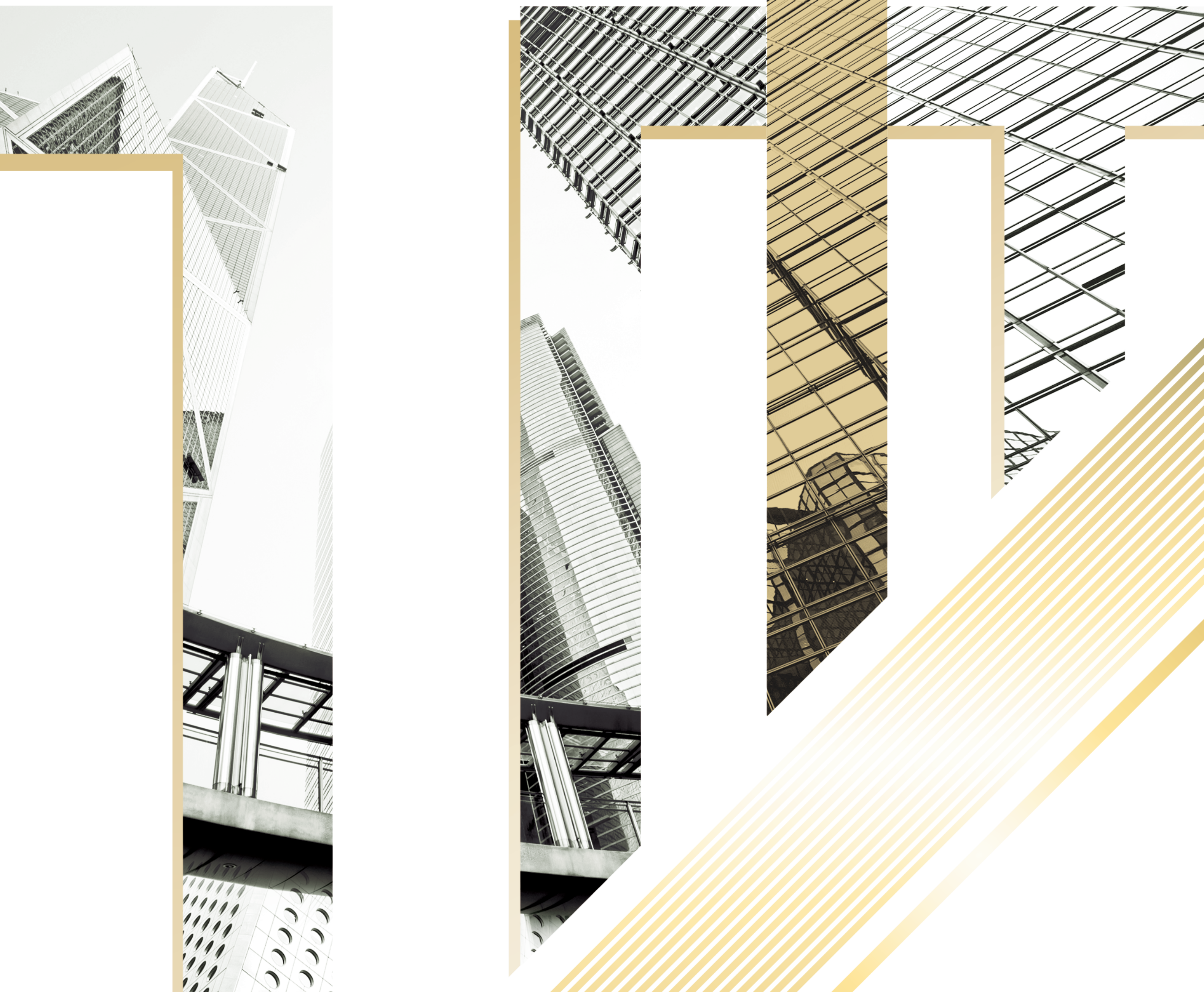
TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

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

ANNUAL REPORT 2019



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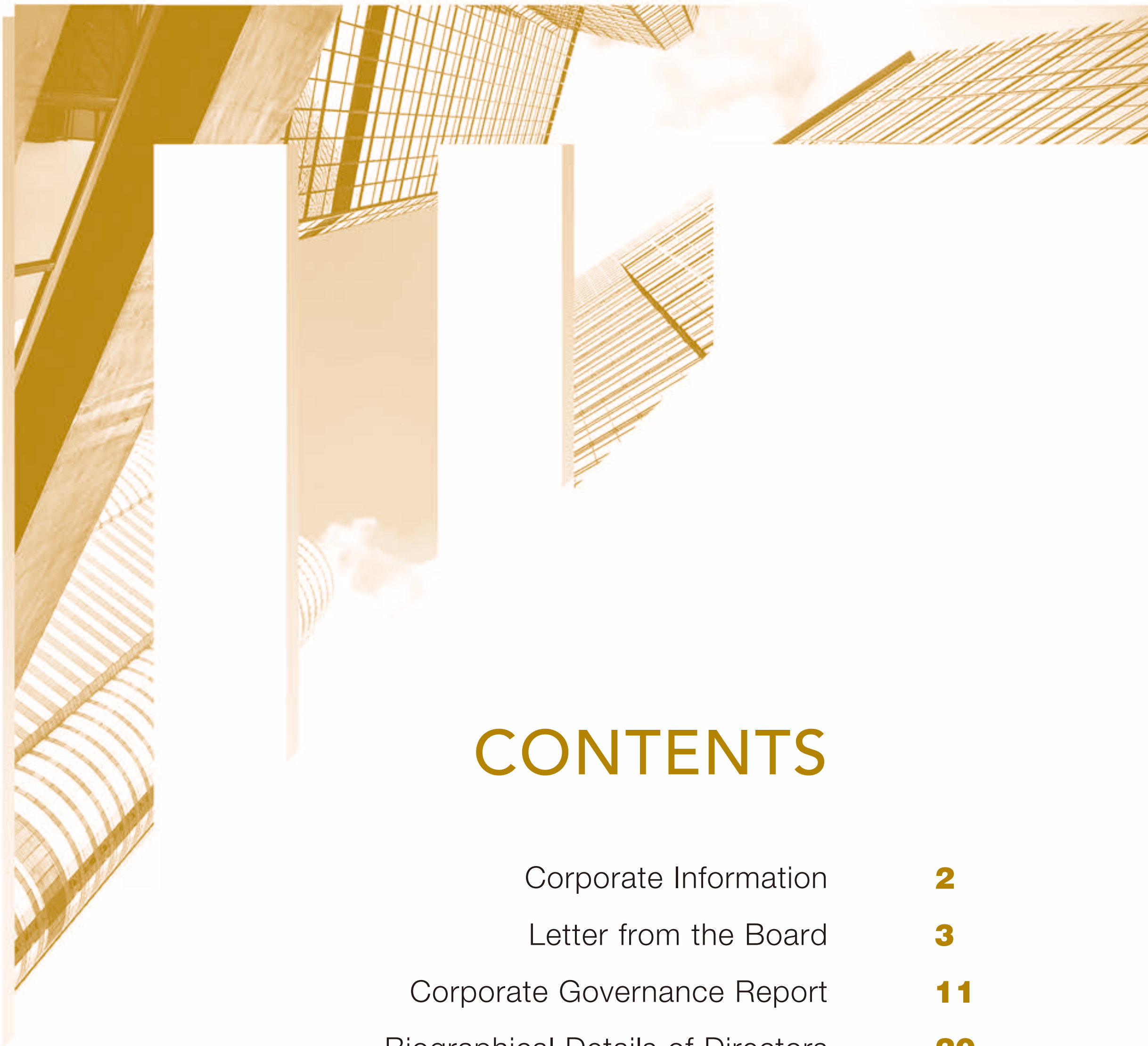
International Group Holdings Limited



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Ngai Mei
Ms. Duan Mengying *(appointed on 30 January 2020)*
Mr. Xu Gefei *(resigned on 30 January 2020)*
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)*
Mr. Chan Chung Yin Victor *(retired on 20 June 2019)*
Mr. So Stephen Hon Cheung *(resigned on 10 June 2019)*
Ms. Man See Yee *(resigned on 19 March 2019)*

AUDIT COMMITTEE (THE "AUDIT COMMITTEE")

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

NOMINATION COMMITTEE (THE "NOMINATION COMMITTEE")

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

REMUNERATION COMMITTEE (THE "REMUNERATION COMMITTEE")

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

COMPANY SECRETARY

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

AUDITORS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE

01239

COMPANY WEBSITE

www.teamwaygroup.com

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Teamway International Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present all shareholders of the Company (the "**Shareholders**") the annual report of the Company for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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			
	2019		2018	
	RMB'000	%	RMB'000	%
Packaging products				
Televisions	96,760	25.4	99,712	25.6
Refrigerators	80,689	21.1	70,372	18.1
Air conditioners	79,971	21.0	100,533	25.8
Washing machines	71,139	18.7	64,876	16.6
Water heaters	14,349	3.8	16,494	4.2
Information technology products	15,346	4.0	18,874	4.8
Others	6,056	1.6	2,168	0.6
Structural components				
For air conditioners	16,647	4.4	16,755	4.3
Total	380,957	100.0	389,784	100.0

The revenue by product type remained relatively stable. During the current year, the revenue derived from the Group's products for television and air conditioners (including packaging products and structural components) made the largest and second largest contributions to the segment revenue, amounting to approximately RMB193,378,000 or 50.8% of total segment revenue (2018: approximately RMB217,000,000 or 55.7% 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			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Raw materials	**239,779**	**74.2**	259,108	77.6
Direct labour costs	**30,979**	**9.6**	27,742	8.3
Manufacturing overhead	**52,463**	**16.2**	46,925	14.1
Staff costs	**4,049**	**1.2**	3,857	1.2
Depreciation	**8,873**	**2.8**	9,635	2.9
Utilities	**25,616**	**7.9**	24,861	7.4
Processing charges	**12,988**	**4.0**	7,991	2.4
Others	**937**	**0.3**	581	0.2
Total	**323,221**	**100**	333,775	100.0

For the year ended 31 December 2019, the cost of sales amounted to approximately RMB323,221,000 decreased by approximately RMB10,554,000 or 3.2% when compared to that of approximately RMB333,775,000 for the year ended 31 December 2018. The decrease in cost of sales, which is mainly contributed by the decrease in revenue, was decreasing at a similar pace with the drop in revenue which was reflected in similar gross profit margins of approximately 15.2% for the year ended 31 December 2019 and approximately 14.4% for the year ended 31 December 2018.

With the macroeconomic uncertainties and the outbreak of a novel coronavirus ("**COVID-19**"), 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 and expanded polyolefin. 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 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 Group's three factories are capable of a maximum annual manufacturing capacity, in aggregate, of 21,300 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.

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 year ended 31 December 2019, no segment revenue was recorded (for the year ended 31 December 2018: a segment revenue of approximately RMB6,198,000).

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 liquidations and liquidators were appointed in their respective jurisdictions in June 2019. As at 31 December 2019, the liquidation processes of all the companies in the Treasure Found Group were completed.

Property Investment Business

For the year ended 31 December 2019, 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 loss of approximately RMB3,967,000 for the year ended 31 December 2019.

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 gain of approximately RMB3,428,000 for the year ended 31 December 2019.

During the year ended 31 December 2019, both investment properties were rent out and approximately RMB529,000 was recorded as rental income during the year.

In order to improve the liquidity of the Company, the Company has listed the investment property located in Singapore for sale. 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 it will take around 3 to 6 months to complete the approval processes before the sale can be completed.

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. 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 and on 11 September 2019, a judgement was granted in favor of the Company in which Rossoneri and Mr. Li were liable to pay the Company the sum of US$7,300,000 (being the outstanding principal amount of the Loan) with interests at a rate of 24% from 1 May 2018 and the related costs until full payment is received. The Company is now seeking advice from the Company's lawyers on the best option to enforce the judgement.

