天臣控股有限公司
Tesson Holdings Limited

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock Code 股份代號：1201

Annual Report 2018
年報

Contents

* *For identification purpose only*

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Tin Kong *(Chairman)*
Ms. Cheng Hung Mui
Mr. Chen Dekun
Mr. Sheng Siguang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Ng Ka Wing
Mr. See Tak Wah
Mr. Wang Jinlin

AUDIT COMMITTEE

Mr. See Tak Wah *(Chairman)*
Dr. Ng Ka Wing
Mr. Wang Jinlin

REMUNERATION COMMITTEE

Dr. Ng Ka Wing *(Chairman)*
Mr. Tin Kong
Mr. See Tak Wah
Mr. Wang Jinlin

NOMINATION COMMITTEE

Mr. Tin Kong *(Chairman)*
Dr. Ng Ka Wing
Mr. See Tak Wah
Mr. Wang Jinlin

INTERNAL CONTROL COMMITTEE

Mr. Tin Kong *(Chairman)*
Dr. Ng Ka Wing
Mr. See Tak Wah
Mr. Wang Jinlin

COMPANY SECRETARY

Mr. Chan Wei

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
PO Box HM 1022
Hamilton HM DX, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Rooms 1712–1716, 17/F, Hopewell Centre
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Wanchai, Hong Kong

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1007, Tsim Sha Tsui Centre, West Wing
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Tsim Sha Tsui
Kowloon
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Industrial and Commercial Bank of China

HONG KONG LEGAL ADVISER

MinterEllison LLP
Level 32, Wu Chung House
213 Queen's Road East
Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
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18 Whitfield Road, Causeway Bay
Hong Kong

WEBSITE

www.tessonholdings.com

FINANCIAL SUMMARY

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

	For the year ended 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Profit for the year	105,074	75,407	39,428	47,295	**24,237**
Attributable to:					
Owners of the Company	65,171	28,248	6,021	19,096	**59,163**
Non-controlling interests	39,903	47,159	33,407	28,199	**(34,926)**
	105,074	75,407	39,428	47,295	**24,237**

	As at 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	631,325	645,755	995,452	551,561	**779,896**
Current assets	468,249	768,850	1,016,051	2,077,771	**3,203,089**
Current liabilities	(694,754)	(311,647)	(592,345)	(812,933)	**(2,518,951)**
Non-current liabilities	(36,619)	(457,906)	(415,057)	(432,586)	**(239,629)**
Net Assets	368,201	645,052	1,004,101	1,383,813	**1,224,405**
Attributable to:					
Owners of the Company	10,304	261,848	572,246	734,657	**1,047,318**
Non-controlling interests	357,897	383,204	431,855	649,156	**177,087**
Total Equity	368,201	645,052	1,004,101	1,383,813	**1,224,405**

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") , I hereby present the operational results of Tesson Holdings Limited (the "**Company**") together with its subsidiaries (the "**Group**") for the year ended 31 December 2018 to the shareholders of the Company (the "**Shareholders**").

REVIEW

The Group completed the disposal of its business of printing and manufacturing of packaging products (the "**Packing Printing Business**") on 2 January 2018. This disposal means the completion of business transformation of the Group and the core business of the Group will become the manufacturing and sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investments holding and import and export trading (the "**Lithium Ion Motive Battery Business**").

2018 was full of challenges for the Group. Global economy, commodity markets and the atmosphere of the whole automobile manufacturing and battery manufacturing industry have been changing dramatically throughout 2018. Since the second half of 2018, Sino-US trade frictions sustained and threatened the stability of the global economy. The uncertainty around the global economy may increase the risk of an economic downturn and such potential economic downturn would inevitably influence the Group. Coupled with the tightening of policies on new energy vehicles subsidies by the People's Republic of China (the "**PRC**") government, sales of the Group in 2018 recorded a significant drop and failed to reach our expected goals. However, despite of such unfavourable business environment, we kept optimistic attitude towards business growth and continued to invest resources in production bases by buying new equipment, expanding production capacity and enhancing production quality in order to achieve sustainable growth and further expand our business. In addition to enhancing established development models, the Group has also started to actively explore strategic partnership and cooperation arrangements with electric vehicle manufacturers, vehicle battery manufacturers and research institutes in order to develop vehicle motive system and further broaden income sources in overseas market.

