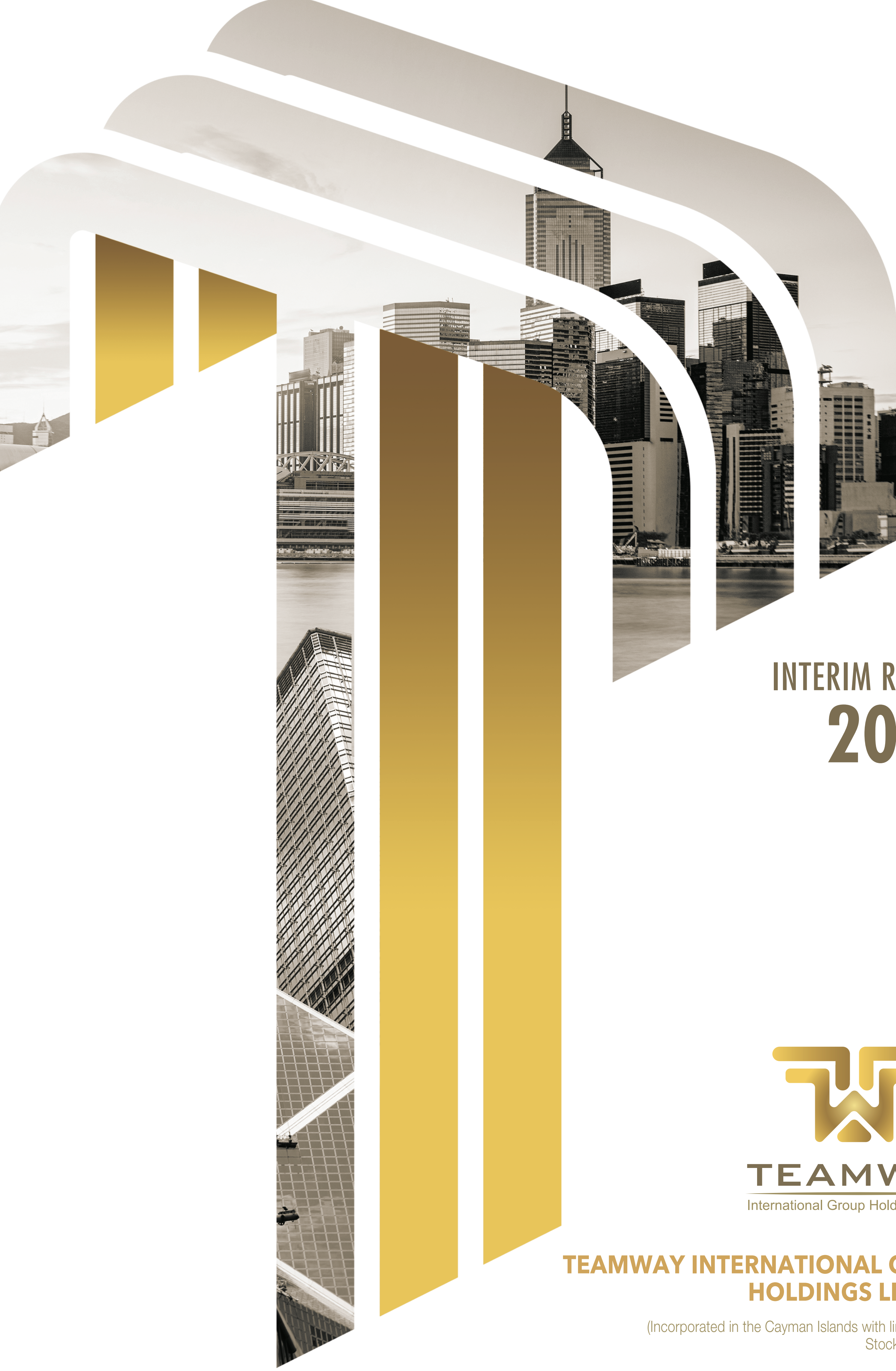

INTERIM REPORT 2019

TEAMWAY
International Group Holdings Limited

TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Gefei *(Chairman)*
Ms. Ngai Mei
Mr. He Xiaoming *(resigned on 2 April 2019)*

Independent Non-Executive Directors

Mr. Poon Lai Yin Michael *(appointed on 19 March 2019)*
Mr. Chow Ming Sang *(appointed on 21 June 2019)*
Mr. Chan Ka Leung Kevin *(appointed on 21 June 2019)*
Ms. Man See Yee *(resigned on 19 March 2019)*
Mr. So Stephen Hon Cheung *(resigned on 10 June 2019)*
Mr. Chan Chung Yin Victor *(retired on 20 June 2019)*

AUDIT COMMITTEE (THE "AUDIT COMMITTEE")

Mr. Poon Lai Yin Michael *(Chairman)*
(appointed on 19 March 2019)
Mr. Chow Ming Sang *(appointed on 21 June 2019)*
Mr. Chan Ka Leung Kevin *(appointed on 21 June 2019)*
Ms. Man See Yee *(resigned on 19 March 2019)*
Mr. So Stephen Hon Cheung *(resigned on 10 June 2019)*
Mr. Chan Chung Yin Victor *(retired on 20 June 2019)*