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 (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 (the "**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 the Shareholders' Loan and dividends from Lucrum 1.

FUTURE OUTLOOK

Packaging Products and Structural Components Business

The outbreak of COVID-19 has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has caused operational delays. The Group has put in place contingency measures to lower the impact from the outbreak. However, the situation remains fluid at this stage. The Group's financial results may be affected due to the general market condition. Having said that, the Group has strived its best to ensure the operation of its factories in China are functioning and it has managed to maintain stable supply of goods to the customers as at the date of this announcement. The economic performance of China may be impacted in the short run. But we expect that the epidemic will not affect the trend of economic stability and transformation of the China in the long run.

In view of the challenge posed by outbreak of COVID-19 since early 2020, the turnover of the packaging products and structural components business of the Group may subject to pressure and inevitably be adversely affected during the first half of 2020.

However, the Group will continue to look for ways and remedies to improve the efficiency of the production process and get prepared so that we could capture market rebound once the market conditions improve. Despite the challenging operating conditions and economic uncertainties, the packaging products and structural components business still remains as a source of stable income for the Group and is expected to continue in the near future.

Property Investment Business

The global property market appears to be showing signs of slowing down in 2019.

In Hong Kong, the property market in the first half of 2019 slowed down but surprisingly, house prices bounced back at the end of 2019 despite the impact of continuing violent protests, US-China trade war and the ailing economy. This shows how resilient Hong Kong's property market is. Looking forward to 2020, the US-China phase one trade deal and growth stabilization in China should have been positive for Hong Kong's economy, but it has been overshadowed by the outbreak of COVID-19. The property market in Hong Kong is struggling in the first quarter of 2020, the property price trend will not only depend on macroeconomic uncertainties, but also the level of social unrest and the development of COVID-19.

In Singapore, the house prices still went up by 2.7 percent in 2019, slowing from a 7.9 percent rise in 2018. The economy and property market in Singapore have been dampened in 2020 due to the outbreak of COVID-19. More than 38 percent of Singapore's population are foreigners as Singapore has its competitiveness to attract foreign companies. Balancing prosperity and home affordability is a tough game and Singapore's government will try to maintain the market to avoid tripping over the delicate balance.

Whilst the macroeconomic environment is expected to be uncertain in the coming year, it is expected there will be fluctuations in the global property market but we remain optimistic about the global property market in the long run.

PROSPECTS

The global economy is facing an unprecedentedly challenging environment as we head into 2020. In addition to the macroeconomic uncertainties, the outbreak of COVID-19 is expected to contract the global economy even further. The highly infectious virus, which has led to substantial travel bans and lockdowns across many different countries worldwide, will deliver a substantial hit to the global economy in the near term, and will also affect Hong Kong's and China's economies severely. The increased global travel restrictions amid virus infections locally and overseas, mandated immobility due to the lockdowns has also substantially reduced China's manufacturing capability, resulting in significant disruption to global supply chains and worldwide trade, posing a significant threat to the global economy.

Given the unpredictability associated with the development of COVID-19 and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact, if any, on the Group's future prospects and financial performances could be significantly different from the forecasts depending on how the situation evolves, the Group will closely monitor in this regard. Nevertheless, the management considers that by the time the COVID-19 is alleviated and becomes controllable, the global economy will rebound strongly and the Group's performance will restore order.

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 2019, the Group recorded the revenue of approximately RMB381,486,000, representing a decrease of 3.7% when compared to that of approximately RMB395,982,000 for the year ended 31 December 2018.

Loss attributable to owners of the Company was approximately RMB38,234,000 for the year ended 31 December 2019 when compared to loss of approximately RMB320,312,000 for the year ended 31 December 2018. The substantial decrease in loss for the year ended 31 December 2018 was mainly attributable to the absence of the (i) one-off impairment of goodwill approximately RMB210,950,000 in relation to the corporate secretarial, consultancy and business valuation cash-generating unit in 2018; and (ii) one-off impairment of loan and interest receivables approximately RMB47,995,000 in 2018.

Basic and diluted loss per share were RMB3.19 cents respectively (2018: basic and diluted loss per share of RMB29.03 cents (restated) respectively).

Liquidity and financial resources

As at 31 December 2019, bank balances and cash of the Group amounted to approximately RMB46,671,000 of which approximately 72.6% was denominated in Hong Kong dollars ("**HK$**"), approximately 0.1% was denominated in US$, approximately 0.5% was denominated in SIN$ and the rest was denominated in RMB (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 SIN$ and the rest was denominated in RMB).

As at 31 December 2019, the Group's bank borrowing of approximately RMB10,000,000 (2018: approximately RMB12,000,000) 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 2019 and 2018, all of the bank borrowings were denominated in RMB.

As at 31 December 2019, the Group's other borrowings of (i) approximately RMB22,982,000 (2018: approximately RMB21,727,000) had fixed interest rate at 6.5% per annum, were repayable within one year, were unsecured and were denominated in US$; and (ii) approximately RMB177,762,000 (2018: RMB177,382,000) had fixed interest rate at 2% per annum, were repayable on 31 May 2023, were unsecured and were denominated in US$; and (iii) approximately RMB211,747,000 (2018: RMB190,797,000) had fixed interest rate at 16.5% per annum, was repayable on 2 January 2021, which was secured by the entire issued share capital of a wholly-owned subsidiary of the Company and were denominated in HK$.

Capital Structure

As at 31 December 2019, a total of 1,384,734,000 Shares with par value of HK$0.01 each are in issue.

During the year ended 31 December 2019, on 4 February 2019, the Company allotted and issued 550,000,000 shares (the "**Share Subscriptions I**") 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.

On 18 October 2019, the Company allotted and issued 226,400,000 shares (the "**Share Subscriptions II**") with par value of HK$0.01 each in the share capital of the Company in relation to the share subscriptions dated 16 September 2019 pursuant to the general mandate granted at the annual general meeting of the Company dated 20 June 2019.

Details of the Share Subscriptions I and Share Subscriptions II have been disclosed in the announcements dated 7 January 2019, 4 February 2019, 16 September 2019, 17 September 2019 and 18 October 2019. Details of the Share Consolidation have been disclosed in the circular dated 31 January 2019.

Capital expenditure

Capital expenditure of the Group mainly includes the purchase of property, plant and equipment and investment property. For the year ended 31 December 2019, capital expenditure of the Group amounted to approximately RMB3,308,000 (2018: approximately RMB60,932,000).

Capital commitment

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

Contingent liabilities

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

Pledge of assets

The Group had pledged (i) assets of buildings and prepaid land lease payments to the bank in the amount of approximately RMB9,103,000 as at 31 December 2019 (2018: approximately RMB13,487,000); and (ii) the entire issued share capital of a wholly-owned subsidiary of the Company to the lender as at 31 December 2019 and 2018.

Segment information

Details of segment information of the Group for the year ended 31 December 2019 are set out in Note 6 to the audited consolidated financial statements.

Gearing ratio

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

Foreign exchange risk

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

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

Human resources and training

As at 31 December 2019, the Group has 715 employees (2018: 698 employees). Total employee benefit expenses amounted to approximately RMB61,327,000 (2018: approximately RMB57,514,000). The Group has a management team (including product design and development team) with extensive industry experience. The Group has adopted an employee-focused management concept to involve the Group's staff in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and a number of initiatives to enhance the productivity of its employees. The Group conducts regular performance reviews for its employees. The remuneration, promotion and salary increments of the employees are assessed according to their performance, professional and working experience, and prevailing market practices. In addition, the Group has implemented training programs for employees in various positions.

APPRECIATION

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

On behalf of the Board

Ngai Mei
Executive Director

Hong Kong, 8 May 2020

CORPORATE GOVERNANCE PRACTICES

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

For the year ended 31 December 2019, the Company has adopted the code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**CG Code**") contained in the Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the CG Code. The Company was in compliance with the applicable Code Provisions for the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the Company's code of conduct regarding securities transactions and dealings by the Directors. Each of the existing Directors, upon specific enquiries by the Company, confirmed that they have complied with the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

Members of the Board of Directors

As at the date of this annual report, the Board comprised the following Directors, (i) executive Directors, Ms. Ngai Mei and Ms. Duan Mengying; and (ii) independent non-executive Directors, Mr. Poon Lai Yin Michael, Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang.

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

In accordance with Rule 3.10 of the Listing Rules, the Company has already appointed three independent non-executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the Shareholders and the Company. The Company has received annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and believes that, for the year ended 31 December 2019 and up to the date of this annual report, they were independent to the Company in accordance with the relevant requirements of the Listing Rules.

Responsibilities of Directors

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

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

Supply of and Access to Information

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

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

The Operation of the Board

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

Delegation by the Board

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

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

During the year ended 31 December 2019, the Board held 11 meetings. The attendance of the Directors at the Board meetings is as follows:

Directors	Meetings attended/held
Executive Directors	
Ms. Ngai Mei	11/11
Ms. Duan Mengying *(appointed on 30 January 2020)*	N/A
Mr. Xu Gefei *(Chairman) (resigned on 30 January 2020)*	9/11
Mr. He Xiaoming *(Vice Chairman) (resigned on 2 April 2019)*	1/6
Independent Non-Executive Directors	
Mr. Poon Lai Yin Michael *(appointed on 19 March 2019)*	7/8
Mr. Chan Ka Leung Kevin *(appointed on 21 June 2019)*	3/3
Mr. Chow Ming Sang *(appointed on 21 June 2019)*	3/3
Ms. Man See Yee *(resigned on 19 March 2019)*	3/3
Mr. Chan Chung Yin Victor *(retired on 20 June 2019)*	4/7
Mr. So Stephen Hon Cheung *(resigned on 10 June 2019)*	6/7

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

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties as set out in the Code Provision D.3.1. During the year ended 31 December 2019, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

COMMITTEES UNDER THE BOARD

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

Audit Committee

The Company established the Audit Committee on 10 June 2011 with written terms of reference in compliance with the Code Provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (an independent non-executive Director appointed on 19 March 2019 with the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules who serves as Chairman of the Audit Committee), Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang (both appointed on 21 June 2019). Ms. Man See Yee, Mr. So Stephen Hon Cheung and Mr. Chan Chung Yin Victor had ceased to be the members of the Audit Committee since their resignations and retirement as independent non-executive Directors on 19 March 2019, 10 June 2019 and 20 June 2019 respectively.

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

During the year ended 31 December 2019, the Audit Committee had considered, reviewed and discussed areas of concerns during the audit process, the compliance of company policy, the internal control procedures and the corporate governance of the Group and had approved the annual audited financial statements and the interim financial statements, respectively. There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee had held 4 meetings during the year ended 31 December 2019.

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

Directors	**Meetings attended/held**
Mr. Poon Lai Yin Michael *(Chairman) (appointed on 19 March 2019)*	4/4
Mr. Chan Ka Leung Kevin *(appointed on 21 June 2019)*	1/1
Mr. Chow Ming Sang *(appointed on 21 June 2019)*	1/1
Ms. Man See Yee *(ceased to be member on 19 March 2019)*	N/A
Mr. So Stephen Hon Cheung *(ceased to be member on 10 June 2019)*	3/3
Mr. Chan Chung Yin Victor *(ceased to be member on 20 June 2019)*	2/3

Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Directors passed on 10 June 2011. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced and high caliber individuals. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (appointed on 19 March 2019), Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang (both appointed on 21 June 2019). Mr. Poon Lai Yin Michael is the Chairman of the Nomination Committee. Ms. Man See Yee, Mr. So Stephen Hon Cheung and Mr. Chan Chung Yin Victor had ceased to be the members of the Nomination Committee since their resignations and retirement as independent non-executive Directors on 19 March 2019, 10 June 2019 and 20 June 2019 respectively.