Furthermore, the expansion of diversified business is helpful in supporting the long-term development of the Group and reducing the Group's risk of relying on a single market. During the year, the Group set its feet in cultural industry related business, including large-scale event production and themed museums, architectural design and engineering, and property development business in order to cope with the demand from production bases and talent housing, and achieve synergy effects.

PROSPECTS

Looking ahead, the Group will continue to develop existing business while closely monitoring the developments in market, and perform appropriate strategic adjustments in order to minimize the impact from the instability of the global economy and other external environmental factors, adopt to policy changes, keep our business on the right track and create greater value for the Shareholders.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to the Board for their support, and for contributions made by the management team and staff in the past year. Finally, I, hereby on behalf of the Board, the management and all employees of the Group, would like to express our heartfelt thanks for the long-time support and trust from the Shareholders, business partners and customers.

Tin Kong
Chairman

Hong Kong, 28 March 2019

STRATEGIC DEVELOPMENT REVIEW

Since the development of the Lithium Ion Motive Battery Business, the Group has faced many challenges, including changes in the general environment of the PRC such as the risks of economic downturn, deleveraging and policy changes, but the Group remains steadfast in its belief that the electric vehicles and lithium-ion motive battery market will revolutionize, where fuel-powered vehicles will one day be eliminated in the market and gas stations will be replaced by charging stations.

Investment of Capital and Talents

Since 2016, the Group has continuously increased its investment, including upgrading the phase I production base in Weinan, Shaanxi, constructing phase II production base, purchasing new equipment, expanding production capacity and improving production quality to meet the needs of electric vehicles. The Group has also penetrated the industry chain, and set up a research institute in Nanjing, Jiangsu to recruit relevant PhD experts and introduce overseas battery experts so as to lay the foundation for the future technical development of the Group. In addition, the Group invested in the construction of battery pack manufacturing base in Nanjing, Jiangsu and obtained a parcel of industrial land from the local government, in order to be well-prepared for potential cooperation with electric vehicle manufacturers. Phase III of the battery production base in Weinan, Shannxi of the Group is under construction. Upon completion of such construction process, the Group will be put in a better position to optimise production and to respond to market demand.

Strategic Cooperation

In 2018, the Group actively expanded its strategic partnerships and cooperation arrangements with electric vehicle manufacturers, automotive battery manufacturers, and research institutes, such as cooperation with Suzhou Zijing Qingyuan New Energy Automobile Technology Co., Ltd.*（蘇州紫荊清遠新能源汽車技術有限公司）(“**Suzhou Zijing**”) and K2 Energy Solutions, Inc. (“**K2 USA**”), to (a) conduct research and develop electric vehicle power systems and related components for major and reputable automobile manufacturers; (b) develop a commercial vehicle power system; and (c) explore business opportunities for sale of the Group’s automotive battery products to overseas markets.

In relation to the above:

(a) Weinan Tesson Weicheng New Energy Automobile Co., Ltd.*（渭南天臣威晟新能源汽車有限公司）was established in cooperation with Weinan Hi-tech Industrial Development Co., Ltd.*（渭南高新區產業發展有限公司）and Suzhou Zijing. The research and development of the electric vehicle power system and related components for the major and reputable electric vehicle manufacturers will further enhance the Group's market brand awareness, enhance its competitive edge and enhance its profitability.

(b) The technical strategic cooperation between the Group and K2 USA was established for the purpose of developing commercial vehicle power systems, which could enhance the quality, reliability and stability of the Group's battery products, power systems and battery management systems. K2 USA is mainly engaged in the design, development and manufacture of lithium ion battery products at different application levels, including marine batteries and starter batteries. It works with different industrial and commercial institutions and government agencies, including the Office of Naval Research. The cooperation of the Group with K2 USA aims at exploring the opportunities to sell the Group's automobile battery products to overseas markets. Such partnerships and arrangements can bring about synergies and contribute to sustainable development.