NOMINATION COMMITTEE

Mr. Poon Lai Yin Michael *(Chairman)*
(appointed on 19 March 2019)
Mr. Chow Ming Sang *(appointed on 21 June 2019)*
Mr. Chan Ka Leung Kevin *(appointed on 21 June 2019)*
Ms. Man See Yee *(resigned on 19 March 2019)*
Mr. So Stephen Hon Cheung *(resigned on 10 June 2019)*
Mr. Chan Chung Yin Victor *(retired on 20 June 2019)*

REMUNERATION COMMITTEE

Mr. Chan Ka Leung Kevin *(Chairman)*
(appointed on 21 June 2019)
Mr. Poon Lai Yin Michael *(appointed on 19 March 2019)*
Mr. Chow Ming Sang *(appointed on 21 June 2019)*
Ms. Man See Yee *(resigned on 19 March 2019)*
Mr. So Stephen Hon Cheung *(resigned on 10 June 2019)*
Mr. Chan Chung Yin Victor *(retired on 20 June 2019)*

COMPANY SECRETARY

Mr. Chang Chi Wai Stanley *(appointed on 17 May 2019)*
Ms. Choi Yee Man *(resigned on 17 May 2019)*

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

REGISTERED OFFICE

P.O. Box 1350, Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTER 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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Ltd.
P.O. 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

STOCK CODE

01239

COMPANY WEBSITE

www.teamwaygroup.com

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
CONTINUING OPERATIONS			
Revenue	4	**202,197**	196,543
Cost of sales		**(169,641)**	(165,467)
Gross profit		**32,556**	31,076
Other income and gains/(losses), net	5	**25,171**	4,199
Selling and distribution expenses		**(16,127)**	(13,553)
Administrative expenses		**(21,120)**	(42,607)
Finance costs	6	**(23,142)**	(19,630)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	7	**(2,662)**	(40,515)
Income tax expenses	8	**(1,477)**	(2,817)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(4,139)**	(43,332)
DISCONTINUED OPERATIONS			
Profit after tax for the period from discontinued operations	12	**10,373**	—
PROFIT/(LOSS) FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE PARENT		**6,234**	(43,332)
		RMB cents	RMB cents (restated)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted	10	**0.54**	(3.93)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**6,234**	(43,332)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
— Exchange differences on translation of foreign operations	**395**	(192)
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	**52**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**447**	(192)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE PARENT	**6,681**	(43,524)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**59,712**	63,376
Investment properties		**88,379**	88,278
Right-of-use assets		**8,210**	—
Prepaid land lease payments		**4,256**	4,314
Deposits and prepayments		**1,840**	8,160
Deferred tax assets		**14**	14
Total non-current assets		**162,411**	164,142
CURRENT ASSETS			
Inventories		**13,828**	17,239
Prepaid land lease payments		**116**	116
Trade and notes receivables	11	**207,046**	198,973
Deposits, prepayments and other receivables		**3,426**	7,970
Financial assets at fair value through profit or loss		**—**	16,464
Tax recoverable		**—**	79
Cash and bank balances		**70,040**	24,458
Assets from deconsolidated subsidiaries	12	**12,994**	—
Total current assets		**307,450**	265,299
CURRENT LIABILITIES			
Trade payables	13	**55,379**	40,935
Other payables and accruals	14	**6,491**	10,792
Interest-bearing bank and other borrowings	15	**247,722**	224,524
Lease liabilities		**2,701**	—
Tax payables		**1,409**	12,837
Total current liabilities		**313,702**	289,088
NET CURRENT LIABILITIES		**(6,252)**	(23,789)
TOTAL ASSETS LESS CURRENT LIABILITIES		**156,159**	140,353
NON-CURRENT LIABILITIES			
Interest-bearing other borrowing	15	**171,438**	177,382
Lease liabilities		**5,632**	—
Deferred tax liabilities		**2,792**	2,790
Total non-current liabilities		**179,862**	180,172
Net liabilities		**(23,703)**	(39,819)
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**9,324**	8,852
Reserves		**(33,027)**	(48,671)
Deficiency in assets		**(23,703)**	(39,819)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital RMB'000	Share premium account RMB'000	Special reserve RMB'000	Exchange fluctuation reserve RMB'000	PRC capital reserve RMB'000	PRC statutory reserves RMB'000	Shareholders' contributions RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2018 (audited)	8,852	181,926	(27,434)	(7,170)	(8)	32,746	10,296	84,727	283,935
Loss for the period	–	–	–	–	–	–	–	(43,332)	(43,332)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	–	–	–	(192)	–	–	–	–	(192)
Total comprehensive loss for the period	–	–	–	(192)	–	–	–	(43,332)	(43,524)
Transfer from retained profits	–	–	–	–	–	–	–	(3)	(3)
At 30 June 2018 (unaudited)	8,852	181,926	(27,434)	(7,362)	(8)	32,746	10,296	41,392	240,408