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

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

The Nomination Committee had held 3 meetings during the year ended 31 December 2019.

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

Directors	**Meeting attended/held**
Mr. Poon Lai Yin Michael *(Chairman) (appointed on 19 March 2019)*	2/2
Mr. Chan Ka Leung Kevin *(appointed on 21 June 2019)*	N/A
Mr. Chow Ming Sang *(appointed on 21 June 2019)*	N/A
Ms. Man See Yee *(ceased to be member on 19 March 2019)*	1/1
Mr. So Stephen Hon Cheung *(ceased to be member on 10 June 2019)*	1/2
Mr. Chan Chung Yin Victor *(ceased to be member on 20 June 2019)*	2/2

During the year ended 31 December 2019, the Nomination Committee had reviewed the structure, size and composition of the Board and the retirement and re-appointment arrangement of the Directors at the Company's forthcoming annual general meeting.

Board Diversity Policy

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

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

Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 10 June 2011 in compliance with the Code Provisions of the CG Code. The Company has adopted the Code Provisions to make recommendations to the Board to determine the remuneration packages of individual executive Directors and the members of senior management. The primary duties of the Remuneration Committee include: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them. The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Poon Lai Yin Michael (appointed on 19 March 2019), Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang (both appointed on 21 June 2019). Mr. Chan Ka Leung Kevin is the Chairman of the Remuneration Committee. Ms. Man See Yee, Mr. So Stephen Hon Cheung and Mr. Chan Chung Yin Victor had ceased to be the members of the Remuneration Committee since their resignations and retirement as independent non-executive Directors on 19 March 2019, 10 June 2019 and 20 June 2019 respectively.

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

The Remuneration Committee had held 3 meetings during the year ended 31 December 2019.

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

Directors	**Meeting attended/held**
Mr. Chan Ka Leung Kevin *(Chairman) (appointed on 21 June 2019)*	N/A
Mr. Poon Lai Yin Michael *(appointed on 19 March 2019)*	2/2
Mr. Chow Ming Sang *(appointed on 21 June 2019)*	N/A
Ms. Man See Yee *(ceased to be member on 19 March 2019)*	1/1
Mr. So Stephen Hon Cheung *(ceased to be member on 10 June 2019)*	1/2
Mr. Chan Chung Yin Victor *(ceased to be member on 20 June 2019)*	2/2

During the year ended 31 December 2019, the Remuneration Committee reviewed the existing remuneration policies of the Company.

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Ms. Ngai Mei, Mr. Poon Lai Yin Michael, Mr. Chan Ka Leung Kevin, Mr. Chow Ming Sang and Ms. Duan Mengying were appointed for an initial term of one year commencing from 28 February 2017, 19 March 2019, 21 June 2019, 21 June 2019 and 30 January 2020 respectively. All of their appointments are renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointed and subject to termination by either party upon giving not less than 3 months' prior written notice to the other party.

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

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the accounts and the consolidated financial statements of the Company for the year ended 31 December 2019. The auditors to the Company acknowledge their reporting responsibilities in the independent auditors' report on the consolidated financial statements for the year ended 31 December 2019. Save as disclosed in this report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

COMPANY SECRETARY

The company secretary of the Company, Mr. Chang Chi Wai Stanley ("**Mr. Chang**"), appointed on 17 May 2019, is responsible for facilitating the process of Board meetings, as well as communications among Board members, with Shareholders and the management of the Company. Mr. Chang is a member of The Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). He holds a bachelor's degree in economics from Simon Fraser University in Canada. He possesses extensive experience in the area of accounting, finance, internal control and corporate governance.

During the year ended 31 December 2019, Mr. Chang undertook not less than 15 hours of professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

AUDITORS' REMUNERATION

Remuneration to the external auditors of the Company amounted to HK$1,500,000 for the provision of annual audit services for the year ended 31 December 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

Report on review of risk management and internal control systems is submitted to the Audit Committee and the Board at least once a year. During the year ended 31 December 2019, the Board, through the Audit Committee, had performed annual review of the effectiveness and adequacy of the systems of risk management and internal controls of the Group covering all material controls in area of financial, operational and compliance controls and risk management functions. No material internal control aspects of any significant problems were identified. The Board and the Audit Committee considered that (i) the key areas of the Group's risk management and internal control systems are reasonably implemented during the year; and (ii) there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year. The Board will regularly review their adequacy and effectiveness.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

GENERAL MEETINGS WITH SHAREHOLDERS

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

During the year ended 31 December 2019, the Company held 2 general meetings, which were the extraordinary general meeting held on 21 February 2019 and the annual general meeting (the "**2019 AGM**") held on 20 June 2019.

The attendance record of the Directors at the general meetings during the year ended 31 December 2019 is set out below:

Directors	**Meetings attended/held**
Executive Directors	
Ms. Ngai Mei	2/2
Ms. Duan Mengying *(appointed on 30 January 2020)*	N/A
Mr. Xu Gefei *(Chairman) (resigned on 30 January 2020)*	2/2
Mr. He Xiaoming *(Vice Chairman) (resigned on 2 April 2019)*	0/1
Independent Non-Executive Directors	
Mr. Poon Lai Yin Michael *(appointed on 19 March 2019)*	1/1
Mr. Chan Ka Leung Kevin *(appointed on 21 June 2019)*	N/A
Mr. Chow Ming Sang *(appointed on 21 June 2019)*	N/A
Mr. Chan Chung Yin Victor *(retired on 20 June 2019)*	2/2
Mr. So Stephen Hon Cheung *(resigned on 10 June 2019)*	1/1
Ms. Man See Yee *(resigned on 19 March 2019)*	1/1

The Company's external auditors also attended the 2019 AGM.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the Articles of Association, extraordinary general meetings of the Company (the "**EGM(s)**") shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board to convene the EGM(s), shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

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

Putting forward proposals at Shareholders' meeting

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

INVESTOR RELATIONS

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

During the year ended 31 December 2019, there had been no significant change in the Company's constitutional documents.

PERMITTED INDEMNITY

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

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Ngai Mei (魏薇) ("Ms. Ngai"), aged 37, is an Executive Director of the Company since 28 February 2017. Ms. Ngai also holds directorship in various subsidiaries of the Company. Ms. Ngai graduated from Manchester Metropolitan University, UK and has more than ten years working experience in corporate management and merger and acquisition. She once worked in China Minsheng Banking Corporation Limited ("**CMBC**"), during which time she participated in the CMBC Initial Public Offerings, was responsible for overall planning of overseas investor relations and participated in various large roadshows cooperated closely with investment banks, financial public relation and related professional teams. She also joined the acquisition of Asia Commercial Bank and participated in the license application of CMBC's Hong Kong Branch. Ms. Ngai was also responsible for investor relations and corporate financing of Hong Kong listed companies, leading a number of financing projects.

Ms. Duan Mengying (段夢穎) ("Ms. Duan"), aged 33, is an Executive Director of the Company since 30 January 2020. Ms. Duan joined the Company as the Chief Financial Officer on 1 April 2017. She has over 10 years of experience in auditing, accounting and financial management. Ms. Duan is well versed in accounting and financial management, especially in the areas of mergers and acquisitions, initial public offerings, group financing projects, forecasting and formulating of financial strategies, and in assessing new business opportunities for growth and profit potential. Ms. Duan obtained her Bachelor degree in accountancy and her Master degree in business information system from City University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Duan was a non-executive director of Cityneon Holdings Limited ("**Cityneon**") from 11 August 2017 to 30 April 2019, the shares of which were listed on the Singapore Stock Exchange ("**SGX**"). Cityneon was delisted from SGX with effect from 1 February 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Lai Yin, Michael (潘禮賢) ("Mr. Poon"), aged 48, is an independent Non-Executive Director of the Company since 19 March 2019, and is the Chairman of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Poon held a master's degree in practising accounting from Monash University, Australia. He has been a fellow member of Hong Kong Institute of Certified Public Accountants since July 2009, and a member with CPA Australia since March 2000 respectively. He passed the qualification examination of Asset Management Association of China in 2016. He has over 20 years of experience in financial reporting, business advisory, auditing, taxation, accounting, merger and acquisition.

Mr. Poon is currently an executive director of Huakang Biomedical Holdings Company Limited (stock code: 8622. HK) since September 2017. He is also an independent non-executive director in a number of Hong Kong listed companies and a Singapore listed company, namely China Uptown Group Company Limited (stock code: 2330.HK) since November 2006, Smartac Group China Holdings Limited (formerly known as Sino Dragon New Energy Holdings Limited, China Zirconium Limited and Asia Zirconium Limited) (stock code: 0395.HK) since January 2010, and LFG Investment Holdings Limited (stock code: 3938.HK) since 10 September 2019, the shares of these companies are listed on the main board of the Stock Exchange, and Niche-Tech Group Limited (stock code: 8490.HK) since 28 June 2019, the shares of the Company are listed on GEM.

Mr. Chan Ka Leung Kevin (陳家良) ("Mr. Chan"), aged 51, is an independent Non-Executive Director of the Company since 21 June 2019, and is the Chairman of the Remuneration Committee and a member of the Nomination Committee and Audit committee of the Company. He obtained his Bachelor of Accounting and a Master of Finance from the University of Illinois of the United States of America. Mr. Chan has extensive experience in corporate finance. He is currently a responsible officer of a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") to conduct type 6 (advising on corporate finance) regulated activity. He is currently an independent non-executive director of Zhong Ao Home Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1538). He was an independent non-executive director of Greens Holdings Ltd, a company listed on the Main Board of the Stock Exchange (stock code: 1318) from 8 January 2015 to 12 November 2015.

Mr. Chow Ming Sang (周明笙) ("Mr. Chow"), aged 47, is an independent Non-Executive Director of the Company since 21 June 2019, and is a member of the Nomination Committee, Audit Committee and Remuneration Committee of the Company. Mr. Chow obtained his bachelor degree in Business Administration (Accounting) from Hong Kong University of Science and Technology in 1995. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Certified Internal Auditors. Mr. Chow has over 24 years working experience of various industries in auditing, corporate governance and risk management advisory where he was the Advisory partner of a Big Four accounting firm since 2007 and was responsible for managing the Risk Advisory sub-service line's strategic growth and development in various regions of Mainland China since 2011. From 2013 to 2016, Mr. Chow became the Committee member of The Internal Controls General Standards Committee of The Ministry of Finance (PRC) (中國財政部內部控制標準委員會委員), the only Hong Kong people and Big Four partner being appointed as a committee member. Mr. Chow also involved in promoting innovation where he acts as start-up coach of over 20 incubators and accelerators in China and Hong Kong to assist young entrepreneurs in enhancing their business from financial and strategic development perspectives. Prior to joining the Company, Mr. Chow was the General Manager of Risk & Control Department of 泰禾集團 (Tahoe Group*) (Stock Code: 000732) from October 2018 to May 2019, the shares of which were listed on the Shenzhen Stock Exchange. Mr. Chow is currently the Managing Director of 天一正邦投資管理有限公司 (Alliance Capital Advisory Limited) where he was providing capital market related advisory services to companies mostly in Mainland China.

* *For identification purpose only*

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the Company's subsidiaries as at 31 December 2019 are set out in Note 1 to the audited consolidated financial statements in this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Details of (i) business review and (ii) future development of the Group's business are set out respectively in the sections headed "Business review" and "Future outlook" under "Letter from the Board" of this annual report from pages 3 to 10.

Principal Risks and Uncertainties

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

Market Risks

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

Business Risk

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

Manpower and Retention Risk

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

Foreign Exchange Rates Risk

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

Liquidity Risk

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

The financial risk management policies and practices of the Group are set out in Note 37 to the audited consolidated financial statements.

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

Environmental Policies and Performance

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

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

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. To the best knowledge of the Directors, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2019. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2019.