Diversification into Other Businesses

The Group takes the Lithium Ion Motive Battery Business as its core business, and has also diversified into other businesses so as to support the future development of the Group. The Group acquired a parcel of commercial and residential land for the development of the urban commercial and residential buildings. Part of the residential units to be constructed will be sold to the Group's staff or retained as talent housing with a view to attracting and retaining highly skilled and/or core technical personnel. Meanwhile, in order to meet the construction needs of production bases in Nanjing, Jiangsu and Weinan, Shaanxi including production plants, research and development centers, comprehensive buildings and commercial and residential quarters, the Group acquired (by way of making a capital contribution) a majority equity interest in a property development company and gained access to its professional property development team to control the progress, cost and other aspects of the Group's property/production base projects.

In 2018, the Group also diversified into the cultural industry by acquiring (by way of making a capital contribution) a majority equity interest in Nanning Culture Group, which are mainly engaged in cultural industry related business, including large-scale event production, themed museums, and architectural design and engineering.

BUSINESS REVIEW

Lithium Ion Motive Battery Business

The year 2018 was a tough year. The macroeconomic conditions, including the PRC's deleveraging and economic downturn in the first half of the year and the trade war between the PRC and the United States in the second half of the year, seriously affected market atmosphere and overall consumers' consumption capacity. The performance of the Lithium Ion Motive Battery Business was further aggravated by uncertainties concerning electric vehicle subsidy policy, tight capital chain and other factors in 2018. As a result, the Group's sales and profit performance in 2018 was not satisfactory and did not meet the Group's expectations. The factors which affected the Group's performance in 2018 is summarised below:

- The production and marketing of electric vehicles are affected by the government subsidy policy, and the general economy of the PRC. On 13 February 2018, the relevant government authorities promulgated the Notice on Adjusting and Improving Financial Subsidies for Electric Vehicles* (《關於調整完善新能源汽車推廣應用財政補貼政策的通知》) (the "**Notice**") pursuant to which (a) the amount of subsidy to be granted by the government in 2018 will be reduced compared with 2017; and (b) electric vehicles with higher quality will generally receive more subsidy than electric vehicles with lower quality. The Directors are of the view that such governmental guidance were issued for the purposes of (a) slowing down the rapid development pace of the new energy industry curbing incautious expansion; and (b) guiding the market to develop high quality new energy vehicles. These measures together with the absence of 2019 subsidy policy announcements in 2018 created speculations and anxieties among automobile manufacturers resulting in prudent production plans of the automobile manufacturers and a temporary reduction in the purchase volume of the Group's products. Accordingly, a substantial portion of proposed sale based on letters of intent and/or strategic cooperation did not materialise in 2018;

- Deleveraging and economic downturn resulted in the tight capital chain for the market. As a result, the Group enhanced its credit policies, which include the requirement for cash payments at the time of delivery, and the provision of security and/or guarantees by customers or their shareholders. The implementation of such policies has an impact on sales and selling price;

- One major battery manufacturer in the PRC defaulted in 2018, which led to large scale inventory sale under restructuring or liquidation process creating pricing pressure and resulting in excessive stock in the market;

- decrease in gross profit margin due to decline in selling price, raw material cost inflation and increase in certain operating expenses; and

- substantial write-off of obsolete battery products which are of lower energy capacity.

In view of the business environment of the Group's operation in 2018, the Group has evaluated its business strategy. Following such evaluation, the Group will (a) not only continue to cooperate with its existing strategic partners, but also seek cooperation with electric vehicle manufacturers who manufacture special-purpose vehicles and low-speed vehicles; and (b) develop high-end tool batteries to increase gross margin. The Company expects, with cautious optimism, that the business environment in which the Group operates will improve in the future as and when the PRC government implements market stimulus measures.

