non-Executive Directors

Mr. So Stephen Hon Cheung
Mr. Chan Chung Yin Victor (appointed on 28 September 2018)
Mr. Poon Lai Yin Michael (appointed on 19 March 2019)
Ms. Bu Yanan (resigned on 28 September 2018)
Ms. Man See Yee (resigned on 19 March 2019)

As at 31 December 2018, none of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

The Directors consider that those related party transactions disclosed in Note 35 to the audited consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules but are exempt from any of the reporting, annual review, announcement or independent shareholders' approval requirements under the Listing Rules as they are the service contracts of the Directors.

COMPETING INTERESTS

None of the Directors or their respective close associates was interested in any business apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's business as at the date of this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and based on the confirmations received, the Company considers that the independent non-executive Directors remain to be independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2018, the interests and short positions of each Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Ordinary Shares of the Company:

Name of Director	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Mr. Xu Gefei *(Note)*	Interest of controlled corporation	3,798,400,000	34.43%

Note: Mr. Xu Gefei beneficially held the entire issued share capital of Grand Luxe Limited and Yitou (China) Limited, which in turn, beneficially held 3,370,200,000 Shares and 428,200,000 Shares (i.e. 3,798,400,000 Shares in total).

Save as disclosed above, as at 31 December 2018, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and none of the Directors, the chief executive of the Company nor their associates (as defined in the Listing Rules) had any other interests or short positions in the shares of the Company, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered into the register maintained by the Company, pursuant to Section 352 of Part XV of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange, pursuant to the Model code for Securities Transaction by Directors of Listed Issuers contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time during the year ended 31 December 2018 was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2018, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (except the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares

Name of shareholders	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Grand Luxe Limited *(Note 1)*	Beneficial owner	3,370,200,000	30.55%
Mr. Xu Gefei *(Note 1)*	Interest of controlled corporation	3,798,400,000	34.43%
Media Range Limited *(Note 2)*	Beneficial owner	833,340,000	7.55%
Mr. Jiang Zhong *(Note 2)*	Interest of controlled corporation	833,340,000	7.55%

Notes:

1. Mr. Xu Gefei beneficially held the entire issued share capital of Grand Luxe Limited and Yitou (China) Limited, which in turn, beneficially held 3,370,200,000 Shares and 428,200,000 Shares (i.e. 3,798,400,000 Shares in total).
2. Media Range Limited, a company incorporated in the British Virgin Islands with limited liability, is wholly and beneficially owned by Mr. Jiang Zhong.

Save as disclosed above, as at 31 December 2018, no person (other than the Directors or chief executive of the Company) had registered an interest or short position in the securities or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

Save as disclosed in this annual report, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2018.

KEY CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, sales to the Group's five largest customers accounted for approximately 80.5% (2017: approximately 82.3%) of the annual revenue and the sales to the largest customer included therein accounted for approximately 34.6% (2017: approximately 26.6%). For the year ended 31 December 2018, purchases from the Group's five largest suppliers accounted for approximately 96.1% (2017: approximately 77.3%) of the annual purchases and the purchases from the largest supplier included therein accounted for approximately 55.7% (2017: approximately 64%).

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year ended 31 December 2018.

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

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, for the year ended 31 December 2018, there was no material acquisition, disposal or significant investment by the Group.

PRE-EMPTIVE RIGHTS

There are no relevant provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, and therefore the Company is not obliged to offer new shares on a pro-rata basis to existing Shareholders.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float as required under the Listing Rules throughout the year ended 31 December 2018 and as at the date of this annual report.

CORPORATE GOVERNANCE

The Company had adopted the Code Provisions set out in the CG Code in Appendix 14 to the Listing Rules. The Company has complied with the Code Provision of the CG Code for the year ended 31 December 2018.

AUDITORS

The Company's financial statements for the years ended 31 December 2011 to 2015 were audited by HLB Hodgson Impey Cheng Limited.

The Company's financial statements for the years ended 31 December 2016 to 2018 were audited by Zenith CPA Limited.

Zenith CPA Limited as auditor of the Company will retire and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Xu Gefei
Chairman and Executive Director

Hong Kong, 28 March 2019

ZENITH
ASSURANCE I TRANSACTIONS I ADVISORY

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Teamway International Group Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 38 to 111, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OPINION

1. Scope limitation on inability to obtain sufficient appropriate audit evidence concerning certain subsidiaries ("Subsidiaries") of the Group

Subsidiaries were acquired by the Group in November 2016. There has been no change in the board composition in the Subsidiaries upon completion of the acquisition as the directors of the Company have reviewed the corporate structure and key personnel who are responsible for the relevant functions and could direct the relevant activities of Subsidiaries in previous years. During the year ended 31 December 2018, the Group experienced difficulties in communication with the directors of the Subsidiaries, the directors of the Company have been restricted to directly access the accounting books and records of the Subsidiaries nor had the ability to direct the management of the Subsidiaries to provide financial information or books and records to the Group's management.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(continued)

(Incorporated in the Cayman Islands with limited liability)

BASIS FOR DISCLAIMER OPINION *(continued)*

1. Scope limitation on inability to obtain sufficient appropriate audit evidence concerning certain subsidiaries ("Subsidiaries") of the Group *(continued)*

We were not provided with access to available information or books and records of the Subsidiaries, hence, there were no practicable audit procedures that we could perform to satisfy ourselves that the information and documents presented to us for the purpose of our audit are complete and accurate in all material respects, nor to quantify the extent of adjustments that might be necessary in respect of the Group's consolidated financial statements for the year ended 31 December 2018. In the absence of sufficient information of the Subsidiaries, we were unable to obtain satisfactory audit evidence to satisfy ourselves as to the existence, completeness, accuracy, measurement, occurrence, right and obligation in respect of the assets and liabilities and the profit or loss of the Subsidiaries as at and for the year ended 31 December 2018. In addition, we were also unable to obtain sufficient reliable evidence to satisfy ourselves as to whether it is appropriate to include the Subsidiaries in the consolidated financial statements for the year ended 31 December 2018.

2. Impairment of goodwill

Included in the consolidated statement of financial position of the Group was goodwill of gross carrying amount (before provision of impairment) of approximately RMB210,950,000 as at 31 December 2018 (2017: approximately RMB208,384,000) which arose from the acquisition of the Subsidiaries as mentioned in paragraph 1 above. During the year, the Group performed impairment assessment on the goodwill and a provision for impairment on the goodwill amounting to approximately RMB210,950,000 (2017: Nil) was recognised in consolidated statement of profit or loss during the year ended 31 December 2018.

As detailed in paragraph 1 above, in the absence of sufficient appropriate evidence regarding whether the key assumptions adopted in the valuation of the value in use as at 31 December 2018 of the cash generating unit to which the whole amount of the goodwill referred to above was allocated for impairment testing purpose, were reasonable and supportable, we were unable to satisfy ourselves as to the appropriateness and sufficiency of the amount of impairment loss on the goodwill recognised in the consolidated statement of profit or loss during the year ended 31 December 2018.

3. Impairment of loan and interest receivables

As set out in note 20 to the consolidated financial statements, a subsidiary of the Company, Great Earn International Limited ("**Great Earn**"), as lender entered into a loan agreement with Rossoneri Sport Investment Co., Limited ("**Rossoneri**") to provide a facility in the sum of US$8,300,000 (approximately RMB53,906,000) (the "**Loan**") to Rossoneri with carrying amount of approximately RMB54,583,000. The Loan was duly advanced to Rossoneri on 29 August 2017. Subsequently, both parties entered into several supplement deeds to extend the maturity date of the Loan and terms of repayments. The Loan was overdue during the year ended 31 December 2018. As of 31 December 2018 and up to the approval of the consolidated financial statements for the year ended 31 December 2018, Rossoneri has failed to repay the Loan in full in accordance with the terms of the agreement and supplement deeds.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(continued)

(Incorporated in the Cayman Islands with limited liability)

BASIS FOR DISCLAIMER OPINION *(continued)*

3. Impairment of loan and interest receivables *(continued)*

The Group initiated legal actions to claim the outstanding principal amount of the Loan overdue from Rossoneri in the sum of US$7,300,000 (approximately RMB47,995,000). As at 31 December 2018, the directors assessed the amount that the Group would recover from Rossoneri and considered that the Group would not be able to recover the Loan, a full provision of approximately RMB47,995,000 had been recognised in consolidated statement of profit or loss for the year ended 31 December 2018. In the absence of sufficient appropriate audit evidence to ascertain whether the assessment on recoverability of the outstanding amount of Loan due from Rossoneri as at 31 December 2018 and the provision of impairment of approximately RMB47,995,000 for the year ended 31 December 2018 was appropriate, we were unable to satisfy ourselves as to the appropriateness and sufficiency of the amount of impairment on loan and interest receivables of approximately RMB47,995,000 recognised in the consolidated statement of profit or loss during the year ended 31 December 2018.

4. Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately RMB320,312,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group has net current liabilities of approximately RMB23,789,000. 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. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed extension of interest bearing other borrowing from a lender of approximately RMB190,797,000 will be successfully completed, and that, following the extension, the Group will continue to meet in full its financial obligations they fall due in the foreseeable future. The consolidated financial statements do not include any adjustment that would result from a failure to complete the extension. In view of the extent of the uncertainty relation to the completion of the extension, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Any adjustments found to be necessary in respect of the matters described in paragraphs (1) to (4) above may have consequential significant impacts on the consolidated statement of financial position of the Group as at 31 December 2018 and the consolidated statements of profit or loss, comprehensive income and cash flows of the Group for the year ended 31 December 2018 and the related disclosures thereof in the consolidated financial statements.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(continued)

(Incorporated in the Cayman Islands with limited liability)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and to issue an auditor's report. However, because of the matters 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.

This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Po Yuen.

Zenith CPA Limited
Certified Public Accountants
Cheng Po Yuen
Practising Certificate Number: P04887
Hong Kong
28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000
REVENUE	6	**395,982**	379,016
Cost of sales		**(339,773)**	(267,062)
Gross profit		**56,209**	111,954
Other income and (losses)/gains, net	6	**(5,219)**	3,136
Selling and distribution expenses		**(28,144)**	(20,234)
Administrative expenses		**(38,723)**	(38,730)
Impairment losses on loan and interest receivables		**(47,995)**	—
Impairment of goodwill		**(210,950)**	—
Finance costs	7	**(42,216)**	(40,683)
(LOSS)/PROFIT BEFORE TAX	8	**(317,038)**	15,443
Income tax expense	11	**(3,274)**	(17,418)
LOSS FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE PARENT		**(320,312)**	(1,975)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For loss for the year	13	**RMB(2.90) cents**	RMB(0.02) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
LOSS FOR THE YEAR	**(320,312)**	(1,975)
OTHER COMPREHENSIVE LOSS		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	(3,576)
Impairment losses	**–**	3,576
	–	–
Exchange differences:		
Exchange differences on translation of foreign operations	**(4,260)**	(2,993)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(4,260)**	(2,993)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designed at fair value through other comprehensive income:		
Changes in fair value	**818**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(3,442)**	(2,993)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE PARENT	**(323,754)**	(4,968)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**63,376**	68,495
Investment properties	15	**88,278**	37,469
Prepaid land lease payments	16	**4,314**	4,434
Goodwill	17	**—**	208,384
Deferred tax assets	28	**14**	14
Available-for-sale investments	18	**—**	21,919
Deposits and prepayments	22	**8,160**	26,458
Loan to an investment entity	23	**—**	64,946
Total non-current assets		**164,142**	432,119
CURRENT ASSETS			
Inventories	19	**17,239**	14,768
Prepaid land lease payments	16	**116**	112
Loan and interest receivables	20	**—**	54,583
Trade and notes receivables	21	**198,973**	171,614
Tax recoverable		**79**	—
Deposits, prepayments and other receivables	22	**7,970**	8,219
Financial assets at fair value through profit or loss	23	**16,464**	—
Cash and bank balances	24	**24,458**	64,691
Total current assets		**265,299**	313,987
CURRENT LIABILITIES			
Trade payables	25	**40,935**	42,762
Other payables and accruals	26	**10,792**	12,899
Interest-bearing bank and other borrowings	27	**224,524**	217,120
Tax payable		**12,837**	13,979
Total current liabilities		**289,088**	286,760
NET CURRENT (LIABILITIES)/ASSETS		**(23,789)**	27,227
TOTAL ASSETS LESS CURRENT LIABILITIES		**140,353**	459,346
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**177,382**	172,766
Deferred tax liabilities	28	**2,790**	2,645
Total non-current liabilities		**180,172**	175,411
Net (liabilities)/assets		**(39,819)**	283,935
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**8,852**	8,852
Reserves		**(48,671)**	275,083
(Deficiency in assets)/total equity		**(39,819)**	283,935

Mr. Xu Gefei
Director

Ms. Ngai Mei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital RMB'000	Share premium account RMB'000	Available-for-sale investment revaluation/ fair value reserve RMB'000	Special reserve RMB'000 *(note 31(c))*	Exchange fluctuation reserve RMB'000	PRC capital reserve RMB'000 *(note 31(a))*	PRC statutory reserves RMB'000 *(note 31(b))*	Shareholders' contribution RMB'000 *(note 31(d))*	(Accumulated losses)/ retained profits RMB'000	(Deficiency in assets)/ total equity RMB'000
At 1 January 2017	8,126	139,069	–	(27,434)	(4,177)	(8)	31,904	10,296	87,544	245,320
Loss for the year	–	–	–	–	–	–	–	–	(1,975)	(1,975)
Other comprehensive income/(loss) for the year:										
Available-for-sale investments:										
– Changes in fair value	–	–	(3,576)	–	–	–	–	–	–	(3,576)
– Impairment losses	–	–	3,576	–	–	–	–	–	–	3,576
Exchange differences on translation of foreign operations	–	–	–	–	(2,993)	–	–	–	–	(2,993)
Total comprehensive loss for the year	–	–	–	–	(2,993)	–	–	–	(1,975)	(4,968)
Issue of shares *(note 29)*	726	42,857	–	–	–	–	–	–	–	43,583
Transfer from retained profits	–	–	–	–	–	–	842	–	(842)	–
At 31 December 2017 and 1 January 2018	**8,852**	**181,926***	**–***	**(27,434)***	**(7,170)***	**(8)***	**32,746***	**10,296***	**84,727***	**283,935***
Loss for the year	–	–	–	–	–	–	–	–	(320,312)	(320,312)
Other comprehensive income/(loss) for the year:										
Equity investment designed at fair value										
– Changes in fair value	–	–	818	–	–	–	–	–	–	818
Exchange differences on translation of foreign operations	–	–	–	–	(4,260)	–	–	–	–	(4,260)
Total comprehensive income/(loss) for the year	–	–	818	–	(4,260)	–	–	–	(320,312)	(323,754)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	(818)	–	–	–	–	–	818	–
Transfer from retained profits	–	–	–	–	–	–	563	–	(563)	–
At 31 December 2018	**8,852**	**181,926***	**–***	**(27,434)***	**(11,430)***	**(8)***	**33,309***	**10,296***	**(235,330)***	**(39,819)**

* These reserve accounts comprise the consolidated reserves of negative RMB48,671,000 (2017: RMB275,083,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(317,038)**	15,443
Adjustments for:			
Finance costs	7	**42,216**	40,683
Interest income	6	**(4,080)**	(4,373)
Loss on disposal of items of property, plant and equipment	6	**1,292**	46
Depreciation	8	**12,704**	11,075
Amortisation of prepaid land lease payments	8	**116**	113
Changes in fair value of investment properties	6	**1,928**	822
Gain on disposal of available-for-sale investments	6	**—**	(725)
Impairment loss on available-for-sale investment	6	**—**	3,576
Impairment of goodwill		**210,950**	—
Impairment losses on loan and interest receivables		**47,995**	—
Impairment losses on trade and note receivables	6	**277**	—
Fair value gains on financial assets at fair value through profit or loss	6	**(1,370)**	—
Write-back of inventories	8	**—**	(71)
		(5,010)	66,589
Increase in inventories		**(2,471)**	(403)
Increase in trade and notes receivables		**(27,690)**	(25,264)
Decrease/(increase) in deposits, prepayments and other receivables		**18,468**	(28,869)
Decrease in trade payables		**(1,827)**	(61,073)
(Decrease)/increase in other payables and accruals		**(2,107)**	1,716
Cash used in operations		**(20,637)**	(47,304)
Interest paid		**(3,243)**	(2,744)
Income tax paid		**(8,406)**	(4,717)
Net cash flows used in operating activities		**(32,286)**	(54,765)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(10,162)**	(14,219)
Purchases of investment properties		**(48,731)**	(822)
Proceeds from disposal of items of property, plant and equipment		**189**	229
Advances loan to independent third parties		**—**	(87,212)
Repayment of loan advanced to independent third parties		**6,850**	33,306
Acquisition of subsidiaries	32	**—**	(17,343)
Advances of loan to an investment entity		**—**	(64,946)
Proceeds from repayment of financial asset at fair value through profit or loss		**56,098**	—
Purchases of land use rights		**—**	(2,060)
Purchases of available-for-sale investments		**—**	(52,414)
Purchases of financial asset at fair value through profit or loss		**(2,635)**	—
Proceeds from disposal of available-for-sale investments		**—**	27,757
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**23,970**	—
Interest received		**4,080**	3,667
Net cash flows from/(used in) investing activities		**29,659**	(174,057)

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	29	**–**	43,583
New bank and other loans		**63,138**	190,680
Repayment of bank and other loans		**(60,177)**	(50,959)
Interest paid		**(25,694)**	(35,384)
Net cash flows (used in)/from financing activities		**(22,733)**	147,920
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(25,360)**	(80,902)
Cash and cash equivalents at beginning of year		**64,691**	162,533
Effect of foreign exchange rate changes, net		**(14,873)**	(16,940)
CASH AND CASH EQUIVALENT AT END OF YEAR		**24,458**	64,691
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**24,458**	42,318
Non-pledged time deposits with original maturity of less than three months when acquired	24	**–**	22,373
Cash and bank balances as stated in the statement of financial position		**24,458**	64,691

1. CORPORATE AND GROUP INFORMATION

Teamway International Group Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Suites 2005–2006, 20/F, Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- design, manufacture and sale of packaging products and structural components
- provision for corporate secretarial, consultancy and business valuation services
- property investment

