TEAMWAY
International Group Holdings Limited

TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01239)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Director(s)**") of Teamway International Group Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018, together with the comparative annual results of the Group for the year ended 31 December 2017. The annual results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

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 loss on loan and interest receivables		**(47,995)**	—
Impairment loss on goodwill		**(210,950)**	—
Finance costs	7	**(42,216)**	(40,683)
(LOSS)/PROFIT BEFORE TAX	8	**(317,038)**	15,443
Income tax expense	9	**(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	10	**RMB(2.90) cents**	RMB(0.02) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*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	12	**63,376**	68,495
Investment property		**88,278**	37,469
Prepaid land lease payments		**4,314**	4,434
Goodwill		**—**	208,384
Deferred tax assets		**14**	14
Available-for-sale investments		**—**	21,919
Deposits and prepayments		**8,160**	26,458
Loan to an investment entity		**—**	64,946
Total non-current assets		**164,142**	432,119
CURRENT ASSETS			
Inventories		**17,239**	14,768
Prepaid land lease payments		**116**	112
Loan and interest receivables	13	**—**	54,583
Trade and notes receivables	14	**198,973**	171,614
Tax recoverable		**79**	—
Deposits, prepayments and other receivables		**7,970**	8,219
Financial assets at fair value through profit or loss		**16,464**	—
Cash and bank balances		**24,458**	64,691
Total current assets		**265,299**	313,987
CURRENT LIABILITIES			
Trade payables	15	**40,935**	42,762
Other payables and accruals		**10,792**	12,899
Interest-bearing bank and other borrowings		**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**177,382**	172,766
Deferred tax liabilities		**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		**8,852**	8,852
Reserves		**(48,671)**	275,083
(Deficiency in assets)/total equity		**(39,819)**	283,935

NOTES:

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.

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. 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 property and certain financial instruments 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.

4. 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

Except for the application of HKFRS 9 and HKFRS 15 noted below, the adoption of the above new and revised standards has had no significant financial effect on this financial information.

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	**Loan to an investment entity**	**Equity investments designated at fair value through other comprehensive income ("FVTOCI")**	**Financial assets at fair value through profit or loss ("FVTPL")**
	RMB'000	*RMB'000*	*RMB'000*	*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.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade and finance lease receivables. To measure the ECL, trade and finance lease 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 (As originally presented)	**HKFRS 9**	**1 January 2018** (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)	—

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 considers that the adoption of HKFRS 15 has no material impact on the Group's financial position and results of operation.

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.

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**

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, net	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.

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**

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	2017
	RMB'000	*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.

(b) Non-current assets

	2018	2017
	RMB'000	*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

Revenue of RMB301,727,000 (2017: RMB265,003,000) was derived from a segment of sales of packaging products and structural components segment to four customers (2017: four customers), while the revenue of nil (2017: RMB46,919,000) was derived from a segment of corporate secretarial and consultancy and business valuation services to nil customer (2017: one customer), including sales to a group of entities which are known to be under common control of that customer. A summary of revenue earned from each of these major customers is set out below:

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

* 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 GAINS/(LOSSES), NET

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*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	**Corporate secretarial consultancy and business valuation services**	**Total**
	RMB'000	*RMB'000*	*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

	Sales of packaging products and structural components *RMB'000*	Corporate secretarial consultancy and business valuation services *RMB'000*	Total *RMB'000*
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
Other income and gains/(losses), net			
Interest income		**4,080**	4,373
Commission income		**—**	190
Fair value losses on investment properties		**(1,928)**	(822)
Foreign exchange differences, net		**(5,960)**	2,092
Gain on disposal of available-for-sale investments		**—**	725
Impairment loss on available-for-sale investments		**—**	(3,576)
Impairment loss on trade and notes receivables		**(390)**	—
Fair value gains on financial assets at fair value through profit or loss		**1,424**	—
Loss on disposal of items of property, plant and equipment		**(1,292)**	(46)
Others		**(1,153)**	200
		(5,219)	3,136

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	RMB'000	*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):

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**259,108**	198,885
Depreciation	**12,704**	11,075
Minimum lease payments under operating leases	**2,983**	2,143
Amortisation of prepaid land lease payments	**116**	113
Employee benefit expense (including directors' and chief executive's remuneration)	**61,559**	49,492
Auditors' remuneration	**1,434**	1,255
Write-back of inventories, net	**—**	(71)

9. 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	2017
	RMB'000	*RMB'000*
Current — Hong Kong		
Charge for the year	**57**	4,132
Current — PRC		
Charge for the year	**2,098**	2,549
Underprovision in prior years	**2**	31
	2,100	2,580
Current — Elsewhere	**804**	10,234
Deferred	**313**	472
Total tax charge for the year	**3,274**	17,418

10. DIVIDENDS

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

11. 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.

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2018, the Group had additions of property, plant and equipment at a total cost of RMB10,162,000 (2017: RMB14,219,000).

13. LOAN AND INTEREST RECEIVABLES

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, subject to extension for three months from the first expiry on 28 February 2018 (the "**First Extended Maturity Date**") and further three months from 28 February 2018 (the "**Second Extended Maturity Date**"), subject to mutual agreement in writing to be made between Great Earn and Rossoneri.

On 5 March 2018, Great Earn and Rossoneri entered into a supplemental deed (the "**Supplemental Deed**"), pursuant to which 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**").

After the Reply to Defence of Rossoneri and Mr. Li and Reply to Defense of Ms. Huang were both filed on 27 February 2019, the pleading stage of the case is now closed. The Company is currently exploring the possibility of commencing 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.

14. TRADE AND NOTES RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables:		
— from sales of packaging products and structural components	**127,277**	110,828
— from rendering of corporate secretarial, consultancy and business valuation services	**12**	629
	127,289	111,457
Notes receivables	**71,684**	60,157
	198,973	171,614

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:

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

15. 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:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**39,398**	41,925
3 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.

16. 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 announcement, 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2018.

Disclaimer of Opinion

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 of 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.

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: approximately RMB Nil) was recognised in consolidated 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 profit or loss during the year ended 31 December 2018.

3. Impairment of loan and interest receivables

As set out in note 13 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.

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 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 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

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**	**100.0**	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.

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.

Acquisitions, disposals and significant investment

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

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).

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.

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.

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.

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).

DIVIDENDS

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

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.

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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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 Rules Governing the Listing of Securities on the Stock Exchange (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 during the year ended 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 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 compliance with the applicable Code Provisions for the year ended 31 December 2018.

SCOPE OF WORK OF ZENITH CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Zenith CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Zenith CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Zenith CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (an independent non-executive director 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. Chan Chung Yin Victor and Mr. So Stephen Hon Cheung.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2018 as well as the Company's risk management and internal control review report. Besides, the Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Listing Rules and the Company's compliance with the CG Code.

By order of the Board
Teamway International Group Holdings Limited
Mr. Xu Gefei
Chairman and Executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises Mr. Xu Gefei, Mr. He Xiaoming, and Ms. Ngai Mei as executive Directors; Mr. Poon Lai Yin Michael, Mr. Chan Chung Yin, Victor and Mr. So Stephen Hon Cheung as independent non-executive Directors.

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