	Share capital RMB'000	Share premium account RMB'000	Available-for-sale investment revaluation/ fair value reserve RMB'000	Special reserve RMB'000	Exchange fluctuation reserve RMB'000	PRC capital reserve RMB'000	PRC statutory reserves RMB'000	Shareholders' contribution RMB'000	Accumulated losses RMB'000	Deficiency in assets RMB'000
At 1 January 2019 (audited)	**8,852**	**181,926**	**–**	**(27,434)**	**(11,430)**	**(8)**	**33,309**	**10,296**	**(235,330)**	**(39,819)**
Profit for the year	–	–	–	–	–	–	–	–	6,234	6,234
Other comprehensive income for the period:										
Equity investment designed at fair value										
– Changes in fair value	–	–	52	–	–	–	–	–	–	52
Exchange differences on translation of foreign operations	–	–	–	–	395	–	–	–	–	395
Total comprehensive income for the period	–	–	52	–	395	–	–	–	6,234	6,681
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	(52)	–	–	–	–	–	52	–
Issue of shares *(note 16(a))*	472	8,963	–	–	–	–	–	–	–	9,435
30 June 2019 (unaudited)	**9,324**	**190,889**	**–**	**(27,434)**	**(11,035)**	**(8)**	**33,309**	**10,296**	**(229,044)**	**(23,703)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash flows from/(used in) operating activities	**13,531**	(5,287)
Net cash flows from/(used in) investing activities	**18,300**	(21,456)
Net cash flows from financing activities	**12,931**	18,099
Net increase/(decrease) in cash and cash equivalents	**44,762**	(8,644)
Cash and cash equivalents at the beginning of period	**24,458**	64,691
Effect of foreign exchange rate changes, net	**820**	1,209
Cash and cash equivalents at the end of period represents by:		
Cash and bank balances	**70,040**	57,256

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Teamway International Group Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 4 January 2011 and its shares (the "**Share(s)**") are listed on the Main Board of 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. The Company is an investment holding company.

During the period, the Group discontinued the principal activity of provision for corporate secretarial, consultancy and business valuation services for the period ended 30 June 2019. The Group was involved in the following principal activities:

Continuing activities

- design, manufacture and sale of packaging products and structural components in the People's Republic of China (the "**PRC**")
- property investment

Discontinued activity

- provision for corporate secretarial, consultancy and business valuation services

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The unaudited condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

In the preparation of unaudited condensed consolidated financial statements for the six months ended 30 June 2019, the Group's current liabilities exceeds current assets by approximately RMB6,252,000. In view of this circumstance, the Directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

2. BASIS OF PREPARATION *(Continued)*

The directors of the Company have carefully assessed the Group's liquidity position. In the opinion of the directors:

(1) the Company is in the process of negotiating with borrower for an extension of the interest-bearing borrowing of approximately RMB191 million, the original due date for the repayment of the which was 30 September 2017 and was then extended to 30 September 2018. The management reached out to borrower to start negotiations on a further extension of the borrowing in August 2018. In the meantime, the Company has continued to pay the amount of interest on the borrowing as requested by borrower. The management verbally put forwarded their latest proposal to borrower in or around the middle of May 2019 and received a new proposal from borrower in the middle of August 2019. They are actively negotiating with borrower and there has not been any indication that borrower will refuse to extend the borrowing. The Company intends to conclude the negotiation and extend the borrowing by or around December 2019; and

(2) the Company is actively seeking new investors to inject capital and intends to utilize the general mandate passed

Accordingly, the Directors of the Company consider that the preparation of these condensed consolidated financial statements on a going concern basis is appropriate.

3. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

3. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised HKFRSs has had no significant financial impact on these Financial Statements. The nature and impact of the HKFRS 16 are described as below:

HKFRS 16 Leases

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 accounts for all leases under a single on-balance sheet model. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of plant and machinery, and land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

3. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the condensed consolidated statement of financial positions as at 30 June 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	RMB'000 (unaudited)
Assets	
Increase in right-of-use assets	8,956
Increase in total assets	8,956
Liabilities	
Increase in lease liabilities	8,956
Increase in total liabilities	8,956

3. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is follows:

	RMB'000 (unaudited)
Operating lease commitments as at 31 December 2018	10,335
Weighted average incremental borrowing rate as at 1 January 2019	6.5%
Discounted operating lease commitments at 1 January 2019	9,738
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(782)
Lease liabilities as at 1 January 2019	8,956

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 16 Leases *(Continued)*

Summary of new accounting policies (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Amounts recognised in the condensed consolidated statement of financial position and condensed consolidated income statement

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the period are as follows:

	Right-of-use assets	
	Property	**Lease liabilities**
	RMB'000	RMB'000
As at 1 January 2019	8,956	8,956
Depreciation	(746)	—
Interest expense	—	278
Payments	—	(901)
As at 30 June 2019	8,210	8,333

The Group recognised rental expense from short-term leases of RMB796,000 for the period.

4. REVENUE AND OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services. During the period, the Group discontinued the principal activity of provision for corporate secretarial, consultancy and business valuation services for the period ended 30 June 2019.