Relationship with Suppliers, Customers and other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. During the year ended 31 December 2019, there were no material and significant dispute between the Group and its key stakeholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and financial position of the Group as at 31 December 2019 are set out in the audited consolidated financial statements on pages 39 to 111 in this annual report.

The Directors do not recommend the payment of any dividends for the year ended 31 December 2019 (2018: Nil).

SUMMARY OF FINANCIAL INFORMATION

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

DIVIDEND POLICY

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

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

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

(a) the interest of the shareholders;

(b) statutory and regulatory restrictions;

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

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

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

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

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

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

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

Form of Dividend

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

USE OF PROCEEDS FROM THE PLACING AND PUBLIC OFFER

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

The proceeds received by the Company from the Placing and Public Offer, after deducting the relevant costs of the Placing and Public Offer, amounted to approximately HK$44,500,000 in total. As at 31 December 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 SUBSCRIPTIONS

The proceed received by the Company from the Share Subscriptions I, after deducting the relevant costs of the Share Subscriptions I, 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.

The proceed received by the Company from the Share Subscriptions II, after deducting the relevant costs of the Share Subscriptions II, amounted to approximately HK$14,490,000 in total. The Company intended to use the net proceeds as general working capital and for repayment of interests of existing debts.

As at 31 December 2019, the Company has used up the proceeds from both share subscriptions as general working capital and for repayment of interests of our existing debts.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the audited consolidated financial statements in this annual report.

RESERVES

Details of the movements of reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity in page 42.

Movements in the distributable reserves of the Company and the Group during the year ended 31 December 2019 are set out in Note 38 to the audited consolidated financial statements and in the consolidated statement of changes in equity in page 42.

BANK BORROWINGS

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

REMUNERATION POLICY

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

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

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

RETIREMENT SCHEMES

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

SHARE OPTION SCHEME

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

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

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

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

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

During the period between the date of the listing of Shares on the Main Board of the Stock Exchange and 31 December 2019, no option has been granted by the Company under the Scheme.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors

Ms. Ngai Mei
Ms. Duan Mengying *(appointed on 30 January 2020)*
Mr. Xu Gefei *(resigned on 30 January 2020)*
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)*
Mr. Chan Chung Yin Victor *(retired on 20 June 2019)*
Mr. So Stephen Hon Cheung *(resigned on 10 June 2019)*
Ms. Man See Yee *(resigned on 19 March 2019)*

As at 31 December 2019, none of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

The Directors consider that those related party transactions disclosed in Note 34 to the audited consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules but are exempt from any of the reporting, annual review, announcement or independent shareholders' approval requirements under the Listing Rules as they are the service contracts of the Directors.

COMPETING INTERESTS

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2019, the interests and short positions of each Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Ordinary Shares of the Company:

Name of Director	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Mr. Xu Gefei *(Note)*	Interest of controlled corporation	379,840,000	27.43%

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

Save as disclosed above, as at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time during the year ended 31 December 2019 was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

So far as is known to the Directors, as at 31 December 2019, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (except the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares

Name of shareholders	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Grand Luxe Limited *(Note 1)*	Beneficial owner	337,020,000	24.34%
Mr. Xu Gefei *(Note 1)*	Interest of controlled corporation	379,840,000	27.43%
All Superstar Limited *(Note 2)*	Beneficial owner	88,800,000	6.41%
Success Sense Limited *(Note 3)*	Beneficial owner	88,800,000	6.41%
Mr. Chen Xiongwei *(Note 3)*	Beneficial owner/Interest of controlled corporation	97,040,000	7.01%

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. Fu Jinsen beneficially held the entire issued share capital of All Superstar Limited, which in turn, beneficially held 88,800,000 Shares.

3. Mr. Chen Xiongwei beneficially held 8,240,000 Shares of the Company and the entire issued share capital of Success Sense Limited, which in turn beneficially held 88,800,000 Shares (i.e. 97,040,000 Shares in total).

Save as disclosed above, as at 31 December 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.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

Save as disclosed in this annual report, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2019.

KEY CUSTOMERS AND SUPPLIERS

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

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year ended 31 December 2019.

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

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, for the year ended 31 December 2019, there was no material acquisition, disposal or significant investment by the Group.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float as required under the Listing Rules throughout the year ended 31 December 2019 and as at the date of this annual report.

CORPORATE GOVERNANCE

The Company had adopted the Code Provisions set out in the CG Code in Appendix 14 to the Listing Rules. The Company has complied with the Code Provision of the CG Code for the year ended 31 December 2019.

AUDITORS

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

The Company's financial statements for the years ended 31 December 2016 to 2019 were audited by Zenith CPA Limited.

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

On behalf of the Board

Ngai Mei
Executive Director

Hong Kong, 8 May 2020

ZENITH 誠豐
ASSURANCE I TRANSACTIONS I ADVISORY

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Teamway International Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 39 to 111, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

(a) Inability to obtain sufficient appropriate audit evidence concerning certain subsidiaries of the Group

As stated in our basis for disclaimer opinion in the consolidated financial statements for the year ended 31 December 2018 ("**2018 Financial Statements**") dated 28 March 2019, the Group has 100% equity interest in Treasure Found Investments Limited and its subsidiaries (the "**Treasure Found Group**"), however, the Group's management relied on the financial information provided by local management of Treasure Found Group to account for the result during the year ended 31 December 2018, management of the Group did not have full access to the books and records of Treasure Found Group, and therefore they were not able to provide a set of complete and accurate accounting records of Treasure Found Group to the management of the Group. As set out in our auditor's report dated 28 March 2019 on the 2018 Financial Statements, we have disclaimed because we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, completeness, accuracy, measurement, occurrence, right and obligation in respect of the assets and liabilities of the Treasure Found Group for the year ended 31 December 2018. As set out in note 14 to the financial statements, the Group has completed the process of liquidation of Treasure Found Group in December 2019. For the year ended 31 December 2019, the directors of the Company have classified the Treasure Found Group as a discontinued operation in current year. Our audit opinion on the consolidated financial statements for the year ended 31 December 2019 was modified because of the possible effect of this matter on the comparability of the related current year amounts and the comparative amounts in the consolidated financial statements.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(continued)

(Incorporated in the Cayman Islands with limited liability)

BASIS FOR QUALIFIED OPINION *(continued)*

(b) Impairment of goodwill

The goodwill arising from the acquisition of the Treasure Found Group was allocated to consultancy and business valuation cash generating units ("**Consultancy and Business Valuation CGUs**") for impairment assessment purpose and an impairment loss on Consultancy and Business Valuation CGUs of RMB211 million was recognised in the 2018 Financial Statements. As explained in the preceding paragraph, the Treasure Found Group was liquidated during the year ended 31 December 2019. During the course of our audit in respect of the 2018 Financial Statements, we were unable to satisfy ourselves that the recoverable amounts of the Consultancy and Business Valuation CGUs had been properly determined and whether the impairment loss charged to the Group were properly stated, and hence, the scope of our audit was limited and we disclaimed our audit opinion in the 2018 Financial Statements. Any adjustments to the recoverable amounts of the assets in the Consultancy and Business Valuation CGU as at 31 December 2018 (and the impairment losses thereon) would have consequential impacts on the carrying amounts of these assets as at 1 January 2019. As a result, we are unable to determine whether the amount of impairment losses should be recognised for the current or prior year. Our audit opinion on the consolidated financial statements for the year ended 31 December 2019 was modified because of the possible effect of this matter on the comparability of the related current year amounts and the comparative amounts in the consolidated financial statements.

(c) Impairment of loan and interest receivables

In August 2017, the Group has provided a facility in the sum of US$8.3 million to Rossoneri Sport Investment Co., Limited ("**Rossoneri**", an independent third party) and as at 31 December 2018, the carrying amount of RMB48 million due from Rossoneri was overdue in accordance with the terms of the agreement and supplement deeds. We were unable to perform audit procedures to satisfy ourselves that the full impairment of RMB48 million recognised in the 2018 Financial Statements were properly accounted for which may affect the carrying amount of the loan and interest receivables are free from material misstatements. Any adjustments to the figures might have a consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2018 and 2019, the financial position of the Group as at 31 December 2018 and 2019, and the related disclosures thereof in the consolidated financial statements. Our audit opinion on the consolidated financial statement for the year ended 31 December 2019 was also modified because of the possible effects of this matter on the comparability of the current year's amounts and the comparative amounts in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(continued)

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
*Expected credit losses ("**ECL**") for trade and notes receivables*	
The carrying value of the Group's trade and notes receivables as at 31 December 2019 amounted to RMB211,032,000, representing 48% of the Group's total assets as at 31 December 2019. The loss allowance charged to the statement of profit or loss for the year was RMB1,259,000, and the cumulative loss allowance for the trade and notes receivables carried as at 31 December 2019 was RMB1,536,000. The loss allowance for the impairment of trade and notes receivables is maintained to reduce the Group's trade and notes receivables to their estimated recoverable amounts. Management evaluates the estimated loss allowance based on historical repayment behavior of debtors, ageing profile, specific information on individual customers as well as experience with collection trends, and current economic and business conditions. The management's continued refinement of the impairment of trade and notes receivables based on known customer information can provide a significant change in estimate between periods. We focused the impairment assessment of the trade and notes receivables as a key audit matter because of (i) the material amounts involved, and (ii) the significant judgement and assumptions involved in the determination of loss allowance under the expected credit losses model. The Group's accounting policies and disclosures on trade and notes receivables and loss allowance for expected credit losses are set out in notes 3.4, 4 and 20 to the financial statements.	In assessing the adequacy of loss allowance for the impairment on the trade and notes receivables, we test checked the accuracy of the ageing profile, reviewed the historical repayment records, considered the availability on specific customer's information as well as forward-looking information with the assistance of external specialist. We have also re-calculated the loss allowance for expected credit losses of trade and notes receivables using management's model and assessed the adequacy of the loss allowance and disclosures in the consolidated financial statements.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(continued)

(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(continued)

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(continued)

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

Zenith CPA Limited
Certified Public Accountants
Cheng Po Yuen
Practising Certificate Number: P04887
Hong Kong
8 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CONTINUING OPERATIONS			
REVENUE	6	**381,486**	389,784
Cost of sales		**(323,221)**	(333,775)
Gross profit		**58,265**	56,009
Other income and gains/(losses), net	6	**25,820**	(5,295)
Selling and distribution expenses		**(34,860)**	(28,144)
Administrative expenses		**(38,044)**	(38,123)
Impairment loss on loan and interest receivables		**–**	(47,995)
Impairment loss on goodwill		**–**	(210,950)
Finance costs	7	**(46,130)**	(42,216)
LOSS BEFORE TAX	8	**(34,949)**	(316,714)
Income tax expense	11	**(2,352)**	(2,413)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(37,301)**	(319,127)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	14	**(933)**	(1,185)
LOSS FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE PARENT		**(38,234)**	(320,312)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		(restated)
Basic and diluted			
— For loss for the year		**RMB(3.19) cents**	RMB(29.03) cents
— For loss for the year from continuing operations		**RMB(3.11) cents**	RMB(28.92) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
LOSS FOR THE YEAR	**(38,234)**	(320,312)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,460)**	(4,260)
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	**(3,460)**	(3,442)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE PARENT	**(41,694)**	(323,754)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**55,034**	63,376
Investment properties	16	**89,418**	88,278
Right-of-use assets	17	**10,869**	—
Prepaid land lease payments	18	**—**	4,314
Deferred tax assets	28	**14**	14
Deposits and prepayments	21	**3,861**	8,160
Total non-current assets		**159,196**	164,142
CURRENT ASSETS			
Inventories	19	**21,927**	17,239
Prepaid land lease payments	18	**—**	116
Trade and notes receivables	20	**211,032**	198,973
Tax recoverable		**—**	79
Deposits, prepayments and other receivables	21	**3,607**	7,970
Loan and interest receivables	22	**—**	—
Financial assets at fair value through profit or loss	23	**—**	16,464
Cash and bank balances	24	**46,671**	24,458
Total current assets		**283,237**	265,299
CURRENT LIABILITIES			
Trade payables	25	**57,584**	40,935
Other payables and accruals	26	**10,868**	10,792
Interest-bearing bank and other borrowings	27	**32,982**	224,524
Lease liabilities	17	**2,860**	—
Tax payable		**909**	12,837
Total current liabilities		**105,203**	289,088
NET CURRENT ASSETS/(LIABILITIES)		**178,034**	(23,789)
TOTAL ASSETS LESS CURRENT LIABILITIES		**337,230**	140,353
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**389,509**	177,382
Lease liabilities	17	**3,858**	—
Deferred tax liabilities	28	**2,843**	2,790
Total non-current liabilities		**396,210**	180,172
Net liabilities		**(58,980)**	(39,819)
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**11,371**	8,852
Reserves	31	**(70,351)**	(48,671)
Deficiency in assets		**(58,980)**	(39,819)