Other Businesses

The Group's acquisition of lands (including industrial, commercial and residential), and property development company is complementary to the Lithium Ion Motive Battery Business. In particular, the industrial land is planned to be developed into production and research facilities for the Lithium Ion Motive Battery Business, and the commercial and residential land will be developed into commercial and residential complex comprising, among other things, residential units, part of which will be sold to the Group's staff. Meanwhile, the acquisition of the property development company will allow the Group access to professional property development staff who is expected to assist the Group in its property/production base projects.

During the year, the Group also diversified into the cultural industry business, and undertook and completed various cultural projects, including the design of exhibition booths for Shenzhen Cultural Expo and the design and organisation of the 50th Anniversary Exhibition of the Literary Research Institute. The Group was also engaged in six cultural projects with a total value of about RMB19 million. These six cultural projects will take place in 2019. It is estimated that the six cultural projects will bring profits to the business and will enhance awareness of the Group's brand in this space.

FUTURE PROSPECTS

The Group will continue to develop the Lithium Ion Motive Battery Business, and will complete the construction of phase III production base in Weinan, Shaanxi and battery plant in Nangjing, Jiangsu. Meanwhile, the Group will actively look for opportunities to cooperate with strategic business partners and establish a mutually beneficial partnership for creating business synergy and achieving sustainable development. In addition, the Group will continue to search for new and suitable development opportunities or businesses.

FINANCIAL REVIEW

Discontinued Operations

During the year, the disposal of the Group's Packaging Printing Business was completed on 2 January 2018, resulting in a gain of HK$241,318,000 as detailed in Notes 25, 35(b)(i) and 36 to the consolidated financial statements.

Continuing Operations

Revenue and gross profit ratio

Lithium Ion Motive Battery Business

The Group's Lithium Ion Motive Battery Business has been substantially impacted by the difficult market conditions and revenue dropped to approximately HK$83,516,000 in 2018 from HK$390,762,000 in 2017. As detailed in section headed "Business Review", the reduction was mainly due to the following factors:

(a) the change in government subsidy policy together with the absence of 2019 subsidy announcements in 2018, which led to new energy vehicle manufacturers' adoption of prudent production plan;

(b) the Group enhanced credit risk management by implementing new credit policy which caused significant decline in sales in the short term; and

(c) decrease in gross profit margin due to decline in selling price, raw material cost inflation and increase in certain operating expenses.

Property and Cultural Business

During the year, the Group acquired (by way of making capital contributions) certain subsidiaries and diversified its business scope to the property development and cultural business. Part of the phase I properties of Rongzhou Gangjiucheng*（容州港九城）, which is one of the Group's property development projects, had begun delivery of property units to the customers and contributed to the Group's revenue in the amount of HK$275,001,000 (2017: N/A). The total gross floor area sold was approximately 35,306 square meters ("**sq.m.**") and 142 units of car parking spaces.

The cultural business contributed to the Group's revenue in the amount of approximately HK$3,691,000 (2017: N/A), mainly from event production and organisation of exhibition in themed museums.

Administrative expenses

Administrative expenses for the year ended 31 December 2018 increased to approximately HK$248,675,000 from HK$79,646,000 in 2017, which mainly consisted of substantial write-off of obsolete battery products with lower energy capacity at approximately HK$92,811,000 (2017: N/A). It also comprised of research and development expenses (including depreciation and staff costs) of approximately HK$36,069,000 (2017: HK$13,392,000), staff costs (including directors' emoluments) of approximately HK$45,308,000 (2017: HK$20,776,000), depreciation of approximately HK$39,983,000 (2017: HK$5,952,000) and equity settled share-based payment expenses of approximately HK$2,079,000 (2017: HK$5,522,000).

Distribution and selling expenses

The distribution and selling expenses amounted to approximately HK$10,085,000 (2017: HK$10,062,000), which was comparable to that in 2017. The expenses mostly represented staff costs at approximately HK$3,713,000 (2017: HK$6,430,000) and travelling and entertainment expenses at approximately HK$1,952,000 (2017: HK$1,407,000).