The Group has presented the following reportable segments:

Continuing operations

- design, manufacture and sale of packaging products and structural components in the People's Republic of China (the "**PRC**")
- property investment

Discontinued operations

- provision for corporate secretarial, consultancy and business valuation services

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, dividend income from unlisted investment, finance costs as well as head office and corporate expenses are excluded from such measurement.

4. REVENUE AND OPERATING SEGMENT INFORMATION *(Continued)*

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

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

Six months ended 30 June 2019	Sales of packaging products and structural components RMB'000 (unaudited)	Property investment RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue:			
Revenue from external customers	202,197	–	202,197
Segment results	3,616	(148)	3,468
Reconciliation:			
Interest income			63
Dividend income from unlisted investment			28,610
Finance costs			(23,142)
Corporate and other unallocated expenses			(11,661)
Loss before tax from continuing operations			(2,662)
Income tax expenses			(1,477)
Loss for the period from continuing operations			(4,139)

4. REVENUE AND OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2018	Sales of packaging products and structural components RMB'000 (unaudited)	Corporate secretarial, consultancy and business valuation services RMB'000 (unaudited)	Property investment RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue:				
Revenue from external customers	190,573	5,970	—	196,543
Segment results	11,316	2,750	(172)	13,894
Reconciliation:				
Interest income				3,897
Finance costs				(19,630)
Corporate and other unallocated expenses				(38,676)
Loss before tax				(40,515)
Income tax expense				(2,817)
Loss for the period				(43,332)

4. REVENUE AND OPERATING SEGMENT INFORMATION *(Continued)*

30 June 2019	Sales of packaging products and structural components RMB'000 (unaudited)	Property investment RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment assets	309,811	88,435	398,246
Reconciliation:			
Deferred tax assets			14
Corporate and other unallocated assets			58,361
Assets related to discontinued operations			13,240
Total assets			469,861
Segment liabilities	72,679	140	72,819
Reconciliation:			
Interest-bearing bank and other borrowings			408,160
Deferred tax liabilities			2,792
Corporate and other unallocated liabilities			9,547
Liabilities related to discontinued operations			246
Total liabilities			493,564

4. REVENUE AND OPERATING SEGMENT INFORMATION *(Continued)*

31 December 2018	Sales of packaging products and structural components RMB'000 (audited)	Corporate secretarial, consultancy and business valuation services RMB'000 (audited)	Property investment RMB'000 (audited)	Total RMB'000 (audited)
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. OTHER INCOME AND GAINS/(LOSSES), NET

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	**64**	3,897
Foreign exchange differences, net	**(3,277)**	(768)
Gain on disposal of financial assets at fair value through other comprehensive income	**—**	789
Dividend income from unlisted investment	**28,610**	—
Others	**(226)**	281
	25,171	4,199

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank borrowings	**374**	150
Interest on other borrowings	**21,856**	17,584
Interest on lease liabilities	**278**	—
Finance costs arising on discounted trade and notes receivables	**633**	1,894
Others	**1**	2
	23,142	19,630

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

Loss before tax from continuing operations has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**4,570**	6,264
Amortisation of prepaid lease payments	**58**	58
Auditors' remuneration	**—**	66
Operating lease rentals in respect of premises	**1,525**	1,438
Impairment loss on loan receivables	**—**	23,128
Cost of inventories recognised as an expense (including write-down recognised on inventories)	**169,641**	161,827
Directors' emoluments	**1,994**	1,966
Other employee salaries and benefits	**27,838**	26,098
Contributions to retirement benefits schemes, excluding those of Directors	**2,519**	2,173
Total employee benefits expenses	**32,351**	30,237

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2019 and 2018. 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 PRC Enterprise Income Tax ("**EIT**") in respect of operations in the PRC has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the six months ended 30 June 2019 and 2018, or otherwise, 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").

8. INCOME TAX EXPENSE *(Continued)*

Withholding tax represented withholding tax paid in respect of the dividends distributed from certain PRC subsidiaries during the period.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current — Hong Kong		
Charge for the period	**—**	830
Current — PRC		
Charge for the period	**1,475**	1,587
Withholding tax	**—**	371
Deferred	**2**	29
Total tax charge for the period	**1,477**	2,817

9. DIVIDENDS

No dividends were paid, declared or proposed during the period, nor has any dividend been proposed since the end of the reporting period (for the six months ended 30 June 2018: Nil).

10. EARNINGS/(LOSS) PER SHARE — BASIC AND DILUTED

The calculation of basic earnings/(loss) per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of approximately RMB6,234,000 (for the six months ended 30 June 2018: loss of approximately RMB43,332,000) and the weighted average number of 1,158,334,000 ordinary shares (30 June 2018: 1,103,334,000 (restated) ordinary shares) in issue during the period.

For the six months ended 30 June 2018 comparative figure has been restated with the effect of share consolidation as presented in Note 16(b) to the condensed consolidated financial statements.

The diluted earnings/(loss) per share amounts is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in issue during the six months ended 30 June 2019 and 2018.