Ms. Ngai Mei
Director

Ms. Duan Mengying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital RMB'000	Share premium account RMB'000	Fair value reserve RMB'000	Special reserve RMB'000 (note 31(c))	Exchange fluctuation reserve RMB'000	PRC capital reserve RMB'000 (note 31(a))	PRC statutory reserves RMB'000 (note 31(b))	Shareholders' contribution RMB'000 (note 31(d))	Accumulated losses RMB'000	Deficiency in assets RMB'000
At 1 January 2018	**8,852**	**181,926**	**–**	**(27,434)**	**(7,170)**	**(8)**	**32,746**	**10,296**	**84,727**	**283,935**
Loss for the year	–	–	–	–	–	–	–	–	(320,312)	(320,312)
Other comprehensive income/(loss) for the year:										
Equity investment designed at fair value – Changes in fair value	–	–	818	–	–	–	–	–	–	818
Exchange differences on translation of foreign operations	–	–	–	–	(4,260)	–	–	–	–	(4,260)
Total comprehensive income/(loss) for the year	–	–	818	–	(4,260)	–	–	–	(320,312)	(323,754)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	(818)	–	–	–	–	–	818	–
Transfer from retained profits	–	–	–	–	–	–	563	–	(563)	–
At 31 December 2018 and 1 January 2019	**8,852**	**181,926***	**–***	**(27,434)***	**(11,430)***	**(8)***	**33,309***	**10,296***	**(235,330)***	**(39,819)**
Loss for the year	–	–	–	–	–	–	–	–	(38,234)	(38,234)
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	(3,460)	–	–	–	–	(3,460)
Total comprehensive loss for the year	–	–	–	–	(3,460)	–	–	–	(38,234)	(41,694)
Issue of share *(note 29)*	2,519	20,014	–	–	–	–	–	–	–	22,533
Transfer from retained profits	–	–	–	–	–	–	153	–	(153)	–
At 31 December 2019	**11,371**	**201,940***	**–***	**(27,434)***	**(14,890)***	**(8)***	**33,462***	**10,296***	**(273,717)***	**(58,980)**

* These reserve accounts comprise the consolidated reserves of negative RMB70,351,000 (2018: RMB48,671,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:			
From continuing operations		**(34,949)**	(316,714)
From a discontinued operation	14	**(12,262)**	(324)
Adjustments for:			
Finance costs	7	**46,130**	42,216
Interest income	6	**(104)**	(4,080)
Loss on disposal of items of property, plant and equipment	6	**954**	1,292
Depreciation of right-of-use assets	8	**2,991**	—
Depreciation of property, plant and equipment	8	**10,559**	12,704
Amortisation of prepaid land lease payments	8	**—**	116
Changes in fair value of investment properties	6	**539**	1,928
Impairment of goodwill		**—**	210,950
Impairment losses on loan and interest receivables		**—**	47,995
Impairment losses on trade and note receivables	6	**1,259**	277
Fair value gains on financial assets at fair value through profit or loss	6	**—**	(1,370)
Dividend income from an unlisted investment	6	**(29,148)**	—
		(14,031)	(5,010)
Increase in inventories		**(4,688)**	(2,471)
Increase in trade and notes receivables		**(13,318)**	(27,690)
Decrease in deposits, prepayments and other receivables		**8,662**	18,468
Increase/(decrease) in trade payables		**16,649**	(1,827)
Increase/(decrease) in other payables and accruals		**76**	(2,107)
Cash used in operations		**(6,650)**	(20,637)
Interest paid		**(935)**	(3,243)
Income tax paid		**(2,194)**	(8,406)
Interest elements of lease liabilities		**(402)**	—
Net cash flows used in operating activities		**(10,181)**	(32,286)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(3,308)**	(10,162)
Purchases of investment properties		**—**	(48,731)
Proceeds from disposal of items of property, plant and equipment		**156**	189
Repayment of loan advanced to independent third parties		**—**	6,850
Proceeds from repayment of financial asset at fair value through profit or loss		**16,567**	56,098
Dividend received from an unlisted investment		**29,148**	—
Purchases of financial asset at fair value through profit or loss		**—**	(2,635)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**—**	23,970
Interest received		**104**	4,080
Net cash flows generated from investing activities		**42,667**	29,659

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	29	**22,533**	—
New bank and other loans		**10,000**	63,138
Repayment of bank and other loans		**(12,000)**	(60,177)
Principal portion of lease payment		**(2,714)**	—
Interest paid		**(29,879)**	(25,694)
Net cash flows used in financing activities		**(12,060)**	(22,733)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**20,426**	(25,360)
Cash and cash equivalents at beginning of year		**24,458**	64,691
Effect of foreign exchange rate changes, net		**1,787**	(14,873)
CASH AND CASH EQUIVALENT AT END OF YEAR		**46,671**	24,458
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**46,671**	24,458

1. CORPORATE AND GROUP INFORMATION

Teamway International Group Holdings Limited 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 in the People's Republic of China (the "**PRC**")
- property investment
- provision for corporate secretarial, consultancy and business valuation services (discontinued during the year)

Information about subsidiaries

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

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

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

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

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

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

2. BASIS OF PRESENTATION

Despite that the Group reported a net loss of RMB38,234,000 for the year ended 31 December 2019 and had net liabilities of RMB58,980,000 as at 31 December 2019, and the expected impact from the coronavirus disease pandemic, which has resulted in the temporary closures of its packaging products and structural components business operation in the PRC, as further disclosed in note 39 to the financial statements. The directors have reviewed the Group's cash flow projections covering a period of 15 months from 31 December 2019 which have taken into account the following measures:

(i) with the total assets of the Group of approximately RMB442,433,000, the Group should be able to obtain additional loan facilities, if necessary;

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

(iii) the directors will strengthen to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring the general administrative expenses and operating costs.

Based on the above, in the opinion of the directors, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due at least the next 12 months from the end of the reporting period. Should the Group be unable to continue as a going concern, adjustments would have to be made to the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in this financial information.

3.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 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 to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments mentioned below, the application of the above new and revised HKFRSs has had no significant finance effect on this financial information.

(a) 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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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.

Nature of the effect of adoption of HKFRS 16

The Group has lease contract for various items of leasehold land and building and other equipment. 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 leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

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

(a) *(Continued)*

New definition of a lease *(Continued)*

Impact 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 included in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding the initial direct costs from the measurement of the right-of-use asset at date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	5,150
Decrease in prepaid land lease payments	(4,430)
Increase in total assets	720
Liabilities	
Increase in lease liabilities — Current	720

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

(a) *(Continued)*

Financial impact at 1 January 2019 *(Continued)*

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

	RMB'000
Operating lease commitments as at 31 December 2018	835
Less: Commitments relating to leases of low-value assets	(105)
	730
Weighted average incremental borrowing rate as at 1 January 2019	7.84%
Discounted operating lease commitments as at 1 January 2019 and lease liabilities as at 1 January 2019	720

(b) HK(IFRIC)-Int 23

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the financial position or performance of the Group.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

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

The Group anticipates that the application of the above new and amendments to HKFRSs will have no material impact on the Group's financial statements in the foreseeable future.

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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

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

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of land and building is over the lease terms.

(b) 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 termination of 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 an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Group as a lessee *(Continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Leases (applicable before 1 January 2019)

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Inventories

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) *Sales of goods*

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

(b) *Consultancy and business valuation services*

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

Revenue from other sources

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

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfer control of the related goods or services to the customer).

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

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

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

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

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

Other employee benefits

Pension scheme

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

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

Borrowing costs

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

(a) Net realisable value of inventories

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

(b) Provision for expected credit losses on trade and notes receivables

The Group applies basically the simplified approach in calculating expected credit losses ("**ECLs**"). An impairment analysis is performed at each reporting date using a loss rate approach to measure ECLs. The credit risk categorisation is determined based on a number of factors which include (i) debtors' ageing; (ii) historical repayment behavior of debtors; (iii) debtors' specific information available to the Group which is relevant for credit risk assessment; and (v) current industry conditions and future economic outlook. The credit risk categorisation is adjusted to reflect subsequent information uncovered to an extent that such information provides evidence of conditions existed as at the year end date and forward-looking information. The ECLs are estimated based on the expected cash flows that can be recovered and other estimated repayments based on historical recovery ratios.

The assessment of correlation among historical recovery ratio, estimated repayment and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and conditions. The Group's historical credit loss experience and estimates may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and notes receivables is disclosed in note 20 to the financial statements.

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

(c) Depreciation of property, plant and equipment

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

(d) Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

5. 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 year ended 31 December 2019.

The Group has presented the following reportable segments:

- design, manufacture and sale of packaging products and structural components in the PRC
- property investment
- provision for corporate secretarial, consultancy and business valuation services (discontinued during the year)

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, impairment of goodwill, 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, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

5. OPERATING SEGMENT INFORMATION *(Continued)*

	Continuing operations			Discontinued operation
	Sales of packaging products and structural components RMB'000	Property investment RMB'000	Total RMB'000	Corporate secretarial, consultancy and business valuation services RMB'000
Year ended 31 December 2019				
Segment revenue:				
Revenue from external customers	380,957	529	381,486	–
Segment results	4,382	(522)	3,860	(12,262)
Reconciliation:				
Interest income			104	–
Dividend income from unlisted investment			29,148	–
Finance costs			(46,130)	–
Corporate and other unallocated expenses			(21,931)	–
Loss before tax			(34,949)	(12,262)
Other segment information				
Depreciation				
– Property, plant and equipment	9,592	–	9,592	–
– Right-of-use assets	116	–	116	–
Fair value losses on investment properties	–	539	539	–
Capital expenditure*	3,151	157	3,308	–

5. OPERATING SEGMENT INFORMATION *(Continued)*

	Continuing operations			Discontinued operation
	Sales of packaging products and structural components RMB'000	Property investment RMB'000	Total RMB'000	Corporate secretarial, consultancy and business valuation services RMB'000
Year ended 31 December 2018				
Segment revenue:				
Revenue from external customers	389,784	–	389,784	6,198
Segment results	12,101	(2,286)	9,815	(341)
Reconciliation:				
Interest income			4,080	–
Finance costs			(42,216)	–
Impairment of goodwill			(210,950)	–
Corporate and other unallocated expenses			(77,443)	17
Loss before tax			(316,714)	(324)
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	–

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

31 December 2019	Sales of packaging products and structural components RMB'000	Property investment RMB'000	Total RMB'000
Segment assets	313,366	89,851	403,217
Reconciliation:			
Deferred tax assets			14
Corporate and other unallocated assets			39,202
Total assets			442,433
Segment liabilities	65,950	487	66,437
Reconciliation:			
Interest-bearing bank and other borrowings			422,491
Deferred tax liabilities			2,843
Corporate and other unallocated liabilities			9,642
Total liabilities			501,413

5. OPERATING SEGMENT INFORMATION *(Continued)*

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

Year ended 31 December 2019

	Continuing operations			Discontinued operation
	Sales of packaging products and structural components RMB'000	Property investment RMB'000	Total RMB'000	Corporate secretarial, consultancy and business valuation services RMB'000
Hong Kong	–	392	392	–
Singapore	–	137	137	–
Mainland China	380,957	–	380,957	–
	380,957	529	381,486	–
Year ended 31 December 2018				
Hong Kong	–	–	–	6,198
Mainland China	389,784	–	389,784	–
	389,784	–	389,784	6,198

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

(b) Non-current assets

	2019 RMB'000	2018 RMB'000
Hong Kong	47,175	98,211
Singapore	51,651	–
Mainland China	60,356	65,917
	159,182	164,128

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

A summary of revenue earned from each of these major customers is set out below, while these revenue were solely derived from a segment of sales of packaging products and structural components' segment.