Other income

Other income for the year ended 31 December 2018 was approximately HK$28,722,000 (2017: HK$12,136,000), mainly comprised of gain on disposal of a subsidiary of approximately HK$16,186,000 (2017: N/A) and government grant of approximately HK$9,274,000 (2017: HK$5,486,000).

Finance costs

Finance costs for the year ended 31 December 2018 had decreased to approximately HK$13,281,000 (2017: HK$22,623,000) primarily because of reduction of interest charged on convertible bonds due to conversion of shares, and interest charged on the amounts due to a related company and the controlling shareholder because of repayment of principal during the year.

Basic and diluted earnings per share

Basic and diluted loss per share of continuing operations in the year ended 31 December 2018 were 15.93 cents (2017: 0.72 cents) and 15.89 cents (2017: 0.72 cents), respectively.

Basic and diluted earnings per share of discontinued operations in the year ended 31 December 2018 were 21.11 cents (2017: 2.56 cents) and 21.05 cents (2017: 2.56 cents), respectively.

In anticipation of the funds required for the development of the Lithium Ion Motive Battery Business, the Board does not recommend the payment of a final dividend for the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 31 December 2018 with net current assets of approximately HK$684,138,000 (31 December 2017: HK$1,264,838,000) and pledged bank deposits and bank and cash balances in the aggregate amount of approximately HK$16,764,000 (31 December 2017: HK$75,308,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings excluding the liabilities portion of the convertible bonds over total equity) was about 5.58% as at 31 December 2018 (31 December 2017: 10.2%).

EMPLOYMENT

As at 31 December 2018, the Group had approximately 612 employees (2017: 639), most of whom were working in the Company's subsidiaries in the PRC. During the year, the total employees' costs including directors' emoluments from continuing operations were approximately HK$69,280,000 (2017: HK$71,931,000).

The Group has developed its human resources policies and procedures based on performance and merit. Employees are rewarded on a performance basis within the general framework of its salary and bonus system. Discretionary bonus is linked to the performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund for employees in Hong Kong and state-sponsored retirement plans for employees in the PRC. The Group has also developed training programs for its management and employees to promote career advancement of the staffs.

FOREIGN EXCHANGE EXPOSURE

Since sales and purchase for the Lithium Ion Motive Battery Business and the Property and Cultural Business are denominated in RMB, the management considers the exposure to exchange risks is minimized. However, the Company faces foreign exchange risk when it conducts fund raising activities in Hong Kong (HK$) and remits funds to its subsidiaries in the PRC (RMB). The Board will continue to monitor foreign exchange exposure in the future.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: Nil).

PLEDGE OF ASSETS

Details of pledged assets as at 31 December 2018 are set out in Note 28 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

EXECUTIVE DIRECTORS

Mr. Tin Kong

Mr. Tin Kong ("**Mr. Tin**"), aged 58, is a Hong Kong resident and was appointed as an executive Director of the Company on 27 August 2015. He is the chairman of the Group, the Nomination Committee and the Internal Control Committee, and a member of the Remuneration Committee, also a director of various subsidiaries of the Company. Mr. Tin is the director of Double Key International Limited, the controlling shareholder of the Company. He graduated from the Department of Economics and Management in Beijing Academy of Cultural Administration*（北京文化幹部管理學院經濟管理學系）.

Ms. Cheng Hung Mui

Ms. Cheng Hung Mui ("**Ms. Cheng**"), aged 48, is a Hong Kong resident and an individual investor. Ms. Cheng was appointed as an executive Director of the Company on 27 June 2014. Ms. Cheng is the beneficial owner and director of Double Key International Limited, the controlling shareholder of the Company.

Mr. Chen Dekun

Mr. Chen Dekun ("**Mr. Chen**"), aged 56, was appointed as an executive Director of the Company on 25 June 2015 and was appointed as the general manager of the Lithium Ion Motive Battery Business of the Group in 2018. He has more than 30 years of experience in investment, trading and management.