11. TRADE AND NOTES RECEIVABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade receivables		
— from sales of packaging products and structural components	**122,926**	127,264
— from rendering of corporate secretarial, consultancy and business valuation services	**—**	25
	122,926	127,289
Notes receivables	**84,120**	71,684
	207,046	198,973

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 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.

11. TRADE AND NOTES RECEIVABLES *(Continued)*

An aged 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:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 3 months	**104,927**	117,402
4 to 6 months	**16,602**	9,112
7 months to 1 year	**1,293**	703
Over 1 year	**104**	72
	122,926	127,289

12. DISCONTINUED OPERATIONS/DECONSOLIDATION OF SUBSIDIARIES

Treasure Found Investments Limited and its subsidiaries (collectively referred to as "**Treasure Found Group**") ceased to be subsidiaries of the Company following the resolution passed by the Board to discontinue the provision of corporate secretarial, consultancy and business valuation services business on 22 March 2019, and their results, assets and liabilities are no longer consolidated into the Group's financial statements. The companies in the Treasure Found Group were placed into liquidation in which they were excluded from the condensed consolidated financial statements and were classified as Deconsolidated Subsidiaries.

(a) Assets from deconsolidated subsidiaries

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited)
At 1 January	**—**	—
Arising on deconsolidation of subsidiaries	**12,994**	—
At 30 June/31 December	**12,994**	—

12. DISCONTINUED OPERATIONS/DECONSOLIDATION OF SUBSIDIARIES

(Continued)

(b) The profit for the period from discontinued operations is analysed as follows:

	Six months ended 30 June 2019 RMB'000 (unaudited)
Other income and gains/(losses), net	10
Administrative expenses	(1,355)
Loss before tax	(1,345)
Income tax credit	11,718
Profit after tax for the period from discontinued operations	10,373

Profit for the period from discontinued operation has been arrived at after charging:

	Six months ended 30 June 2019 RMB'000 (unaudited)
Auditors' remuneration	36
Other employee salaries and benefits	920
Contributions to retirement benefits schemes, excluding those of Directors	74
Total employee benefits expenses	994

12. DISCONTINUED OPERATIONS/DECONSOLIDATION OF SUBSIDIARIES

(Continued)

(b) The profit for the period from discontinued operations is analysed as follows:

(Continued)

Details of the results of Treasure Fund Group for the period from 1 January 2018 to 30 June 2018, which have been included in the condensed consolidated statement of profit or loss, were as follows:

	Six months ended 30 June 2018 RMB'000 (unaudited)
Revenue	5,970
Cost of sales	(3,620)
Gross profit	2,350
Other income and gains/(losses), net	863
Administrative expenses	(463)
Profit before tax	2,750
Income tax credit	—
Profit after tax for the period from discontinued operations	2,750

Profit for the period from discontinued operation has been arrived at after charging:

	Six months ended 30 June 2018 RMB'000 (unaudited)
Auditors' remuneration	29
Other employee salaries and benefits	204
Total employee benefits expenses	204

13. TRADE PAYABLES

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 3 months	**46,160**	39,398
4 to 6 months	**5,840**	832
7 months to 1 year	**2,957**	227
Over 1 year	**422**	478
	55,379	40,935

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

14. OTHER PAYABLES AND ACCRUALS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Contract liabilities	**38**	421
Accruals	**1,874**	6,000
Other payables	**4,579**	4,371
	6,491	10,792

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2019 (unaudited) Contractual interest rate (%)	Maturity	RMB'000	At 31 December 2018 (audited) Contractual interest rate (%)	Maturity	RMB'000
Current:						
Bank loan — secured RMB loan *(note a)*	**4.35**	**on demand**	**11,000**	5.65-5.66	on demand	12,000
Other borrowings:						
— unsecured US$ loan	**6.5**	**2019**	**32,667**	6.5	2019	21,727
— secured HK$ loan *(note b)*	**10**	**2018**	**204,055**	10	2018	190,797
			247,722			224,524
Non-current:						
Other borrowing:						
— unsecured US$ loan	**10**	**2020**	**171,438**	10	2020	177,382
			419,160			401,906

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 RMB12,555,000 (31 December 2018: RMB13,487,000).

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

16. SHARE CAPITAL

	Authorised			
	Ordinary shares of HK$0.01 each		Ordinary shares of HK$0.001 each	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000
At 1 January 2018 (audited), 31 December 2018 (audited) and 1 January 2019 (audited)	–	–	200,000,000,000	200,000
Share consolidation *(note b)*	20,000,000,000	200,000	(200,000,000,000)	(200,000)
At 30 June 2019 (unaudited)	20,000,000,000	200,000	–	–

A summary of the movements in the Company's authorised and issued share capital during the period is as follows:

	Number of shares	Amount HK$'000	Equivalent to RMB RMB'000
At 1 January 2018 (audited), 31 December 2018 (audited) and 1 January 2019 (audited)	11,033,340,000	11,033	8,852
Issue of ordinary shares under general mandate *(note a)*	550,000,000	550	472
Shares consolidation *(note b)*	(10,425,006,000)	—	—
At 30 June 2019 (unaudited)	1,158,334,000	11,583	9,324