	2019 RMB'000	2018 RMB'000
Customer A	143,280	136,991
Customer B	46,468	60,462
Customer C	64,650	51,051
Customer D	44,616	53,223
	299,014	301,727

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

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	380,957	389,784
Revenue from other sources		
Gross rental income from investment properties	529	—
	381,486	389,784

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

Disaggregated revenue information

	Continuing operations		Discontinued operation	
	2019	2018	**2019**	2018
	Sales of packaging products and structural components	Sales of packaging products and structural components	**Corporate secretarial consultancy and business valuation services**	Corporate secretarial consultancy and business valuation services
	RMB'000	RMB'000	**RMB'000**	RMB'000
Type of goods and services				
Sale of packaging product	**364,310**	373,029	**–**	–
Sale of structural components	**16,647**	16,755	**–**	–
Total revenue from contracts with customers	**380,957**	389,784	**–**	6,198
Geographical markets				
Mainland China	**380,957**	389,784	**–**	–
Total revenue from contracts with customers	**380,957**	389,784	**–**	6,198
Timing of revenue recognition				
Goods transferred at a point of time	**380,957**	389,784	**–**	–
Total revenue from contracts with customers	**380,957**	389,784	**–**	6,198

The following table shows the movement in contract liabilities:

	Sales of goods	
	2019	2018
	RMB'000	RMB'000
Balance at 1 January	**421**	4,058
Decrease in contract liabilities as a result of recognising revenue from sale of packaging product during the year that was included in the contract liabilities at the beginning of the year	**(421)**	(4,058)
Increase in contract liabilities as a result of cash received	**262**	421
Balance at 31 December	**262**	421

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

Performance obligations

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

Sale of goods

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

Consultancy and business valuation services

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

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

	2019 RMB'000	2018 RMB'000
Interest income	**104**	4,080
Fair value losses on investment properties, net	**(539)**	(1,928)
Foreign exchange differences, net	**(805)**	(5,957)
Dividend income from an unlisted investment	**29,148**	—
Impairment loss on trade and notes receivables	**(1,259)**	(277)
Fair value gains on financial assets at fair value through profit or loss	**—**	1,370
Loss on disposal of items of property, plant and equipment	**(954)**	(1,292)
Others	**125**	(1,291)
	25,820	(5,295)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank borrowings	**786**	708
Interest on other borrowings	**43,998**	38,265
Finance costs arising on discounting trade and notes receivables	**935**	3,240
Interest on lease liabilities	**402**	—
Others	**9**	3
	46,130	42,216

8. LOSS BEFORE TAX

	2019 RMB'000	2018 RMB'000
Cost of inventories sold	**239,779**	259,108
Employee benefit expense (including directors' and chief executive's remuneration)	**65,297**	61,559
Auditors' remuneration	**1,374**	1,303
Minimum lease payments under operating lease	**—**	2,983
Amortisation of prepaid land lease payment	**—**	116
Lease payments not included in the measurement of lease liabilities	**128**	—
Depreciation on property, plant and equipment	**10,559**	12,704
Depreciation on right-of-use assets	**2,991**	—

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Fees	Salaries, allowances and other benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
2019				
Executive directors				
Ms. Ngai Mei	**3,174**	**–**	**16**	**3,190**
Mr. Xu Gefei *(note (i))*	**212**	**–**	**–**	**212**
Mr. He Xiaoming *(note (ii))*	**81**	**–**	**–**	**81**
Independent non-executive directors				
Mr. Poon Lai Yin Michael *(note (iv))*	**133**	**–**	**–**	**133**
Mr. Chan Ka Leung Kevin *(note (v))*	**89**	**–**	**–**	**89**
Mr. Chow Ming Sang *(note (vi))*	**89**	**–**	**–**	**89**
Mr. So Stephen Hon Cheung *(note (vii))*	**75**	**–**	**–**	**75**
Mr. Chan Chung Yin Victor *(note (viii))*	**66**	**–**	**–**	**66**
Ms. Man See Yee *(note (ix))*	**37**	**–**	**–**	**37**
	3,956	**–**	**16**	**3,972**
2018				
Executive directors				
Mr. He Xiaoming *(note (ii))*	303	–	–	303
Mr. Ling Zheng *(note (iii))*	55	–	–	55
Ms. Ngai Mei	3,034	–	15	3,049
Mr. Xu Gefei *(note (i))*	166	–	–	166
Independent non-executive directors				
Ms. Bu Yanan *(note (x))*	121	–	–	121
Ms. Man See Yee *(note (ix))*	162	–	–	162
Mr. So Stephen Hon Cheung *(note (vii))*	162	–	–	162
Mr. Chan Chung Yin Victor *(note (viii))*	42	–	–	42
	4,045	–	15	4,060

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

Notes:

(i) Mr. Xu Gefei was appointed as an executive director of the Company on 6 March 2018 and resigned after the end of reporting period, on 30 January 2020.

(ii) Mr. He Xiaoming resigned his position as an executive director of the Company on 2 April 2019.

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

(iv) Mr. Poon Lai Yin Michael was appointed as an independent non-executive director of the Company on 19 March 2019.

(v) Mr. Chan Ka Leung Kevin was appointed as an independent non-executive director of the Company on 21 June 2019.

(vi) Mr. Chow Ming Sang was appointed as an independent non-executive director of the Company on 21 June 2019.

(vii) Mr. So Stephen Hon Cheung resigned his position as an independent non-executive director of the Company on 10 June 2019.

(viii) Mr. Chan Chung Yin Victor was appointed as an independent non-executive director of the Company on 28 September 2018 and retired on 20 June 2019.

(ix) Ms. Man See Yee resigned her position as an independent non-executive director of the Company on 19 March 2019.

(x) Ms. Bu Yanan resigned her position as an independent non-executive director of the Company on 28 September 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one executive director (2018: one), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining four (2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries, allowances and benefits in kind	**5,235**	5,580
Pension scheme contributions	**56**	56
	5,291	5,636

10. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

	Number of employees 2019	2018
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**—**	—
HK$3,500,000 to HK$4,000,000	**—**	1
	4	4

There were no non-directors and non-chief executive highest paid employees being granted share option during the year (2018: Nil).

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2019 and 2018. Tax on profits assessable elsewhere have been calculated at the rates prevailing in the relevant 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% (2018: 25%) on the estimated assessable profits for the years ended 31 December 2019 and 2018, or otherwise, 15% (2018: 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.

	2019 RMB'000	2018 RMB'000
Current — PRC		
Charge for the year	**1,704**	2,098
Underprovision in prior years	**—**	2
Withholding tax on dividend	**648**	—
Deferred	**—**	313
Total tax charge for the year from continuing operations	**2,352**	2,413
Total tax (credit)/charge for the year from a discontinued operation	**(11,329)**	861
	(8,977)	3,274

11. INCOME TAX EXPENSE *(Continued)*

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

	2019 **RMB'000**	2018 RMB'000
Loss before tax from continuing operations	**(34,949)**	(316,714)
Loss before tax from a discontinued operation	**(12,262)**	(324)
	(47,211)	(317,038)
Tax at domestic tax rates applicable to profits of taxable entities in the countries concerned	**(7,833)**	(69,708)
Income not subject to tax	**(7,197)**	(888)
Expenses not deductible for tax	**16,692**	73,159
Withholding tax on dividends	**648**	—
Tax losses utilised from previous periods	**—**	(95)
(Over)/under-provision in prior years	**(11,329)**	2
Others	**42**	804
Income tax (credit)/expense	**(8,977)**	3,274

12. DIVIDENDS

No dividend was proposed or declared by the board (the "**Board**") of directors in respect of the year (2018: Nil).

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

(a) Basic

The calculation of basic and diluted loss per share are based on:

	2019 RMB'000	2018 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
— from continuing operations	(37,301)	(319,127)
— from discontinued operation	(933)	(1,185)
Loss attributable to ordinary equity holders of the parent	(38,234)	(320,312)

	2019	2018 (restated)
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic loss per share calculation	1,199,731,000	1,103,334,000

(b) Diluted

Diluted loss per share is the same as basic loss per share as potential dilutive ordinary shares outstanding during the years ended 31 December 2019 and 2018 have no dilutive effect.

14. DISCONTINUED OPERATION

On 22 March 2019, the Company announced the decision of the Board to wind up of Treasure Found Investments Limited and its subsidiaries (collectively referred to as the "**Treasure Found Group**"). The Treasure Found Group engaged in the provision of corporate secretarial, consultancy and business valuation services business, however, as a result of the continuing non-performance of the said business, the Board believes that the voluntary liquidation is in the best interests of the Company and its shareholders as a whole. The voluntary liquidation was completed in December 2019 and being classified as a discontinued operation.

The results of Treasure Found Group for the year are presented below:

	2019 **RMB'000**	2018 RMB'000
Revenue	**–**	6,198
Cost of sales	**–**	(5,998)
Gross profit	**–**	200
Other income and gain/(losses), net	**(10,936)**	76
Administrative expenses	**(1,326)**	(600)
Loss before tax	**(12,262)**	(324)
Income tax credit/(charge)	**11,329**	(861)
Loss for the year from the discontinued operation	**(933)**	(1,185)

14. DISCONTINUED OPERATION *(Continued)*

The net cash flows incurred by Treasure Found Group are as follows:

	2019	2018
	RMB'000	RMB'000
Operating activities	**(1,470)**	(2,688)
Investing activities	**—**	21,919
Financing activities	**(22)**	(27,481)
Net cash outflow	**(1,492)**	(8,250)

Calculation of the basic and diluted loss per share from the discontinued operation are based on:

	2019	2018
Loss per share:		
Basic and diluted, from the discontinued operation	**RMB(0.08) cents**	RMB(0.11) cents
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**RMB(933,000)**	RMB(1,185,000)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,199,731,000**	1,103,334,000