Mr. Sheng Siguang

Mr. Sheng Siguang ("**Mr. Sheng**"), aged 46, was appointed as an executive Director and chief executive officer of the Company on 8 March 2016 and 8 February 2018, respectively. Mr. Sheng also holds directorships in certain subsidiaries of the Company. Mr. Sheng was also in charge of the Lithium Ion Motive Battery Business of the Group. He received a master's degree in industrial economy from Nanjing Southeast University in September 2006. He also graduated from Nanjing University of Aeronautics and Astronautics with an associate degree and a bachelor's degree in applied electronic technology in 1993. Mr. Sheng has served in a major state-owned electronic enterprise in the PRC as the quality manager, head of quality department and head of purchasing department. Mr. Sheng has extensive experience in investment management. Mr. Sheng's spouse, Ms. Wang Jin, is a beneficial owner of Burgeon Max Holdings Limited, one of the Company's substantial shareholders within the meaning of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong) (the "**SFO**").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Jinlin

Mr. Wang Jinlin ("**Mr. Wang**"), aged 54, was appointed as an independent non-executive Director on 24 March 2015. He is a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Internal Control Committee of the Company. Mr. Wang graduated from Zhejiang University and obtained a bachelor's degree in 1984. He is a senior engineer and used to serve as deputy general manager of Jiaxing Silk Spinning Factory* (嘉興絹紡廠), deputy general manager and general manager of Zhejiang Jinying Silk Spinning Co., Ltd.* (浙江金鷹絹紡有限公司), and deputy general manager of Zhejiang Jinying Holding Limited, possessing rich experience in corporate management and practice. He was a member of CPPC of Jiaxing, a director of Chinese Silk Industry Association* (中國絲綢工業協會) and vice chairman of the silk spinning branch of the Chinese Silk Industry Association.

Dr. Ng Ka Wing

Dr. Ng Ka Wing ("**Dr. Ng**"), aged 62, was appointed as an independent non-executive Director on 8 March 2016. He is the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Internal Control Committee of the Company. Dr. Ng received a Doctor Honoris Causa of Business Administration in Manufacturing and Services from International American University in April 2019. In the same year, he is elevated as the honorary life chairman of Hong Kong Bus Suppliers Association. Dr. Ng has extensive experience in the manufacturing of motor vehicles. He is now the managing director of a bus manufacturer.

Mr. See Tak Wah

Mr. See Tak Wah ("**Mr. See**"), aged 55, was appointed as an independent non-executive Director on 27 January 2017. He is the chairman of the Audit Committee and a member of the Remuneration Committee, the Nomination Committee and the Internal Control Committee of the Company. Mr. See graduated from the Management School of Waikato University in New Zealand with first class honours in Bachelor of Management Studies. He is a member of the Institute of Chartered Accountants of Australia and New Zealand, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Mr. See has over 33 years of experience in financial and general management as he previously worked as the regional business controller of Nokia Mobile Phones Asia Pacific, the managing director of Nokia Mobile Phones Hong Kong, the chief operating officer of First Mobile Group Holdings Limited, an independent non-executive director and the chairman of the audit committee and a member of the nomination committee of Unisplendour Technology (Holdings) Limited (formerly known as Sun East Technology (Holdings) Limited) (Stock Code: 0365), and held key management positions in the North Asia offices of Philips and Siemens.

Mr. See currently runs his own boutique management consultancy practice focusing on business strategies formulation and transformation consultation. In addition, he is currently an independent non-executive director and chairman of audit committee of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (Stock Code: 01938).

SENIOR MANAGEMENT

Mr. Zhong Dong Feng

Mr. Zhong Dong Feng ("**Mr. Zhong**"), aged 50, has been employed as the deputy chief executive officer of the Group since May 2018, and is fully responsible for operations of the Property and Cultural Business. Mr. Zhong graduated from the Jiangxi University of Science and Technology (formerly known as Southern Institute of Metallurgy) in July 1991, and has professional qualification of Project Cost Management. Prior to joining the Group, Mr. Zhong had served as the head of different departments of Jiangxi Provincial Government. He has over 27 years of experience in provincial development and operations management.