Notes:

a. On 7 January 2019, the Company entered subscription agreements with Ms. Liu Xiaobei (the "**Subscriber I**") and Ms. Chen Yiru (the "**Subscriber II**"), pursuant to which the Subscriber I and Subscriber II have agreed to subscribe for, and the Company has agreed to allot and issue, a total of 550,000,000 ordinary share of the Company (the "**Subscription Share(s)**") at issue price of the HK$0.02 per Subscription Share for an aggregate amount of HK$11,000,000 (equivalent to approximately RMB9,435,000). Details of which were disclosed in the Company's announcements dated 7 January 2019 and 4 February 2019.

b. Pursuant to an ordinary resolution passed on 21 February 2019, every ten issued existing ordinary shares with par value of HK$0.001 each in the share capital of the Company were consolidated into one consolidated share with par value of HK$0.01 each with effective on 22 February 2019.

17. OPERATING LEASES ARRANGEMENTS

The Group leases certain of its office premises and warehouses and are negotiated for terms ranging from one to three years (2018: one to two years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within one year	**3,199**	3,210
In the second to fifth years, inclusive	**5,566**	7,125
Total	**8,756**	10,335

18. RELATED PARTY DISCLOSURE

Save as disclosed elsewhere in the unaudited condensed consolidated financial statements, there were no other significant related party transactions and balances during the six months ended 30 June 2019 and 2018.

19. EVENT AFTER THE END OF THE REPORTING PERIOD

There was no material event subsequent to the end of the interim period ended 30 June 2019.

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 PRC; and (ii) property investment. During the period ended 30 June 2019, the Company has discontinued the business of provision of corporate secretarial, consultancy and business valuation services.

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:

	Six months ended 30 June			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Packaging products				
Televisions	**40,973**	**20.3**	34,948	18.3
Air conditioners	**63,254**	**31.3**	59,165	31.1
Refrigerators	**37,987**	**18.8**	35,315	18.5
Washing machines	**32,832**	**16.2**	32,292	16.9
Water heater	**7,540**	**3.7**	7,356	3.9
Information Technology products	**—**	**—**	9,464	5.0
Others	**5,657**	**2.8**	449	0.2
Structural components				
For air conditioners	**13,954**	**6.9**	11,584	6.1
Total	**202,197**	**100.0**	190,573	100.0

For the six months ended 30 June 2019, the revenue amounted to approximately RMB202,197,000, increased by approximately RMB11,624,000 or 6.1% when compared to that of approximately RMB190,573,000 for the six months ended 30 June 2018.

The revenue by product type remained relatively stable. For the six months ended 30 June 2019, the revenue derived from the Group's products for air conditioners, refrigerators and televisions (including packaging products and structural components) made the largest, second largest and third largest contributions to the segment revenue, amounting approximately RMB156,168,000 or 77.3% of segment revenue (for the six months ended 30 June 2018: approximately RMB141,012,000 or 74.0% of segment revenue).

Cost of sales

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

	Six months ended 30 June			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Raw materials	**125,257**	**73.8**	122,464	75.7
Direct labour costs	**16,687**	**9.8**	13,389	8.3
Manufacturing overhead	**27,697**	**16.4**	25,975	16.0
Staff costs	**2,208**	**1.3**	1,788	1.1
Depreciation	**2,894**	**1.7**	5,208	3.2
Utilities	**14,168**	**8.4**	12,472	7.7
Processing charges	**7,728**	**4.6**	6,286	3.9
Rental expenses	**—**	**—**	3	—
Others	**699**	**0.4**	218	0.1
Total	**169,641**	**100.0**	161,828	100.0

For the six months ended 30 June 2019, the cost of sales amounted to approximately RMB169,641,000, increased by approximately RMB7,813,000 or 4.8% when compared to that of approximately RMB161,828,000 for the six months ended 30 June 2018.

The overall operating environment for manufacturing industries remained tough. Even the revenue was recorded an increase in the current period, the Group is still facing a challenge of increasing raw material costs, manufacturing overheads and direct labour costs, as a result of the increase in commodities prices, the increase in average level of wages and general inflation in the PRC. Such increase was a bit slower than the increment in revenue, and thus the gross profit margin increased slightly to approximately 16.1% for the six months ended 30 June 2019 to as compared to approximately 15.1% for the six months ended 30 June 2018.

Supply of raw materials

The Group purchases raw materials and components necessary for the manufacturing of its 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 its purchases from the list. The Group has established long-term commercial relationships with its major suppliers for stable supply and timely delivery of high quality raw materials and components. The Group has not experienced any major difficulties in procuring raw materials and components necessary for the manufacture of packaging products for the six months ended 30 June 2019. 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 current production capacity enables the Group to promptly respond to market demand and strengthen its market position.

Discontinued business — Provision of Corporate Secretarial, Consultancy and Business Valuation Services Business

The corporate secretarial, consultancy and business valuation services business is conducted under Treasure Found Group. For the six months ended 30 June 2019, no segment revenue or profit was recorded (for the six months ended 30 June 2018: a segment revenue of approximately RMB5,970,000 and a segment profit of approximately RMB2,750,000).