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019								
At 31 December 2018 and at 1 January 2019:								
Cost	**40,142**	**1,746**	**63,018**	**1,408**	**6,551**	**34,840**	**143**	**147,848**
Accumulated depreciation	**(15,783)**	**(1,523)**	**(39,686)**	**(726)**	**(3,414)**	**(23,340)**	**–**	**(84,472)**
Net carrying amount	**24,359**	**223**	**23,332**	**682**	**3,137**	**11,500**	**143**	**63,376**
At 1 January 2019, net of accumulated depreciation	**24,359**	**223**	**23,332**	**682**	**3,137**	**11,500**	**143**	**63,376**
Additions	**30**	**157**	**565**	**43**	**37**	**–**	**2,476**	**3,308**
Disposals	**(274)**	**–**	**(17)**	**(5)**	**(32)**	**(782)**	**–**	**(1,110)**
Transfers	**–**	**–**	**1,001**	**–**	**302**	**–**	**(1,303)**	**–**
Depreciation provided during the year *(note 8)*	**(1,882)**	**(224)**	**(3,605)**	**(197)**	**(1,107)**	**(3,544)**	**–**	**(10,559)**
Exchange realignment	**–**	**1**	**–**	**7**	**11**	**–**	**–**	**19**
At 31 December 2019, net of accumulated depreciation	**22,233**	**157**	**21,276**	**530**	**2,348**	**7,174**	**1,316**	**55,034**
At 31 December 2019:								
Cost	**39,898**	**1,903**	**64,472**	**1,426**	**6,640**	**31,317**	**1,316**	**146,972**
Accumulated depreciation	**(17,665)**	**(1,746)**	**(43,196)**	**(896)**	**(4,292)**	**(24,143)**	**–**	**(91,938)**
Net carrying amount	**22,233**	**157**	**21,276**	**530**	**2,348**	**7,174**	**1,316**	**55,034**
31 December 2018								
At 31 December 2017 and at 1 January 2018:								
Cost	39,779	1,655	62,618	1,251	5,675	33,328	911	145,217
Accumulated depreciation	(13,899)	(616)	(37,427)	(555)	(2,389)	(21,836)	–	(76,722)
Net carrying amount	25,880	1,039	25,191	696	3,286	11,492	911	68,495
At 1 January 2018, net of accumulated depreciation	25,880	1,039	25,191	696	3,286	11,492	911	68,495
Additions	515	–	759	145	819	6,424	1,500	10,162
Disposals	(144)	–	(896)	(2)	(6)	(1,637)	–	(2,685)
Transfers	58	–	2,210	–	–	–	(2,268)	–
Depreciation provided during the year *(note 8)*	(1,950)	(838)	(3,932)	(182)	(1,023)	(4,779)	–	(12,704)
Exchange realignment	–	22	–	25	61	–	–	108
At 31 December 2018, net of accumulated depreciation	24,359	223	23,332	682	3,137	11,500	143	63,376
At 31 December 2018:								
Cost	40,142	1,746	63,018	1,408	6,551	34,840	143	147,848
Accumulated depreciation	(15,783)	(1,523)	(39,686)	(726)	(3,414)	(23,340)	–	(84,472)
Net carrying amount	24,359	223	23,332	682	3,137	11,500	143	63,376

At 31 December 2019, certain of the Group's buildings with a net carrying amount of RMB7,817,000 (2018: RMB11,036,000) were pledged to secure general banking facilities granted to the Group (note 27).

16. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**88,278**	37,469
Additions	**—**	48,731
Net loss from a fair value adjustment *(note 6)*	**(539)**	(1,928)
Exchange realignment	**1,679**	4,006
Carrying amount at 31 December	**89,418**	88,278

The Group's investment properties consist two residential apartment in Hong Kong and Singapore (2018: same). The directors of the Company have determined that the class of its investment property's asset is residential property, based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2019 and 2018 based on valuations performed by APAC Appraisal and Consulting Limited, independent professionally qualified valuers. The properties in Hong Kong and Singapore were revalued at HK$42,200,000 (equivalent to RMB37,767,000) (2018: HK$46,700,000 (equivalent to RMB41,010,000)) and SGD10,000,000 (equivalent to RMB51,651,000) (2018: SGD9,400,000 (equivalent to RMB47,268,000)) respectively. Each year, the Group's management decide, to appoint which external valuer to be responsible for the external valuation of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussion with the valuer on the valuation assumptions and valuation result when the valuation is performed.

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

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

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

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

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Residential properties	–	–	89,418	89,418

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

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

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

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

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range or weighted average 2019	2018	Relationship of input to fair value
Flat A, 21/F Tower 1, One Silversea 18 Hoi Fai Road Tai Kok Tsui, Kowloon Hong Kong	Sales comparison method	Estimated market price per square feet (RMB)	**18,433 to 27,967**	25,074 to 28,081	The higher the market price, the higher the fair value
1 Bishopsgate #04-06, Bishopsgate Residences, Singapore 247676	Sales comparison method	Estimated market price per square feet (RMB)	**16,339 to 18,517**	16,016 to 17,024	The higher the market price, the higher the fair value

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

17. LEASES

The Group as a lessee

The Group has lease contracts for land and buildings used in its operations. Leases of land and buildings generally have lease terms between 2 and 50 years. Other land and buildings generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Total RMB'000
As at 1 January 2019	5,150
Additions	8,610
Depreciation charge	(2,991)
Exchange realignment	100
Carrying amount at 31 December 2019	10,869

At 31 December 2019, certain of the Group's right-of-use assets with net carrying amount of RMB1,286,000 was pledged to secure general banking facilities granted to the Group (note 27).

17. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 RMB'000
Carrying amount at 1 January	720
New leases	8,610
Accretion of interest recognised during the year	402
Payments	(3,116)
Exchange realignment	102
Carrying amount at 31 December	6,718
Analysed into:	
Current portion	2,860
Non-current portion	3,858
	6,718

The maturity analysis of lease liabilities is disclosed in note 17 to the consolidated the financial statements.

(c) The amounts recognised in profit or loss from continuing operations in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	402
Depreciation charge of right-of-use assets (included in administrative expenses) *(note 8)*	2,991
Expense relating to short-term leases (included in administrative expenses) *(note 8)*	128
Total amount recognised in profit or loss	3,521

17. LEASES *(Continued)*

The Group as a lessor

The Group leases its investment properties (note 16) consisting of two residential properties in Hong Kong and Singapore respectively under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB529,000 (2018: Nil), details of which are included in note 6 to the financial statements.

At 31 December 2019, the undiscounted minimum payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019	2018
	RMB'000	RMB'000
Within one year	**1,577**	–
After one year but with two years	**1,067**	–
	2,644	–

18. PREPAID LAND LEASE PAYMENTS (before 1 January 2019)

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

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

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

19. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**12,542**	7,072
Work in progress	**520**	220
Finished goods	**7,219**	7,215
Packaging materials and consumables	**1,646**	2,732
	21,927	17,239

20. TRADE AND NOTES RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables:		
— from sales of packaging products and structural components	**134,345**	127,452
— from rendering of corporate secretarial, consultancy and business valuation services	**—**	25
	134,345	127,477
Notes receivables	**78,223**	71,773
	212,568	199,250
Impairment:		
— Trade receivables	**(841)**	(188)
— Notes receivables	**(695)**	(89)
	(1,536)	(277)
	211,032	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 up to six months for major customers. Notes receivables are received from customers under the ordinary course of business. All of them are bank acceptance bills with maturity period within six months.

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

20. TRADE AND NOTES RECEIVABLES *(Continued)*

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

	2019	2018
	RMB'000	RMB'000
Within 3 months	**126,766**	117,402
3 to 6 months	**2,658**	9,112
7 months to 1 year	**2,666**	703
Over 1 year	**1,414**	72
	133,504	127,289

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

	2019	2018
	RMB'000	RMB'000
At beginning of year	**277**	—
Impairment losses *(note 8)*	**1,259**	277
At end of year	**1,536**	277

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision for expected credit losses by grouping together trade and notes receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and notes receivables relating to accounts which are long overdue with significant amounts or known insolvencies, financial difficulties or non-response to collection activities, they are assessed individually for impairment allowance.

20. TRADE AND NOTES RECEIVABLES *(Continued)*

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

			Past due			
2019		**Current**	**Less than 3 months**	**Over 3 to 6 months**	**Over 6 months**	**Total**
Expected credit losses rate		**0.06%**	**0.19%**	**5.61%**	**37.50%**	**0.63%**
Gross carrying amount	RMB'000	**126,844**	**2,663**	**3,314**	**1,524**	**134,345**
Expected credit losses	RMB'000	**78**	**5**	**186**	**572**	**841**

			Past due			
2018		Current	Less than 3 months	Over 3 to 6 months	Over 6 months	Total
Expected credit losses rate		0.04%	0.62%	1.13%	50.20%	0.15%
Gross carrying amount	RMB'000	117,452	9,169	711	145	127,477
Expected credit losses	RMB'000	50	57	8	73	188

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Deposits	**2,041**	2,003
Prepayments	**4,877**	12,558
Other receivables	**550**	1,569
Missing loan and interest receivables	**7,468**	16,130
Less: Deposits and prepayments under non-current portion	**(3,861)**	(8,160)
Current assets portion	**3,607**	7,970

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

22. LOAN AND INTEREST RECEIVABLES

	2019 RMB	2018 RMB
Carrying amount at 1 January	–	54,583
Additions	–	3,799
Repayment	–	(10,649)
Impairment	–	(47,995)
Exchange realignment	–	262
Carrying amount at 31 December	–	–

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. 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.

22. LOAN AND INTEREST RECEIVABLES *(Continued)*

As suggested by lawyer, the Company issued an application for summary judgement on 14 May 2019 and on 11 September 2019, a judgement was granted in favor of the Company in which Rossoneri and Mr. Li were liable to pay the Company the sum of US$7,300,000 (being the outstanding principal amount of the Loan) with interests at a rate of 24% from 1 May 2018 and the related costs until full payment is received. The Company is now seeking advice from the Company's lawyers on the best option to enforce the judgement.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **RMB'000**	2018 RMB'000
Unlisted investment, at fair value	–	12,345
Other unlisted investment, at fair value	–	4,119
	–	16,464

The above unlisted investments at 31 December 2018 were loan to an investment entity in Singapore and a school debenture in Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. During the year ended 31 December 2019, the unlisted investment was disposed.

24. CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB12,501,000 (2018: RMB9,791,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

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

25. TRADE PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**53,013**	39,398
3 to 6 months	**4,141**	832
7 months to 1 year	**13**	227
Over 1 year	**417**	478
	57,584	40,935

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

26. OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB'000	RMB'000
Contract liabilities *(note (a))*	**262**	421
Accruals	**8,022**	6,000
Other payables *(note (b))*	**2,584**	4,371
	10,868	10,792

Notes:

(a) Details of contract liabilities as at 31 December 2019 are as follows:

	31 December 2019	31 December 2018	1 January 2018
	RMB'000	RMB'000	RMB'000
Short-term advances received from customers			
Sale of packaging product	**262**	421	4,058

Contract liabilities include short-term advances received to deliver packaging product. The decrease in contract liabilities in 2019 was mainly due to the decrease in short-term advances received from customers in relation to the sales of packaging product at the end of the year.

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured RMB loan *(note (a))*	**4.35**	**2020**	**10,000**	5.65-5.66	On demand	12,000
Other borrowings:						
— unsecured US$ loan	**6.5**	**On demand**	**22,982**	6.5	2019	21,727
— secured HK$ loan *(note (b))*	**—**	**—**	**—**	10	2018	190,797
			32,982			224,524
Non-current						
Other borrowings:						
— unsecured US$ loan	**2**	**2023**	**177,762**	10	2020	177,382
— secured HK$ loan *(note (b))*	**16.5**	**2021**	**211,747**	—	—	—
			389,509			177,382
			422,491			401,906

Notes:

(a) The Group's bank loan is secured by the Group's buildings (note 15) and right-of-use assets (note 17), which had an aggregate carrying value at the end of the reporting period of RMB9,103,000 (2018: RMB13,487,000). The interest rate charged on the Group's bank loan is one-year China Interbank Offered Rate, plus 4 basis points (2018: 134.5-135.5 basis point).