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Great Earn International Limited	Hong Kong	HK$1	–	100	Investment holding
Mutual Power International Limited	Hong Kong	HK$1	–	100	Investment holding
Peace Bright Investment Trading Limited	BVI	US$2	100	–	Investment holding
Chuzhou Chuangce Packaging Materials Company Limited# (滁州創策包裝材料有限公司)[1]	PRC	RMB25,000,000	–	100	Design, manufacture and sale of packaging products and structural components
Chongqing Guangjing Packaging Materials Co. Ltd# (重慶光景包裝製品有限公司)[1]	PRC	US$3,300,000	–	100	Design, manufacture and sale of packaging products and structural components
Sichuan Hejing Packing Materials Co. Ltd# (四川和景包裝製品有限公司)[1]	PRC	RMB33,000,000	–	100	Design, manufacture and sale of packaging products and structural components
Gorgeous Assets Limited	BVI	US$100	100	–	Property investment
Winner Alliance Limited	BVI	US$1	100	–	Property investment
Capital Wealth Inc Limited[2]	Hong Kong	HK$1	–	100	Investment holding
Treasure Found Investments Limited[1]	BVI	US$1	100	–	Investment holding
PV Holdings Limited	BVI	US$1	–	100	Provision for consultancy services
PV Advisory Services Limited	Hong Kong	HK$1	–	100	Provision for corporate secretarial and consultancy services
Grand Intelligent Limited	BVI	US$1	–	100	Investment holding
Nova Appraisals Limited	Hong Kong	HK$10,000	–	100	Provision for business valuation services
Teamway Finance Limited	Hong Kong	HK$1	–	100	Money lending
Teamway Asset Management Limited	Hong Kong	HK$5,000,000	–	100	Investment holding
Teamway China Development Limited (formerly known as Teamway Securities Limited)	Hong Kong	HK$5,000,000	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

\# The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purpose only.

1 Registered as wholly-foreign-owned enterprises under PRC law

2 These entities are incorporated during the year

The above table 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 net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. BASIS OF PRESENTATION

In preparing the consolidated financial statements, the directors of the Company have given due and careful considerations to the future liquidity of the Group in light of the Group's current liabilities exceeds current assets by approximately RMB23,789,000 as at 31 December 2018. The directors of the Company have carefully assessed the Group's liquidity position. In the opinion of the directors, the Group will have sufficient working capital to finance its operations to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into the following consideration:

(i) subsequent to the reporting period, the Company has received dividend income from an associate;

(ii) the Group is actively identifying any other possible financing options to strengthen the liquidity of the Group; and

(iii) sales proceeds received from the Group's investment property segment.

The directors believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for at least next 12 months from the end of the reporting period.

3.1 BASIS OF PREPARATION

This financial information have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial assets are measured at fair values. This financial information are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

3.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary and (ii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 9

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied HKFRS 9 retrospectively, and has recognised the transition adjustments against the applicable opening balance in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

The table below illustrates the reclassification financial assets under HKFRS 9 and HKAS 39 at the date of initial application on 1 January 2018.

	Available-for-sale investments RMB'000	Loan to an investment entity RMB'000	Equity investments designated at fair value through other comprehensive income ("FVTOCI") RMB'000	Financial assets at fair value through profit or loss ("FVTPL") RMB'000
As 31 December 2017 (As originally presented)				
– HKAS 39	21,919	64,946	–	–
Effect arising from initial application of HKFRS 9:				
Reclassification	(21,919)	(64,946)	21,919	64,946
At 1 January 2018 (Restated)	–	–	21,919	64,946

(a) Reclassification of financial assets and financial liabilities

(i) From available-for-sale investments to FVTOCI

The Group has elected the option to irrevocably designate of its previous available-for-sale equity investments of RMB21,919,000 as equity investments at FVTOCI.

(ii) From loan to an investment entity to FVTPL

The Group has classified its loan to an investment entity previously classified as loan and receivables as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

There has been no impact on the classification and measurement of the Group's financial liabilities as a result of the adoption of HKFRS 9.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *(Continued)*

(b) Impairment under expected credit loss ("ECL") model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade and notes receivables. To measure the ECL, trade and notes receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of loan and other receivables, are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition. The Group considers, the ECL for other financial assets are insignificant as at 1 January 2018.

The Group did not have any significant impact for the remeasurement of provision of ECL against retained profits as at 1 January 2018.

(c) Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be adjusted. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017	**HKFRS 9**	**1 January 2018**
	(As originally presented)		(Restated)
	RMB'000	RMB'000	RMB'000
Available-for-sale investments	21,919	(21,919)	–
Financial assets at FVTPL	–	64,946	64,946
Equity investments designated at FVTOCI	–	21,919	21,919
Loan to an investment entity	64,946	(64,946)	–

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. The effect of adopting HKFRS 15 has had no significant financial effect on these financial statements.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK (IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

HKFRS 16 replaces HKAS 17 Leases, HK (IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK (SIC)-Int 15 Operating Leases — Incentives and HK (SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB10,335,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property lease will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

HK (IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment property and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the term of the leases, or 20 years whichever is the shorter
Leasehold improvements	20% or over the relevant lease terms whichever is shorter
Plant and machinery	10% to 20%
Office equipment	20%
Motor vehicles	20% to 40%
Moulds	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment properties are recognised in the statement of profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

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

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

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

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

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

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement (Continued)

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive Income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive Income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss, Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted investments. Equity investments classified as available for sale investments are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income and gains, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other income and gains. Interest and dividends earned whilst holding the available-for-sale investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income and gains.

When the fair value of unlisted fund trust investments cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating the fair value, such unlisted fund trust investments are stated at cost less any impairment losses.

If there is objective evidence that an impairment loss has been incurred on such unlisted fund trust investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial assets. Impairment losses on these assets are not reversed.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

General approach

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

General approach (Continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and notes receivables which apply the simplified approach as detailed below:

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

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

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

Simplified approach

For trade and notes receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade and notes receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the general approach in calculating ECLs with policies as described above.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Financial assets carried at amortised cost

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment less than cost.

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

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade payables, other payables, and interest-bearing bank and other borrowings.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

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

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Income tax

Income tax comprises current and deferred tax.

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

Revenue from contracts with customers (Continued)

(a) *Sales of goods*

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

(b) *Consultancy and business valuation services*

Service income is recognised over time when the services are rendered because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) *Interest income*

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

Revenue recognition (applicable before 1 January 2018)

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

(a) *Sales of goods*

From the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) *Consultancy and business valuation services*

From the rendering of consultancy and business valuation services, is recognised when the services are rendered.

(c) *Interest income*

Interest income, is recognised using the effective interest rate method.

Share-based payment arrangements

Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled employee benefits reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

The Company's functional currency is the Hong Kong dollar while the presentation currency of these financial statements is RMB. In the opinion of the directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The major judgements, estimates and assumptions that have the most significant effect on the amount recognised in the consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, then no withholding taxes are provided.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Estimating the recoverability amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details are set out in note 17 to the financial statements.

(c) Fair value of unlisted investments

The unlisted investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. Details are set out in note 23 to the financial statements.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. 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 cycle. The directors assess the estimations at the end of each reporting period.

(e) Loss allowance for loans and interest, trade and notes receivables

The Group's management uses a provision matrix to calculate ECL for trade and notes receivables. The provision rates are based on various inputs and assumptions including but not limited to risk of default. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables.

For the impairment assessment of loan and interest receivables, the Group's management assesses on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition. Assessment are done based on the Group's historical credit loss experience, general conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The loss allowance for loan and interest receivables is sensitive to changes in estimates.

The information about the ECLs on the Group's loan and interest, trade and notes receivables is disclosed in notes 20 and 21 to the financial statements, respectively.

(f) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortisation charged in the year in which such estimate is changed.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(g) Impairment of available-for-sale investments

Before 1 January 2018, the determination of whether an available-for-sale investment is impaired requires significant judgement. For unlisted fund investments, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the suitable discount rate. Where the actual future cash flows are less than expected, which resulted in downward revision of estimate futures cashflows, an impairment loss may arise. For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economics or the law, as well as industry and sector performance and the financial information regarding the investee that provides evidence that the cost of the equity securities may not be recovered. Judgment is also required to determine whether historical performance remains representative of current and future economic conditions.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the sales of packaging products and structural components segment;
(b) the corporate secretarial, consultancy and business valuation services segment; and
(c) the property investment segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018	Sales of packaging products and structural components RMB'000	Corporate secretarial, consultancy and business valuation services RMB'000	Property investment RMB'000	Total RMB'000
Segment revenue:				
Revenue from external customers	389,784	6,198	–	395,982
Segment results	12,101	(211,286)	(2,286)	(201,471)
Reconciliation:				
Interest income				4,080
Finance costs				(42,216)
Corporate and other unallocated expenses				(77,431)
Loss before tax				(317,038)
Other segment information:				
Depreciation	11,161	–	–	11,161
Fair value losses on investment properties	–	–	1,928	1,928
Amortisation of prepaid land lease payments	116	–	–	116
Capital expenditure*	10,099	–	48,731	58,830

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2017	Sales of packaging products and structural components RMB'000	Corporate secretarial, consultancy and business valuation services RMB'000	Property investment RMB'000	Total RMB'000
Segment revenue:				
Revenue from external customers	306,655	72,361	–	379,016
Segment results	12,088	62,357	(1,006)	73,439
Reconciliation:				
Interest income				4,373
Finance costs				(40,683)
Corporate and other unallocated expenses				(21,686)
Profit before tax				15,443
Other segment information:				
Depreciation	10,039	–	–	10,039
Write-back of inventories	71	–	–	71
Fair value losses on investment properties	–	–	822	822
Amortisation of prepaid land lease payments	113	–	–	113
Capital expenditure*	10,080	–	822	10,902

* Capital expenditure consists of additions to property, plant and equipment and investment property.