Due to the unsatisfactory financial performance and the uncertainty in business prospects of the corporate secretarial, consultancy and business valuation services business going forward, the Board passed a resolution on 22 March 2019 to discontinue the corporate secretarial, consultancy and business valuation services business.

Following the resolution passed by the Board to discontinue the corporate secretarial, consultancy and business valuation services business of the Treasure Found Group on 22 March 2019, the companies in the Treasure Found Group were placed into voluntary liquidation and liquidators were appointed in their respective jurisdictions in June 2019.

Property Investment Business

Investment properties of the Group include two residential premises located in Hong Kong and Singapore respectively. Both properties were investment properties acquired for investment purposes such as capturing long-term capital gain or generating rental income.

For the six months ended 30 June 2019, both properties were still at vacant possession and no revenue was generated from this business segment for the six months ended 30 June 2019.

After the reporting period, both the premises in Hong Kong and Singapore were rented out. The rent for the residential premises 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 a gross floor area of approximately 1,568 square feet commenced in July 2019 while the rent for the residential premises in Singapore, located 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 will commence in October 2019.

To improve the liquidity of the Company, the Company has listed the investment property located in Singapore for sale and expects that the investment property will be sold within or around the next three months. Since the market price of the investment property constitutes a significant portion of the Company's assets, the proposed sale is likely to constitute a notifiable transaction which will be subject to notification, publication and/or shareholders' approval requirements, the Company expects that it will take around a further 3 to 6 months to complete the approval processes before the sale can be completed.

FUTURE OUTLOOK

Packaging Products and Structural Components Business

The global economy is weakening due to the ongoing Chinese-US trade conflict. China's economic growth is likely to be impacted by the uncertainty over international trade. Notwithstanding various unfavourable conditions, China recorded real GDP growth of 6.3% for the first half of the year. To face the challenges, China has prioritised its aim in encouraging stronger domestic consumption and services industry with the necessary monetary, fiscal and employment support. China's economic development is expected to progress on a steady path.

Over the years, the packaging products and structural components business has been able to maintain a relatively stable gross profit margin and continues to provide a stable source of income to the Company, notwithstanding the continuing increase in production costs such as labour costs and material costs.

Under this challenging operating conditions, the management is continuously exploring cost reduction measures while trying to look for new customers at the same time in order to maximize the financial performance of this segment.

Property Investment Business

The property market in Hong Kong remained stable for the first half of 2019, largely attributable to the constant demand for residential properties and prospects of a U.S. interest rate cut. Given the strong demands for residential housing from Hong Kong people, the residential property sector is expected to remain stable after the price correction last August. However, uncertainties arising from the trade negotiations between China and the United States, challenging macro environment and prolonged political issue of Hong Kong have heightened the market risks and Hong Kong's property market would inevitably be affected.

Singapore's house prices are highly correlated with GDP growth. Strong GDP growth that results in strong house price growth could result in the government implementing cooling measures and in turn depress house prices. On the other hand, when GDP growth is weak, we expect house price growth to be weak, and the government may lift cooling measures and provides support for house prices. Therefore, the house prices in Singapore are expected to grow steadily in the long run.

Politic uncertainties are clouding the global economic prospects and global growth is anticipated to be slow. With the trade tensions remain unresolved, international trade and investment are expected to be softened. In Hong Kong, the Government announced to lower its projected 2019 GDP growth forecast to between 0% to 1% from the original range 2% to 3%. Hong Kong's economy faces 'risk of downturn' amid months of protests of the extradition bill. However, the low unemployment and interest rates have provided strong support to Hong Kong economy, especially the property market. We will move forward with caution amidst this challenging and uncertain environment.

Due to challenging operating environment for the packaging products and structural components business and the discontinuance of provision of corporate secretarial, consultancy and business valuation services business, the Company will continuously look for attractive investment opportunities to broaden and diversify its income source and promote long-term development.

In order for the Company not to miss out any investment opportunities and have the funds to invest in a timely manner, the Company will from time to time explore fund raising opportunities that may arise in the market or may realise the existing investment to raise sufficient funds for such purpose.

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.

UPDATE ON LITIGATION IN RELATION TO A LOAN RECEIVABLE

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.

Rossoneri was only able to repay all the interests up to 30 April 2018 and part of the principal amount of US$1,000,000 (the "**Repaid Amount**"). 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.

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.

As suggested by lawyer, the Company issued an application for summary judgement on 14 May 2019. The application for summary judgement has been adjourned to 11 September 2019 for full argument and the Company expects the court will render a judgement shortly after. 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.

FINANCIAL REVIEW

Financial results

For the six months ended 30 June 2019, the Group recorded the revenue of approximately RMB202,197,000, representing an increase of approximately RMB5,654,000 or 2.9% as compared to that of approximately RMB196,543,000 for the six months ended 30 June 2018.

Profit attributable to owners of the Company was approximately RMB6,234,000 for the six months ended 30 June 2019, increased by approximately RMB49,566,000 when compared to loss of approximately RMB43,332,000 for the six months ended 30 June 2018.