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

28. DEFERRED TAXATION

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

	Write-down of inventories RMB'000	**Withholding tax** RMB'000	**Total** RMB'000
At 1 January 2018	14	(2,645)	(2,631)
Deferred tax charged to the statement of profit or loss during the year *(note 11)*	—	(145)	(145)
At 31 December 2018 and 1 January 2019	14	(2,790)	(2,776)
Exchange realignment	—	(53)	(53)
At 31 December 2019	**14**	**(2,843)**	**(2,829)**

28. DEFERRED TAXATION *(Continued)*

	2019 **RMB'000**	2018 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**14**	14
Deferred tax liabilities recognised in the consolidated statement of financial position	**(2,843)**	(2,790)
	(2,829)	(2,776)

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

29. SHARE CAPITAL

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

	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
Authorised				
At 1 January 2018, 31 December 2018 and 1 January 2019	–	–	200,000,000,000	200,000
Share consolidation *(note b)*	20,000,000,000	200,000	(200,000,000,000)	(200,000)
At 31 December 2019	20,000,000,000	200,000	–	–

29. SHARE CAPITAL *(Continued)*

	Number of shares	Amount	Equivalent to RMB
	'000	HK$'000	RMB'000
At 1 January 2018, 31 December 2018 and 1 January 2019	11,033,340	11,033	8,852
Issue of shares *(note a)*	550,000	550	472
Shares consolidation *(note b)*	(10,425,006)	—	—
Issue of shares after share consolidation *(note c)*	226,400	2,264	2,047
At 31 December 2019	1,384,734	13,847	11,371

Notes:

a. On 7 January 2019, the Company entered subscription agreements with Ms. Liu Xiaobei and Ms. Chen Yiru, pursuant to which the subscribers 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 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.

c. On 16 September 2019, the Company entered into the subscription agreements with Success Sense Limited, Kent Field Limited and All Superstar Limited, pursuant to which the subscribers have agreed to subscribe for, and the Company has agreed to issue a total of 226,400,000 subscription shares at a price of HK$0.064 per subscription share for an aggregate amount of approximately HK$14,490,000 (equivalent to approximately RMB13,097,000. Details of which were disclosed in the Company's announcements dated 16 September 2019, 17 September 2019 and 18 October 2019.

30. SHARE OPTION SCHEME

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

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

30. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

31. RESERVES

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

(a) PRC capital reserve

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

(b) PRC statutory reserves

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

31. RESERVES *(Continued)*

(c) Special reserve

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

(d) Shareholders' contributions

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

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB8,610,000 and RMB8,610,000, respectively, in respect of lease arrangements for land and buildings (2018:Nil).

(b) Changes in liabilities arising financing activities

	Interest-bearing bank and other borrowings RMB'000	**Lease liabilities** RMB'000
At 31 December 2018	401,906	—
Effect of adoption of HKFRS16	—	720
At 1 January 2019 (restated)	401,906	720
Changes from financing cash flows	(31,879)	(2,714)
New leases	—	8,610
Foreign exchange movement	7,680	102
Interest expense	44,784	402
Interest paid classified as operating cash flows	—	(402)
At 31 December 2019	422,491	6,718

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2019
	RMB'000
Within operating activities	**530**
Within financing activities	**2,714**
	3,244

33. COMMITMENTS

Operating lease arrangements as at 31 December 2018

The Group leased certain of its office premises and warehouse and are negotiated for terms ranging from one to three years.

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

	2018
	RMB'000
Within one year	835

34. RELATED PARTY TRANSACTIONS

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

(a) During the year ended 31 December 2019, Yitou (China) Limited ("**Yitou**"), a company of which Mr. Xu Gefei (a director of the Company who appointed on 6 March 2018 and subsequently resigned on 30 January 2020) is a controlling shareholder was granted an unsecured loan of US$25,000,000 (equivalent to RMB174,517,000) (2018: equivalent to RMB172,766,000) to the Group in 2017. The interest paid and payable of RMB3,245,000 (2018: RMB16,436,000) to Yitou is calculated based on 2%–10% (2018: 10%) per annum on a loan with principal amount of US$25,000,000. Details of which are set out in note 27 to the financial statements.

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

Details of the Compensation of key management personnel of the Group are set out in notes 9 and 10 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2019 RMB'000
Financial assets	
Financial assets at amortised cost	
Trade and notes receivables	**211,032**
Loan and interest receivables	**—**
Financial assets included in deposits, prepayments and other receivables	**2,591**
Cash and bank balances	**46,671**
	260,294
Financial liabilities	
Financial liabilities at amortised cost	
Trade payables	**57,584**
Financial liabilities included in other payables and accruals	**10,606**
Interest-bearing bank and other borrowings	**422,491**
Lease liabilities	**6,718**
	497,399

	2018 RMB'000
Financial assets	
Financial assets at amortised cost	
Trade and notes receivables	198,973
Loan and interest receivables	—
Financial assets included in deposits, prepayments and other receivables	3,572
Cash and bank balances	24,458
	227,003
Financial assets at fair value through profit or loss — Designated as such upon initial recognition	
Financial assets at fair value through profit or loss	16,464
Financial liabilities	
Financial liabilities at amortised cost	
Trade payables	40,935
Financial liabilities included in other payables and accruals	10,371
Interest-bearing bank and other borrowings	401,906
	453,212

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

The following methods and assumptions were used to estimate the fair values: As at 31 December 2018, the fair values of listed equity investments were based on quoted market prices. The Group invested in unlisted investments, which represented a loan to an investment entity in Singapore and a school debenture in Hong Kong. The Group had estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

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

Assets measured at fair value on recurring basis:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant unobservable inputs (Level 2) RMB'000	Significant observable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2018				
Financial assets at fair value through profit or loss	—	—	16,464	16,464

The Group did not have any financial assets measured at fair value as at 31 December 2019.

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 and 2018.

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

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

	2019 RMB'000	2018 RMB'000
At 1 January	**16,464**	64,946
Purchases	**—**	2,635
Repayment	**(16,567)**	(56,098)
Total gain recognised in the statement of profit or loss included in other income	**—**	1,370
Exchange realignment	**103**	3,611
At 31 December	**—**	16,464

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

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

	Assets		Liabilities	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
HK$	**32,482**	16,824	**214,421**	194,998
US$	**21**	26	**200,744**	199,109
SGD	**259**	12,396	**170**	—

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

Foreign currency risk *(Continued)*

The following table details the sensitivity to a 5% (2018: 5%) increase and decrease in the relevant foreign currencies and all other variables were held constant. 5% is the sensitivity rate used which represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rate. A positive (negative) number below indicates a decrease (increase) in post-tax loss for the year where functional currencies of respective group entities strengthen 5% (2018: 5%) against foreign currencies. For a 5% (2018: 5%) weakening of functional currencies of respective group entities against foreign currencies, there would be an equal and opposite impact on the result for the year.

	2019	2018
	RMB'000	RMB'000
HK$	**(9,097)**	(8,909)
US$	**(10,036)**	(9,954)
SGD	**5**	620

Credit risk

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Trade and notes receivables*	**–**	**–**	**–**	**212,568**	**212,568**
Loan and interest receivables	**–**	**–**	**54,583**	**–**	**54,583**
Financial assets included in deposits and other receivables					
— Normal**	**2,591**	**–**	**–**	**–**	**2,591**
— Doubtful**	**–**	**–**	**–**	**–**	**–**
Cash and bank balances					
— Not yet past due	**46,671**	**–**	**–**	**–**	**46,671**
	49,262	**–**	**54,583**	**212,568**	**316,413**

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

Credit risk *(Continued)*

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and notes receivables*	–	–	–	199,250	199,250
Loan and interest receivables	–	–	54,583	–	54,583
Financial assets included in deposits and other receivables					
— Normal**	3,572	–	–	–	3,572
— Doubtful**	–	–	–	–	–
Cash and bank balances					
— Not yet past due	24,458	–	–	–	24,458
	28,030	–	54,583	199,250	281,863

* For trade and notes receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 to the financial statements.

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

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

Liquidity risk

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

At 31 December 2019, the Group has no unutilised short-term bank loan facilities (2018: RMB4,000,000).

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

	On demand or less than 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cash flows RMB'000
At 31 December 2019			
Trade payables	**57,584**	**—**	**57,584**
Other payables	**10,606**	**—**	**10,606**
Lease liabilities	**2,860**	**4,034**	**6,894**
Interest-bearing bank and other borrowings	**33,203**	**431,210**	**464,413**
	104,253	**435,244**	**539,497**
At 31 December 2018			
Trade payables	40,935	—	40,935
Other payables	10,371	—	10,371
Interest-bearing bank and other borrowings	225,344	200,652	425,996
	276,650	200,652	477,302

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

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

Interest rate risk

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

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

Capital risk management

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

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

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

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

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**130,359**	167,108
Right-of-use assets	**6,555**	—
Deposits and prepayments	**1,873**	1,838
Total non-current assets	**138,787**	168,946
CURRENT ASSETS		
Deposits, prepayments and other receivables	**46**	647
Due from subsidiaries	**12**	79
Cash and bank balances	**21,399**	136
Total current assets	**21,457**	862
CURRENT LIABILITIES		
Due to subsidiaries	**170,029**	229,806
Other payables and accruals	**1,584**	3,620
Lease liabilities	**2,860**	—
Total current liabilities	**174,473**	233,426
NET CURRENT LIABILITIES	**(153,016)**	(232,564)
TOTAL ASSETS LESS CURRENT LIABILITIES	**(14,229)**	(63,618)
NON-CURRENT LIABILITIES		
Lease liabilities	**3,858**	—
Total non-current liabilities	**3,858**	—
Net liabilities	**(18,087)**	(63,618)
EQUITY		
Share capital	**11,371**	8,852
Reserves *(note)*	**(29,458)**	(72,470)
Deficiency in assets	**(18,087)**	(63,618)

Ms. Ngai Mei
Director

Ms. Duan Mengying
Director

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

Note:

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

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Shareholders' contributions RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	181,926	4,163	10,296	(18,065)	178,320
Loss for the year	–	–	–	(239,072)	(239,072)
Other comprehensive loss for the year	–	(11,718)	–	–	(11,718)
Total comprehensive loss for the year	–	(11,718)	–	(239,072)	(250,790)
At 31 December 2018 and 1 January 2019	**181,926**	**(7,555)**	**10,296**	**(257,137)**	**(72,470)**
Profit for the year	**–**	**–**	**–**	**24,485**	**24,485**
Other comprehensive income for the year	**–**	**(1,487)**	**–**	**–**	**(1,487)**
Total comprehensive profit/(loss) for the year	**–**	**(1,487)**	**–**	**24,485**	**22,998**
Issue of shares	**20,014**	**–**	**–**	**–**	**20,014**
At 31 December 2019	**201,940**	**(9,042)**	**10,296**	**(232,652)**	**(29,458)**

39. EVENTS AFTER REPORTING PERIOD

Since early 2020, the outbreak of Novel Coronavirus ("**COVID-19**") has spread across China and other countries, and it has affected business and economic activities to some extent. Firstly, the market's demand for the Group's products may be affected. Secondly, the Group is experiencing longer trade receivable turnover time. Up to the date on which this set of financial statements were authorised for issue, the impacts of the COVID-19 outbreak on the market demand of the Group's products and the financial position of the Group's customers are still uncertain, the Group is unable to quantify the related financial effects. The Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and take relevant measures.

40. COMPARATIVE AMOUNTS

The comparative statement of profit or loss and other comprehensive income has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 14).

41. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 8 May 2020.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**381,486**	395,982	379,016	375,737	189,048
Gross profit	**58,265**	56,209	111,954	111,027	40,441
(Loss)/profit before tax	**(47,211)**	(317,038)	15,443	52,987	2,289
Income tax credit/(charge)	**8,977**	(3,274)	(17,418)	(37,232)	(4,852)
(Loss)/profit for the year (owners of the Company)	**(38,234)**	(320,312)	(1,975)	15,755	(2,563)

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND EQUITY					
Total assets	**442,433**	429,441	746,106	640,065	403,123
Total liabilities	**501,413**	469,260	462,171	394,745	207,379
(Deficiency in assets)/total equity	**(58,980)**	(39,819)	283,935	245,320	195,744