5. OPERATING SEGMENT INFORMATION *(Continued)*

31 December 2018	Sales of packaging products and structural components RMB'000	Corporate secretarial, consultancy and business valuation services RMB'000	Property investment RMB'000	Total RMB'000
Segment assets	294,605	16,251	88,347	399,203
Reconciliation:				
Deferred tax assets				14
Corporate and other unallocated assets				30,224
Total assets				429,441
Segment liabilities	60,258	12,128	–	72,386
Reconciliation:				
Interest-bearing bank and other borrowings				389,906
Deferred tax liabilities				2,790
Corporate and other unallocated liabilities				4,178
Total liabilities				469,260

5. OPERATING SEGMENT INFORMATION *(Continued)*

31 December 2017	Sales of packaging products and structural components RMB'000	Corporate secretarial, consultancy and business valuation services RMB'000	Property investment RMB'000	Total RMB'000
Segment assets	280,071	253,209	52,730	586,010
Reconciliation:				
Deferred tax assets				14
Corporate and other unallocated assets				160,082
Total assets				746,106
Segment liabilities	48,386	3,757	–	52,143
Reconciliation:				
Interest-bearing bank and other borrowings				389,886
Tax payable				13,979
Deferred tax liabilities				2,645
Corporate and other unallocated liabilities				3,518
Total liabilities				462,171

Geographical information

(a) Revenue from external customers

	2018 RMB'000	2017 RMB'000
Hong Kong	**6,198**	25,840
Mainland China	**389,784**	306,655
South Korea	**–**	46,521
	395,982	379,016

The revenue information is based on the location of the customers.

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

	2018 RMB'000	2017 RMB'000
Hong Kong	**98,211**	340,401
Mainland China	**65,917**	69,785
	164,128	410,186

The non-current asset information is based on the location of the assets and excludes available-for-sale investments and deferred tax assets.

Information about major customers

A summary of revenue earned from each of these major customers is set out below:

	2018 RMB'000	2017 RMB'000
Customer A[1]	**136,991**	100,795
Customer B[1]	**60,462**	76,560
Customer C[1]	**51,051**	45,403
Customer D[1]	**53,223**	42,245
Customer E[2]	**N/A**	46,919
	301,727	311,922

1 Revenue derived from sales of packaging products and structural components' segment.

2 Revenue derived from corporate secretarial, consultancy and business valuation services' segment.

* The corresponding revenue of these customers is not disclosed as they individually did not contribute over 10% of the Group's total revenue for the year.

6. REVENUE AND OTHER INCOME AND (LOSSES)/GAINS, NET

An analysis of revenue is as follows:

	2018 **RMB'000**	2017 RMB'000
Revenue from contracts with customers	**395,982**	—
Sales of packaging products and structural components	**—**	306,655
Corporate secretarial, consultancy and business valuation services	**—**	72,361
	395,982	379,016

Disaggregated revenue information for the year ended 31 December 2018

	Sales of packaging products and structural components RMB'000	**Corporate secretarial consultancy and business valuation services** RMB'000	**Total** RMB'000
Type of goods and services			
Sale of packaging product	373,029	—	373,029
Sale of structural components	16,755	—	16,755
Business valuation services	—	6,198	6,198
Total revenue from contracts with customers	389,784	6,198	395,982
Geographical markets			
Hong Kong	—	6,198	6,198
Mainland China	389,784	—	389,784
Total revenue from contracts with customers	389,784	6,198	395,982
Timing of revenue recognition			
Goods transferred at a point of time	389,784	—	389,784
Services transferred over time	—	6,198	6,198
Total revenue from contracts with customers	389,784	6,198	395,982

6. REVENUE AND OTHER INCOME AND (LOSSES)/GAINS, NET *(Continued)*

Disaggregated revenue information for the year ended 31 December 2018 *(Continued)*

The following table shows the movement in contract liabilities:

	Sales of goods 2018 RMB'000
Balance at 1 January 2018	**4,058**
Decrease in contract liabilities as a result of recognising revenue from sale of packaging product during the year that was included in the contract liabilities at the beginning of the year	**(4,058)**
Increase in contract liabilities as a result of cash received	**421**
Balance at 31 December 2018	**421**

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within one month from delivery, extending up to six months for major customers.

Consultancy and business valuation services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. Consultancy and business valuation services contracts are billed based on the time incurred.

An analysis of other income and (losses)/gains, net is as follows:

	2018 RMB'000	2017 RMB'000
Other income and (losses)/gains, net		
Interest income	**4,080**	4,373
Commission income	**—**	190
Fair value losses on investment properties *(note 15)*	**(1,928)**	(822)
Foreign exchange differences, net	**(5,960)**	2,092
Gain on disposal of available-for-sale investments	**—**	725
Impairment of available-for-sale investments	**—**	(3,576)
Impairment losses on trade and notes receivables	**(277)**	—
Fair value gains on financial assets at fair value through profit or loss	**1,370**	—
Loss on disposal of items of property, plant and equipment	**(1,292)**	(46)
Others	**(1,212)**	200
	(5,219)	3,136

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank borrowings	**708**	277
Interest on other borrowings	**38,265**	37,662
Finance costs arising on discounting trade and notes receivables	**3,240**	2,742
Others	**3**	2
	42,216	40,683

8. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Notes	2018 RMB'000	2017 RMB'000
Cost of inventories sold		**259,108**	198,885
Depreciation	14	**12,704**	11,075
Minimum lease payments under operating leases		**2,983**	2,143
Amortisation of prepaid land lease payments#	16	**116**	113
Employee benefit expense (excluding directors' and chief executive's remuneration)			
— Wages and salaries		**52,710**	41,585
— Pension scheme contribution		**4,789**	4,100
		57,499	45,685
Auditor's remuneration		**1,434**	1,255
Write-back of inventories##		**—**	(71)

Included in "Administrative expenses" in the consolidated statement of profit or loss

Included in "Cost of sales" in the consolidated statement of profit or loss

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of directors) Regulation, is as follows:

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018				
Executive directors				
Mr. He Xiaoming	**303**	**–**	**–**	**303**
Mr. Ling Zheng *(note (ii))*	**55**	**–**	**–**	**55**
Ms. Ngai Mei	**3,034**	**–**	**15**	**3,049**
Mr. Xu Gefei *(note (x))*	**166**	**–**	**–**	**166**
Independent non-executive directors				
Ms. Bu Yanan *(note (v))*	**121**	**–**	**–**	**121**
Ms. Man See Yee *(note (viii))*	**162**	**–**	**–**	**162**
Mr. So Stephen Hon Cheung	**162**	**–**	**–**	**162**
Mr. Chan Chung Yin *(note (xi))*	**42**	**–**	**–**	**42**
	4,045	**–**	**15**	**4,060**
2017				
Executive directors				
Mr. He Xiaoming	312	–	–	312
Ms. Xie Yan *(note (i))*	255	–	–	255
Mr. Ling Zheng	234	–	–	234
Ms. Ngai Mei *(note (iii))*	2,601	–	13	2,614
Independent non-executive directors				
Mr. Chan Chun Kau *(note (vi))*	64	–	–	64
Mr. Lam Chi Wai *(note (iv))*	53	–	–	53
Mr. Lee Chi Hwa, Joshua *(note (vii))*	64	–	–	64
Ms. Bu Yanan *(note (v))*	81	–	–	81
Ms. Man See Yee *(note (viii))*	65	–	–	65
Mr. So Stephen Hon Cheung *(note (ix))*	65	–	–	65
	3,794	–	13	3,807

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Notes:

(i) Ms. Xie Yan resigned her position as an executive director of the Company on 11 August 2017.

(ii) Mr. Ling Zheng resigned his position as an executive director of the Company on 6 March 2018.

(iii) Ms. Ngai Mei was appointed as an executive director of the Company on 28 February 2017.

(iv) Mr. Lam Chi Wai resigned his position as an independent non-executive director of the Company on 5 July 2017.

(v) Ms. Bu Yanan was appointed as an independent non-executive director of the Company on 5 July 2017 and resigned on 28 September 2018.

(vi) Mr. Chan Chun Kau resigned his position as an independent non-executive director of the Company on 11 August 2017.

(vii) Mr. Lee Chi Hwa, Joshua resigned his position as an independent non-executive director of the Company on 11 August 2017.

(viii) Ms. Man See Yee was appointed as an independent non-executive director of the Company on 11 August 2017 and resigned after the end of reporting period, on 19 March 2019.

(ix) Mr. So Stephen Hon Cheung was appointed as an independent non-executive director of the Company on 11 August 2017.