Basic and diluted earnings per share was RMB0.54 cents and RMB0.54 cents respectively for the six months ended 30 June 2019 (for the six months ended 30 June 2018: basic and diluted loss per share of RMB3.93 cents and RMB3.93 cents respectively).

Liquidity and Financial Resources

As at 30 June 2019, bank balances and cash of the Group amounted to approximately RMB70,040,000 of which approximately 68.3% was denominated in HK$, approximately 0.1% was denominated in US$, approximately 0.1% was denominated in Singapore Dollars and the rest was denominated in RMB (31 December 2018: approximately RMB24,458,000 of which approximately 59.7% was denominated in HK$, approximately 0.1% was denominated in US$, approximately 0.2% was denominated in Singapore Dollars and the rest was denominated in RMB).

Details of bank and other borrowings of the Group as at 30 June 2019 are set out in Note 15 to the unaudited condensed consolidated financial statements.

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

As at 30 June 2019 and the date of this report, a total of 1,158,334,000 Shares with par value of HK$0.01 each are in issue.

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reporting period as compare with the year ended 31 December 2018.

Capital expenditure

Capital expenditure of the Group mainly includes the purchase of properties, plants and equipment. During the Period, capital expenditure of the Group amounted to approximately RMB3,480,000 (for the six months ended 30 June 2018: approximately RMB4,489,000).

Capital commitment

As at 30 June 2019, the Group had no capital commitment (31 December 2018: NIL).

Contingent liabilities

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: Nil).

Pledge of Assets

As at 30 June 2019, the Group had pledged (i) assets of buildings and prepaid lease payments to the bank in the amount of approximately RMB12,555,000 (31 December 2018: approximately RMB13,487,000); and (ii) the entire issued share capital of a wholly- owned subsidiary of the Company as at 30 June 2019 and 31 December 2018.

Gearing ratio

As at 30 June 2019, the gearing ratio was 0.95 (31 December 2018: 0.94), which was measured on the basis of the Group's total borrowings divided by total equity.

Foreign exchange risk

Business transactions of the Group are mainly denominated in HK$, RMB and US$. 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, TRAINING AND REMUNERATION POLICY

As at 30 June 2019, the Group has a number of 701 employees (30 June 2018: 687 employees). Total employee benefit expenses amounted to approximately RMB32,351,000 for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB30,296,000). 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.

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

As at 30 June 2019, the interests and short positions of each Director 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 are required (i) 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 they were taken or deemed to have under such provisions of the SFO); (ii) to be entered into the register maintained by the Company pursuant to Section 352 of Part XV of the SFO, or (iii) to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, 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 1)*	Interest of controlled corporation	379,840,000	32.79%

Note:

1. Mr. Xu Gefei beneficially held the entire issued share capital of Grand Luxe Limited and Yitou (China) Limited, which in turn, beneficially held 337,020,000 Shares and 42,820,000 Shares (i.e. 379,840,000 Shares in total).

Save as disclosed above, as at 30 June 2019, 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.

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

The register of substantial shareholders of the Company required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2019, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

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	337,020,000	29.10%
Mr. Xu Gefei *(Note 1)*	Interest of controlled corporation	379,840,000	32.79%
Mr. Jiang Zhong *(Note 2)*	Beneficial owner and Interest of controlled corporation	833,340,000	7.19%

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 337,020,000 Shares and 42,820,000 Shares (i.e. 379,840,000 Shares in total).

2. Mr. Jiang Zhong beneficially owns 57,000,000 Shares, which is approximately 4.92% of the issued share capital of the Company. Mr. Jiang Zhong also owns the entire issued share capital of Media Range Limited which owns 26,334,000 Shares, which is approximately 2.27% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2019, 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.

SHARE OPTION SCHEME

During the six months ended 30 June 2019, no share options had been granted, exercised, lapsed or cancelled.

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 30 June 2019, the Group had used up all the net proceeds, 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$29,000,000 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.

USE OF PROCEEDS FROM THE SHARE SUBSCRIPTION

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**").

The proceed received by the Company from the Share Subscription, after deducting the relevant costs of the Share Subscription, amounted to approximately HK$11,000,000 in total. The Company intended to use the net proceeds as the general working capital and for repayment of interests of existing debts of the Group.

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

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this report, for the six months ended 30 June 2019, there was no material acquisition, disposal or investment by the Group.

DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

SEGMENT INFORMATION

Details of segment information of the Group for the six months ended 30 June 2019 are set out in Note 5 to the unaudited condensed consolidated financial statements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the 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. Upon specific enquiries of all existing Directors, each of them confirmed that they have complied with the Model Code throughout the Period.

CORPORATE GOVERNANCE

During the six months ended 30 June 2019, the Company has adopted the code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the CG Code. The Company was in full compliance with the applicable Code Provisions for the six months ended 30 June 2019.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have not been reviewed by the auditors of the Company. The audit committee of the Company (comprised all independent non-executive Directors) has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the Group's management, discussed the matters concerning the internal controls, as well as reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 and this report.

On behalf of the Board

Xu Gefei
Chairman and Executive Director

Hong Kong, 28 August 2019

In case of any inconsistency, the English text of this report shall prevail over the Chinese text.