(x) Mr. Xu Gefei was appointed as an executive director of the Company on 6 March 2018.

(xi) Mr. Chan Chung Yin was appointed as an independent non-executive director of the Company on 28 September 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2017: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one executive director (2017: one), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining four (2017: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries, allowances and benefits in kind	**5,580**	3,708
Pension scheme contributions	**56**	34
	5,636	3,742

10. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2018	2017
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**—**	1
HK$3,500,000 to HK$4,000,000	**1**	—
	4	4

There were no non-directors and non-chief executive highest paid employees being granted share option during the year (2017: Nil).

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2018 and 2017. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

The People's Republic of China (the "**PRC**") Enterprise Income Tax ("**EIT**") in respect of operations in the PRC has been calculated at the applicable tax rate of 25% (2017: 25%) on the estimated assessable profits for the years ended 31 December 2018 and 2017, or otherwise, 15% (2017: 15%) on the profits of the Group's entities operated in the PRC that were assessed as Encourage Industries in Western Regions Enterprise ("西部地區鼓勵類企業").

Tax on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions in which the Group operates.

	2018 RMB'000	2017 RMB'000
Current — Hong Kong		
Charge for the year	**57**	4,132
Current — PRC		
Charge for the year	**2,266**	2,549
Underprovision in prior years	**2**	31
	2,268	2,580
Current — Elsewhere	**804**	10,234
Deferred *(note 28)*	**145**	472
Total tax charge for the year	**3,274**	17,418

11. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss as follows:

	2018 **RMB'000**	2017 RMB'000
(Loss)/profit before tax	**(317,038)**	15,443
Tax at domestic tax rates applicable to profits of taxable entities in the countries concerned	**(69,708)**	6,523
Income not subject to tax	**(888)**	(2,484)
Expenses not deductible for tax	**73,159**	12,948
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**—**	460
Tax losses utilised from previous periods	**(95)**	(60)
Underprovision in prior years	**2**	31
Others	**804**	—
Income tax expense	**3,274**	17,418

12. DIVIDENDS

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB320,312,000 (2017: RMB1,975,000) and the weighted average number of 11,033,340,000 ordinary shares (2017: 10,626,944,055 ordinary shares) in issue during the year.

The diluted loss per share amounts is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2018 and 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018								
At 31 December 2017 and at 1 January 2018:								
Cost	39,779	1,655	62,618	1,251	5,675	33,328	911	145,217
Accumulated depreciation	(13,899)	(616)	(37,427)	(555)	(2,389)	(21,836)	–	(76,722)
Net carrying amount	25,880	1,039	25,191	696	3,286	11,492	911	68,495
At 1 January 2018, net of accumulated depreciation	25,880	1,039	25,191	696	3,286	11,492	911	68,495
Additions	515	–	759	145	819	6,424	1,500	10,162
Disposals	(144)	–	(896)	(2)	(6)	(1,637)	–	(2,685)
Transfers	58	–	2,210	–	–	–	(2,268)	–
Depreciation provided during the year *(note 8)*	(1,950)	(838)	(3,932)	(182)	(1,023)	(4,779)	–	(12,704)
Exchange realignment	–	22	–	25	61	–	–	108
At 31 December 2018, net of accumulated depreciation	24,359	223	23,332	682	3,137	11,500	143	63,376
At 31 December 2018:								
Cost	40,142	1,746	63,018	1,408	6,551	34,840	143	147,848
Accumulated depreciation	(15,783)	(1,523)	(39,686)	(726)	(3,414)	(23,340)	–	(84,472)
Net carrying amount	24,359	223	23,332	682	3,137	11,500	143	63,376
31 December 2017								
At 31 December 2016 and at 1 January 2017:								
Cost	25,666	295	59,357	556	4,344	28,131	14,277	132,626
Accumulated depreciation	(12,445)	(295)	(34,168)	(448)	(2,211)	(17,474)	–	(67,041)
Net carrying amount	13,221	–	25,189	108	2,133	10,657	14,277	65,585
At 1 January 2017, net of accumulated depreciation	13,221	–	25,189	108	2,133	10,657	14,277	65,585
Additions	–	1,655	735	695	2,065	5,212	3,857	14,219
Disposals	–	–	(161)	–	(93)	(9)	(12)	(275)
Transfers	14,113	–	3,098	–	–	–	(17,211)	–
Depreciation provided during the year *(note 8)*	(1,454)	(641)	(3,670)	(110)	(832)	(4,368)	–	(11,075)
Exchange realignment	–	25	–	3	13	–	–	41
At 31 December 2017, net of accumulated depreciation	25,880	1,039	25,191	696	3,286	11,492	911	68,495
At 31 December 2017:								
Cost	39,779	1,655	62,618	1,251	5,675	33,328	911	145,217
Accumulated depreciation	(13,899)	(616)	(37,427)	(555)	(2,389)	(21,836)	–	(76,722)
Net carrying amount	25,880	1,039	25,191	696	3,286	11,492	911	68,495

At 31 December 2018, certain of the Group's buildings with a net carrying amount of RMB11,036,000 (2017: RMB1,903,000) were pledged to secure general banking facilities granted to the Group (note 27).

15. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**37,469**	40,308
Additions	**48,731**	822
Net loss from a fair value adjustment *(note 6)*	**(1,928)**	(822)
Exchange realignment	**4,006**	(2,839)
Carrying amount at 31 December	**88,278**	37,469

The Group's investment properties consist two residential apartment in Hong Kong and Singapore (2017: one residential apartment in Hong Kong). The directors of the Company have determined that the class of its investment property's asset is residential property, based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2018 based on valuations performed by APAC Appraisal and Consulting Limited (2017: Savills Valuation and Professional Services Limited), independent professionally qualified valuers. The properties in Hong Kong and Singapore were revalued at HK$46,700,000 (equivalent to RMB41,010,000) (2017: HK$45,000,000 (equivalent to RMB37,469,000)) and SGD9,400,000 (equivalent to RMB47,268,000) respectively. Each year, the Group's management decide, to appoint which external valuer to be responsible for the external valuation of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussion with the valuer on the valuation assumptions and valuation result when the valuation is performed.

Particulars of the Group's investment properties are as follows:

Location	Use	Tenure	Attributable interest of the Group
Flat A, 21/F, Tower 1, One Silversea 18 Hoi Fai Road Tai Kok Tsui, Kowloon Hong Kong	Residential	Medium term lease	100%
1 Bishopsgate #04-06, Bishopsgate Residences, Singapore 247676	Residential	Medium term lease	100%

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for:				
Residential properties	**–**	**–**	**88,278**	**88,278**

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Residential property	–	–	37,469	37,469

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

The fair value of the investment properties were determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties. There has been no change in the valuation techniques used in prior year.

15. INVESTMENT PROPERTIES *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range or weighted average 2018	2017	Relationship of input to fair value
Flat A, 21/F Tower 1, One Silversea 18 Hoi Fai Road Tai Kok Tsui, Kowloon Hong Kong	Sales comparison method	Estimated market price per square feet (RMB)	**25,074 to 28,081**	21,079 to 25,593	The higher the market price, the higher the fair value
1 Bishopsgate #04-06, Bishopsgate Residences, Singapore 247676	Sales comparison method	Estimated market price per square feet (RMB)	**16,016 to 17,024**	–	The higher the market price, the higher the fair value

The sales comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of the investment properties. The approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors, including the transaction date, level of floor, environmental atmosphere, size of apartment and etc.

16. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**4,546**	2,599
Additions	**—**	2,060
Amortised during the year *(note 8)*	**(116)**	(113)
Carrying amount at 31 December	**4,430**	4,546
Current portion included in deposits, prepayments and other receivables	**(116)**	(112)
Non-current portion	**4,314**	4,434

The leasehold lands are situated in Mainland China and are held under a long term lease.

At 31 December 2018, certain of the Group's prepaid land lease payments with net carrying amount of RMB2,451,000 (2017: RMB1,160,000) were pledged to secure general banking facilities granted to the Group (note 27).

17. GOODWILL

	Total RMB'000
Cost at 1 January 2017	206,565
Acquisition of subsidiaries *(note 32)*	14,053
Exchange realignment	(12,234)
At 31 December 2017	208,384
At 31 December 2017:	
Cost	208,384
Accumulated impairment	—
Net carrying amount	208,384
Cost at 1 January 2018	**208,384**
Impairment	**(210,950)**
Exchange realignment	**2,566**
At 31 December 2018	**—**
At 31 December 2018:	
Cost	**210,950**
Accumulated impairment	**(210,950)**
Net carrying amount	**—**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash generating unit for impairment testing:

— Corporate secretarial and consultancy cash generating unit (the "**Consultancy CGU**")

— Business valuation cash generating unit (the "**Business Valuation CGU**")

For the year ended 31 December 2018

As at 31 December 2018, the Group has engaged BMI Appraisals Limited, an independent qualified valuer, to conduct impairment assessments of the Consultancy CGU and Business Valuation CGU by comparing the carrying amount with the recoverable amounts of the CGUs based on the fair values of net assets less costs of disposal. The fair values of the CGUs are based on the residual value of the CGUs which mainly comprised cash and bank balances and other financial assets and liabilities to determine the recoverable amounts of the Consultancy CGU and Business Valuation CGU. Based on the result of these assessments, the goodwill of Consultancy CGU and Business Valuation CGU was assessed to be fully impaired and the impairment losses of RMB196,723,000 and RMB14,227,000 were recognised in the consolidated statement of profit or loss for the year ended 31 December 2018, respectively, due to the recoverable amounts were less than these carrying amount of identifiable assets and liabilities of Consultancy CGU and Business Valuation CGU as at 31 December 2018.

17. GOODWILL *(Continued)*

For the year ended 31 December 2017

Consultancy CGU

The recoverable amount of the Consultancy CGU had been determined by value in use approach adopted by BMI Appraisals Limited, an independent qualified valuer, based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 14.94%. The growth rate used to extrapolate the cash flows of the Consultancy CGU beyond the five-year period is 3.00%.

Assumptions were used in the value in use calculation of the Consultancy CGU. The following described each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

The average revenue growth rate of 12.47% with reference to the performance in the past years and the management's estimates. Used to determine the value assigned to the budgeted gross margins was the average gross margins achieved in the years immediately before the budget year, increased for expected efficiency improvements, and expected market development.

The discount rate of 14.94% was used with reference to the market data for the relevant industry and comparable companies.

The terminal growth rate of 3.00% was used with reference to the Hong Kong's average inflation rate.

The values assigned to the above key assumptions on the budgeted gross margins, and discount rate were consistent with external information sources.

Business Valuation CGU

The recoverable amount of the Business Valuation CGU had been determined by value in use approach adopted by BMI Appraisals Limited, an independent qualified valuer, based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

- Average revenue growth rate of 3% with reference to the average performance in the past and the expected returns within the relevant industry;
- Discount rate of 13.2% was used with reference to the market data for the relevant industry and comparable companies; and
- Terminal growth rate 2% was used with reference to the Hong Kong's average inflation rate in the past five years.

The values assigned to the above key assumption on market development of business valuation services industry, discount rates and inflation rate were consistent with external information sources.

The carrying amount of goodwill allocated to each of the cash-generating units was as follows:

	Consultancy CGU		**Business Valuation CGU**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Carrying amount of goodwill	–	194,331	–	14,053	–	208,384

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2018 RMB'000	2017 RMB'000
Listed equity investments, at fair value	–	1,935
Unlisted fund trust investments, at cost	–	19,984
	–	21,919

On 1 January 2018, the Group has elected the option to designate its previous available-for-sale investments as equity investments at fair value through other comprehensive income.

During the year, the Group sold its entire investments as these investments no longer coincided with the Group's investment strategy. The fair value on the date of sale was RMB23,970,000 in total and the accumulated gain recognised in other comprehensive income of RMB818,000 was transferred to retained earnings.

As at 31 December 2017, the unlisted fund investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the director of the Company were of the opinion that their fair values could not be measured reliably.

19. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	7,072	6,316
Work in progress	220	172
Finished goods	7,215	5,848
Packaging materials and consumables	2,732	2,432
	17,239	14,768

20. LOAN AND INTEREST RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Carrying amount at 1 January	**54,583**	—
Additions	**3,799**	56,470
Repayment	**(10,649)**	(1,887)
Impairment	**(47,995)**	—
Exchange realignment	**262**	—
Carrying amount at 31 December	**–**	54,583

On 28 August 2017, Great Earn International Limited ("**Great Earn**"), an indirect wholly-owned subsidiary of the Company, entered into loan agreement (the "**Loan Agreement**") with Rossoneri Sport Investment Co., Limited ("**Rossoneri**"), an independent third party, pursuant to which the Group has granted a facility in the principal amount of United States Dollars ("**US$**") 8,300,000 (approximately RMB53,906,000) (the "**Loan**") to Rossoneri with carrying amount of approximately RMB54,583,000. The Loan is secured by share charge over the entire issued shares of Rossoneri Advance Co., Limited, the ultimate holding company of Rossoneri and wholly-owned by Mr. Li Yong Hong ("**Mr. Li**"), and a personal guarantee provided by Mr. Li. The Loan is bearing interest of 14% per annum, for a term of six months, with extension clauses for three months from the first expiry on 28 February 2018 (the "**First Extended Maturity Date**", i.e. on 28 May 2018) and further three months from the expiry of the First Extended Maturity Date (the "**Second Extended Maturity Date**", i.e. on 28 August 2018), subject to mutual agreement in writing to be made between Great Earn and Rossoneri.

Rossoneri failed to repay the Loan on 28 February 2018 and the Company has sent numerous reminders to Rossoneri. On 5 March 2018, Great Earn and Rossoneri entered into a supplemental deed (the "**Supplemental Deed**"), pursuant to which the extension clauses were superseded and the First Extended Maturity Date and Second Extended Maturity Date have been amended to 31 March 2018 and 30 April 2018, respectively. In addition, for the period from the date immediately after 28 February 2018, Rossoneri shall pay interest at the rate of 24% per annum. The interest shall become due and payable by Rossoneri to the Group on 31 March 2018. The Loan is further secured by a personal guarantee provided by Ms. Huang Qingbo ("**Ms. Huang**"), an independent third party of the Company. Further details of which were set out in the Company's announcement dated 5 March 2018.

As at 30 April 2018, the Loan was still outstanding and in default position. On 17 May 2018, the Company promptly sent demand letters to each of Rossoneri, Mr. Li and Ms. Huang demanding for repayment of the Loan and asserted the rights of the Company under the Loan Agreement and the Supplemental Deed.

In order to protect the interests of the Company and shareholders as a whole, the Company decided to take legal actions and arranged the Company's lawyer to issue the writ of summons to Rossoneri, Mr. Li and Ms. Huang respectively on 15 August 2018.

As at 31 December 2018, Rossoneri has repaid all the interests up to 30 April 2018 and part of the principal amount of US$1,000,000 (the "**Repaid Amount**").

20. LOAN AND INTEREST RECEIVABLES *(Continued)*

The Company is currently seeking the advice of the Company's lawyer as to whether it is feasible to apply for the summary judgement against the said parties.

Since the Loan has been overdue for long time and the timing and result for the court to make final judgement are unknown, the Directors have taken a prudent approach to make an impairment loss on the full amount of the outstanding principal amount in the sum of US$7,300,000 (approximately RMB47,995,000) for the year ended 31 December 2018.

21. TRADE AND NOTES RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Trade receivables:		
— from sales of packaging products and structural components	**127,452**	110,828
— from rendering of corporate secretarial, consultancy and business valuation services	**25**	629
	127,477	111,457
Notes receivables	**71,773**	60,157
	199,250	171,614
Impairment:		
— trade receivables	**(188)**	—
— notes receivables	**(89)**	—
	198,973	171,614

The Group's trading terms with its customers are mainly on credit, or otherwise sales on cash terms are required. The credit period is generally one month, extending up to six months for major customers. Notes receivables are received from customers under the ordinary course of business. All of them are bank acceptance bills with maturity period within six months.

Before accepting any new customers, the Group assesses the potential customers' credit quality and defines credit limits by customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

21. TRADE AND NOTES RECEIVABLES *(Continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	**117,402**	105,633
4 to 6 months	**9,112**	5,548
7 months to 1 year	**703**	251
Over 1 year	**72**	25
	127,289	111,457

The movements in the loss allowance for impairment of trade and notes receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	**—**	—
Impairment losses	**277**	—
At end of year	**277**	—

Impairment under HKFRS 9 for the year ended 31 December 2018

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables. The Group determines the provision for expected credit losses by grouping together trade and notes receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and notes receivables relating to accounts which are long overdue with significant amounts or known insolvencies, financial difficulties or non-response to collection activities, they are assessed individually for impairment allowance.

Set out below is the information about the credit risk exposure on the Group's accounts and bills receivables using a provision matrix:

As at 31 December 2018

Expected credit loss rate	0.02% — 50.00%
Gross carrying amount (RMB'000)	199,250
Expected credit losses (RMB'000)	277

21. TRADE AND NOTES RECEIVABLES *(Continued)*

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	107,287
Less than 3 months past due	3,841
Over 3 to 6 months past due	220
Over 6 to 12 months past due	101
Over 12 months past due	8
	111,457

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

Receivables that were past due but not impaired relate to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Deposits	**2,003**	9,802
Prepayments	**12,558**	23,468
Other receivables	**1,569**	1,407
Less: Deposits and prepayments under non-current portion	**(8,160)**	(26,458)
Current assets portion	**7,970**	8,219

None of the above assets was either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

23. LOAN TO AN INVESTMENT ENTITY/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Unlisted investment, at fair value (2017: at cost)	**12,345**	64,946
Other unlisted investment, at fair value	**4,119**	—
	16,464	64,946

As at 31 December 2017, the loan to an investment entity in Singapore of RMB64,946,000, of which 8.5% equity interest was held by the Company, was unsecured, interest free and had no fixed terms of repayment. The amount was advanced to an investment entity for a long term investment purpose and thus, are classified as non-current assets. On 1 January 2018, the Group has reclassified its non-interest bearing loan to an investment entity as financial assets measured at fair value through profit or loss under current assets as this investment did not pass the contractual cash flow characteristics test in HKFRS 9.

The above unlisted investments at 31 December 2018 were loan to an investment entity in Singapore and a school debenture in Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

24. CASH AND BANK BALANCES

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**24,458**	42,318
Time deposits	**—**	22,373
	24,458	64,691

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB9,791,000 (2017: RMB21,197,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rate based on daily bank deposit rates. Short term time deposits are made for period of one day depending on the immediate cash requirements of the Group, and earn interests at the respective short term time deposits rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 **RMB'000**	2017 RMB'000
Within 3 months	**39,398**	41,925
4 to 6 months	**832**	445
7 months to 1 year	**227**	82
Over 1 year	**478**	310
	40,935	42,762

The trade payables are non-interest-bearing and are normally settled on 30 days to 90 days.

26. OTHER PAYABLES AND ACCRUALS

	2018 **RMB'000**	2017 RMB'000
Receipt in advance	**—**	4,058
Contract liabilities *(note (a))*	**421**	—
Accruals	**6,000**	5,011
Other payables *(note (b))*	**4,371**	3,830
	10,792	12,899

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers		
Sale of packaging product	421	4,058

Contract liabilities include short-term advances received to deliver packaging product. The decrease in contract liabilities in 2018 was mainly due to the decrease in short-term advances received from customers in relation to the sales of packaging product at the end of the year.

(b) Other payables are non-interest-bearing and have an average term of three months.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured RMB loan *(note (a))*	**5.65-5.66**	**On demand**	**12,000**	5.48	On demand	5,000
Other borrowings:						
— unsecured HK$ loan	**–**	**–**	**–**	8	2018	24,775
— unsecured US$ loan	**6.5**	**2019**	**21,727**	—	—	—
— secured HK$ loan *(note (b))*	**10**	**2018**	**190,797**	10	2018	187,345
			224,524			217,120
Non-current						
Other borrowings:						
— unsecured US$ loan	**10**	**2020**	**177,382**	10	2020	172,766
			401,906			389,886

Notes:

(a) The Group's bank loan is secured by the Group's buildings and prepaid land lease payments, which had an aggregate carrying value at the end of the reporting period of RMB13,487,000 (2017: RMB3,063,000). The interest rate charged on the Group's bank loan is one-year China Interbank Offered Rate, plus 134.5-135.5 basis points (2017: 118.1 basis point).

(b) Other loan was secured by share charge over the entire share capital of a wholly-owned subsidiary of the Company.

28. DEFERRED TAXATION

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Write-down of inventories RMB'000	**Withholding tax** RMB'000	**Total** RMB'000
At 1 January 2017	26	(2,185)	(2,159)
Deferred tax charged to the statement of profit or loss during the year *(note 11)*	(12)	(460)	(472)
At 31 December 2017 and 1 January 2017	14	(2,645)	(2,631)
Deferred tax charged to the statement of profit or loss during the year *(note 11)*	—	(145)	(145)
At 31 December 2018	**14**	**(2,790)**	**(2,776)**

28. DEFERRED TAXATION *(Continued)*

	2018 RMB'000	2017 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**14**	14
Deferred tax liabilities recognised in the consolidated statement of financial position	**(2,790)**	(2,645)
	(2,776)	(2,631)

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

	Number of share '000	Share capital HK$'000
Authorised		
Ordinary shares of HK$0.001 each at 31 December 2017 and 31 December 2018	200,000,000	200,000

	Number of shares in issue '000	Issued share capital HK$'000	Equivalent to RMB RMB'000
Issued and fully paid			
At 1 January 2017	10,200,000	10,200	8,126
Issue of new shares *(note)*	833,340	833	726
At 31 December 2017 and 31 December 2018	11,033,340	11,033	8,852

Note: On 25 May 2017, the Company entered a subscription agreement with Media Range Limited (the "**Subscriber**"), pursuant to which the subscriber has agreed to subscribe for, and the Company has agreed to allot and issue, a total of 833,340,000 ordinary share of the Company (the "**Subscription Share(s)**") at issue price of the HK$0.06 per Subscription Share for an aggregate amount of approximately HK$50,000,000 (equivalent to RMB43,583,000). Details of which were disclosed in the Company's announcements dated 25 May 2017, 9 June 2017 and 28 June 2017.

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the directors, employees, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, and any substantial shareholder of any member of the Group. The Scheme became effective on 10 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 7 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant of the share options.

No share options were granted, exercised, cancelled or lapsed under the scheme during the year nor outstanding at the end of the reporting period.

31. RESERVES

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity to the financial statements. The other reserves of the Group are summarised as follows:

(a) PRC capital reserve

Exchange differences relating to the translation of the capital contributions by the equity owner of the Group's PRC subsidiaries from foreign currency to RMB are recognised directly in the PRC capital reserve.

(b) PRC statutory reserves

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain two statutory reserves, being an enterprise expansion fund and a statutory surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of profit after tax reported in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by the directors annually but must not be less than 10% of the profit after tax, until such reserves reached to 50% of the registered capital of the relevant subsidiaries. The statutory surplus reserve fund can be used to make up their prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

(c) Special reserve

Special reserve of the Group represents the difference between the aggregate amount of considerations paid by the Group for the acquisition of Chuzhou Chuangce Packaging Materials Company Limited, Chongqing Guangjing Packing Materials Co. Ltd and Sichuan Jinghong Packing Materials Co. Ltd., and the aggregate amount of paid-in capital of the aforesaid subsidiaries acquired pursuant to the corporate reorganisation undertaken during the year ended 31 December 2011.

(d) Shareholders' contributions

On 24 October 2011, Rich Gold International Limited ("**Rich Gold**") executed a deed of release in favor of the Company, pursuant to which Rich Gold unconditionally and irrevocably released and discharged the repayment of a shareholder's loan from Rich Gold to the Company in the amount of HK$12,500,000 (equivalent to approximately RMB10,296,000) and any claim regarding such repayment. Such amount was recorded in shareholders' contributions in equity.

32. BUSINESS COMBINATION

On 31 March 2017, the Group acquired a 100% equity interest of Grand Intelligent Limited and its subsidiaries (collectively referred to as "**Grand Intelligent Group**") from Power Grand Investments Limited, an independent third party, at the consideration of HK$20,000,000 (equivalent to approximately RMB17,365,000). Grand Intelligent Group is engaged in the provision of business valuation services. The acquisition was made as part of the Group's strategy to expand its business segment. The purchase consideration for the acquisition was in the form of cash, with HK$20,000,000 (equivalent to approximately RMB17,365,000) paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Grand Intelligent Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Bank balances	22
Trade and other receivables	4,018
Trade payables	(52)
Other payable	(22)
Tax payable	(654)
Total identifiable net assets at fair value	3,312
Goodwill on acquisition *(note 17)*	14,053
Satisfied by cash	17,365

An analysis of the cash flows in respect of the acquisition of Grand Intelligent Group is as follows:

	RMB'000
Cash consideration	(17,365)
Bank balances acquired	22
Net outflow of cash and cash equivalents included in cash flows from investing activities	(17,343)

Since the acquisition, Grand Intelligent Group contributed approximately RMB217,000 to the Group's revenue and approximately RMB177,000 to the consolidated profit after tax for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year ended 31 December 2017, the revenue of the Group and the profit of the Group for the year ended 31 December 2017 would have been approximately RMB383,028,000 and approximately RMB1,331,000, respectively.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising financing activities

	Interest-bearing bank and other borrowings	
	2018	2017
	RMB'000	RMB'000
At 1 January	**389,886**	267,893
Changes from financing cash flows	**2,961**	139,721
Foreign exchange movement	**(4,220)**	(20,283)
Interest expense	**38,973**	37,939
Interest paid	**(25,694)**	(35,384)
At 31 December	**401,906**	389,886

34. COMMITMENTS

(a) Operating lease arrangements

The Group leases certain of its office premises and warehouse and are negotiated for terms ranging from one to three years (2017: one to two years).

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**3,210**	2,596
In the second to fifth years, inclusive	**7,125**	706
	10,335	3,302

(b) Capital commitments

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

	2018	2017
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**–**	32,326

35. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties during the year:

(a) During the year ended 31 December 2018, Yitou (China) Limited ("**Yitou**"), a company of which Mr. Xu Gefei (a director of the Company who appointed on 6 March 2018) is a controlling shareholder was granted an unsecured loan of US$25,000,000 (equivalent to RMB172,766,000) (2017: equivalent to RMB177,382,000) to the Group in 2017. The interest paid and payable of RMB16,436,000 to Yitou is calculated based on 10% per annum on a loan with principal amount of US$25,000,000. Further details of the loan are set out in note 27 to the financial statements.

(b) During the year ended 31 December 2017, a consultancy fee of RMB1,577,000 was paid to Mr. Yiu To Wa, a related party of the Company and considered as key management personnel of the Group as at 31 December 2017.

(c) Compensation of key management personnel of the Group:

The remuneration of directors of the Company, who also represented as members of key management of the Group, are set out in note 9 to the consolidated financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2018 RMB'000
Financial assets	
Financial assets at amortised cost	
Trade and notes receivables	198,973
Financial assets included in deposits, prepayments and other receivables	3,572
Cash and bank balances	24,458
	227,003
Financial assets at fair value through profit or loss — Designated as such upon initial recognition	
Financial assets at fair value through profit or loss	16,464
Financial liabilities	
Financial liabilities at amortised cost	
Trade payables	40,935
Financial liabilities included in other payables and accruals	2,748
Interest-bearing bank and other borrowings	401,906
	445,589

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	2017 RMB'000
Financial assets	
Loans and receivables	
Loan to an investment entity	64,946
Loan and interest receivables	54,583
Trade and notes receivables	171,614
Financial assets included in deposits, prepayments and other receivables	11,209
Financial assets at fair value through profit or loss	—
Cash and bank balances	64,691
	367,043
Available-for-sale financial investments	
Available-for-sale investments	21,919
Financial liabilities	
Financial liabilities at amortised cost	
Trade payables	42,762
Financial liabilities included in other payables and accruals	6,131
Interest-bearing bank and other borrowings	389,886
	438,779

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values: The fair values of listed equity investments are based on quoted market prices. The Group invests in unlisted investments, which represent a loan to an investment entity in Signapore and a school debenture in Hong Kong. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value on recurring basis:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant unobservable inputs (Level 2) RMB'000	Significant observable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2018				
Financial assets at fair value through profit or loss	**—**	**—**	**16,464**	**16,464**
As at 31 December 2017				
Available-for-sale investments:				
Listed equity investments	1,935	—	—	1,935

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 and 2017.

During the years ended 31 December 2018 and 2017, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Management has assessed that the fair values of financial assets and financial liabilities recorded at amortised cost and considered their carrying amounts approximate their fair values largely due to the short term maturities of these instruments.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2018 RMB'000	2017 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	—	—
Effect of adoption of HKFRS 9	64,946	—
At 1 January (restated)	64,946	—
Purchases	2,635	—
Repayment	(56,098)	—
Total gain recognised in the statement of profit or loss included in other income	1,370	—
Exchange realignment	3,611	—
At 31 December	16,464	—

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets of fair value through profit or loss, loan and interest receivables, trade and notes receivable, other receivables, deposits, cash and bank balances, trade and other payables, and interest-bearing bank and other borrowings.

The main risk arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group does not have any written risk management policies and guidelines. The board of directors reviews and agree policies for managing each of these risks and they are summarized below.

Foreign currency risk

The carrying amounts of major foreign currency denominated monetary assets and monetary liabilities (including loan and interest receivables, trade and notes receivables, deposits and other receivables, short-term bank deposits, cash and bank balances, trade and other payables, other borrowings and foreign currency denominated intra group balances) which expose the Group to foreign currency risk at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
HK$	16,824	48,362	194,998	216,323
US$	26	60,336	199,109	172,766
SGD	12,396	64,946	—	—

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

The following table details the sensitivity to a 5% (2017: 5%) increase and decrease in the relevant foreign currencies and all other variables were held constant. 5% is the sensitivity rate used which represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rate. A positive (negative) number below indicates a decrease (increase) in post-tax loss (2017: an increase (decrease) in post-tax profit) for the year where functional currencies of respective group entities strengthen 5% (2017: 5%) against foreign currencies. For a 5% (2017: 5%) weakening of functional currencies of respective group entities against foreign currencies, there would be an equal and opposite impact on the result for the year.

	2018 **RMB'000**	2017 RMB'000
HK$	**8,909**	8,398
US$	**9,954**	5,622
SGD	**(620)**	(3,247)

Credit risk

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018.

	12-month ECLs	**Lifetime ECLs**			
	Stage 1 RMB'000	**Stage 2** RMB'000	**Stage 3** RMB'000	**Simplified approach** RMB'000	RMB'000
Trade and notes receivables*	–	–	–	198,973	198,973
Financial assets included in deposits, prepayments and other receivables					
— Normal**	3,572	–	–	–	3,572
— Doubtful**	–	–	–	–	–
Cash and bank balances					
— Not yet past due	24,458	–	–	–	24,458
	28,030	–	–	198,973	227,003

* For trade and notes receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 21 to the financial statements.

** The credit quality of the financial assets included in deposits, prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging as at 31 December 2017

The maximum exposure to credit risk by the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

There is significant concentration of credit risk of the top five largest customers account over 67% (2017: 55%) of the carrying amounts of trade receivables at 31 December 2018. In order to minimise the credit risk, the management of the Group generally grants credit terms only to customers with good credit history and also closely monitors overdue trade debt. The recoverable amount of each individual trade debt is reviewed at the end of the reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the directors consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

At 31 December 2018, the Group has available unutilised short-term bank loan facilities of RMB4,000,000 (2017: RMB1,000,000).

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

	On demand or less than 1 year RMB'000	**More than 1 year** RMB'000	**Total undiscounted cash flows** RMB'000
At 31 December 2018			
Trade payables	**40,935**	**—**	**40,935**
Other payables	**2,748**	**—**	**2,748**
Interest-bearing bank and other borrowings	**225,344**	**200,652**	**425,996**
	269,027	**200,652**	**469,679**
At 31 December 2017			
Trade payables	42,762	—	42,762
Other payables	6,140	—	6,140
Interest-bearing bank and other borrowings	229,652	211,120	440,772
	278,554	211,120	489,674

As explained in note 2 to the financial statement, the directors have adopted or plan to adopt certain measures in order to improve the Group's financial and cash flow positions and to maintain the Group's as a going concern.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's bank borrowing with a floating interest rate. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As the Group is not exposed to significant interest rate risk, the directors consider that the presentation of sensitively analysis is unnecessary.

Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of debt balance and equity balance. Debt balances consists of interest-bearing bank and other borrowings. Equity balance consists of equity attributable to owners of the parent, comprising issued share capital and reserves.

The directors review the capital structure on an on-going annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new issues and the issue of new debt.

The Group is not subject to any externally imposed capital requirements.

39. EVENTS AFTER THE REPORTING PERIOD

(a) On 17 January 2019, Teamway China Development Limited ("**Teamway China**"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement (the "**Equity Transfer Agreement**") to acquire 70% equity interest of Shanghai Tonghui Construction Engineering Company Limited ("**Shanghai Tonghui**"), a company incorporated in the PRC engaging in construction engineering services at a consideration of RMB5,600,000 (the "**Acquisition**"). As at the date of this report, the Acquisition is still in the process and yet to be completed. Further details of which were set out in the Company's announcement dated 17 January 2019.

(b) Ms. Man See Yee resigned as an independent non-executive director of the Company with effect from 19 March 2019.

(c) Mr. Poon Lai Yin Michael was appointed as an independent non-executive director of the Company with effect from 19 March 2019.

(d) On 22 March 2019, the Board passed a resolution in relation to the discontinuance of the provision of corporate secretarial, consultancy and business valuation services business due to its unsatisfactory business and financial performance for the six months ended 31 December 2018 and the lack of business potential going forward.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**167,108**	387,378
Deposits and prepayments	**1,838**	1,611
Total non-current assets	**168,946**	388,989
CURRENT ASSETS		
Deposits, prepayments and other receivables	**647**	931
Due from subsidiaries	**79**	10,870
Cash and bank balances	**136**	2,183
Total current assets	**862**	13,984
CURRENT LIABILITIES		
Due to subsidiaries	**229,806**	188,100
Other payables and accruals	**3,620**	2,926
Interest-bearing other borrowings	**—**	24,775
Total current liabilities	**233,426**	215,801
NET CURRENT LIABILITIES	**(232,564)**	(201,817)
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET (LIABILITIES)/ASSETS	**(63,618)**	187,172
EQUITY		
Share capital	**8,852**	8,852
Reserves *(note)*	**(72,470)**	178,320
(Deficiency in assets)/total equity	**(63,618)**	187,172

Mr. Xu Gefei
Director

Ms. Ngai Mei
Director

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Shareholders' contributions RMB'000	(Accumulated losses)/ retained profits RMB'000	(Deficiency in assets)/ total equity RMB'000
At 1 January 2017	139,069	(11,287)	10,296	9,608	147,686
Loss for the year	—	—	—	(27,673)	(27,673)
Other comprehensive income for the year	—	15,450	—	—	15,450
Total comprehensive income/(loss) for the year	—	15,450	—	(27,673)	(12,223)
Issue of shares	42,857	—	—	—	42,857
At 31 December 2017 and 1 January 2018	181,926	4,163	10,296	(18,065)	178,320
Loss for the year	—	—	—	(239,072)	(239,072)
Other comprehensive loss for the year	—	(11,718)	—	—	(11,718)
Total comprehensive loss for the year	—	(11,718)	—	(239,072)	(250,790)
At 31 December 2018	**181,926**	**(7,555)**	**10,296**	**(257,137)**	**(72,470)**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2019.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**395,982**	379,016	375,737	189,048	218,590
Gross profit	**56,209**	111,954	111,027	40,441	46,145
(Loss)/profit before tax	**(317,038)**	15,443	52,987	2,289	21,907
Income tax expense	**(3,274)**	(17,418)	(37,232)	(4,852)	(7,806)
Profit/(loss) for the year (owners of the Company)	**(320,312)**	(1,975)	15,755	(2,563)	14,101

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND EQUITY					
Total assets	**429,441**	746,106	640,065	403,123	234,844
Total liabilities	**469,260**	462,171	394,745	207,379	36,648
(Deficiency in assets)/total equity	**(39,819)**	283,935	245,320	195,744	198,196