Mr. Chan Wei

Mr. Chan Wei ("**Mr. Chan**"), aged 40, is the chief financial officer and company secretary of the Company since 7 March 2016. Mr. Chan resigned as an independent non-executive Director and ceased to act as a member of the audit committee, the nomination committee and the remuneration committee of Elegance Optical International Holdings Limited (Stock code: 0907) on 17 April 2018. Before joining the Company, he worked in a listed company as financial controller. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Associate of Chartered Certified Accountants. Mr. Chan obtained the degree of a Bachelor of Science in applied accounting from the Oxford Brookes University. He has over 16 years of experience in auditing, accounting and financial advisory.

LITHIUM ION MOTIVE BATTERY BUSINESS

Mr. Shen Yun Jiang

Mr. Shen Yun Jiang ("**Mr. Shen**"), aged 39, has been employed as the financial controller of a subsidiary of the Group since September 2017, and is responsible for the financial management and accounting function of the Lithium Ion Motive Battery Business. Mr. Shen is an intermediate economist and a Certified Public Accountant in the PRC. He graduated from the Shanxi University of Finance & Economics with a bachelor's degree in Business Management.

Mr. Chern Guey Lin

Mr. Chern Guey Lin ("**Mr. Chern**"), aged 62, has been employed as the general production manager of a subsidiary of the Group since March 2018, and is responsible for the management of production of the Lithium Ion Motive Battery Business at the phase II production base in Weinan, Shaanxi. Mr. Chern graduated from the National Taipei University of Technology with a bachelor's degree in Department of Electrical Engineering. Mr. Chern has over 38 years of working experience in system integration between electric vehicles and battery packs; and production, technology and operation management of lithium-ion battery automated production lines.

Mr. Ma Zhen Zhong

Mr. Ma Zhen Zhong ("**Mr. Ma**"), aged 44, has been employed as the general sales manager of a subsidiary of the Group since November 2015, and is responsible for the overall management of sales of the Lithium Ion Motive Battery Business in Weinan, Shaanxi. Mr. Ma graduated from the Liaocheng University with a bachelor's degree in Chemistry, Shaanxi. Mr. Ma has over 17 years of working experience in battery production, operation and management in the PRC.

Mr. Zhao Qi Rong

Mr. Zhao Qi Rong ("**Mr. Zhao**"), aged 43, has been employed as the vice president of a subsidiary of the Group since May 2017, and is responsible for managing the operation of the Lithium Ion Motive Battery Business in Nanjing Research Institute. Mr. Zhao graduated from the Tianjin University of Technology with a bachelor's degree in Chemical Engineering and Technology. He has over 16 years of working experience in the design and production of lithium batteries.

Mr. Niu Wen Tao

Mr. Niu Wen Tao ("**Mr. Niu**"), aged 34, has been employed as the deputy general manager of a subsidiary of the Group since April 2016, and is responsible for product design, development and technical management of battery packs, and construction planning of the battery production line and plant. Mr. Niu holds a college degree in Applied Electronic Technology from Tianjin Modern Vocational Technology College. He has over 11 years of working experience in design and development of battery pack products.

PROPERTY AND CULTURAL BUSINESS

Ms. Cheng Li Zhen

Ms. Cheng Li Zhen ("**Ms. Cheng**"), aged 46, has been employed as the financial controller of a subsidiary of the Group since May 2018, and is fully responsible for the financial management, accounting and treasury functions of the Property and Cultural Business. Ms. Cheng graduated from the Bangor University, United Kingdom with a master's degree in Business Administration in 2015 and a bachelor degree of Accounting from the School of Economics and Trades, Jiangxi Agricultural University in 1995. She has over 16 years of experience in accounting and financial management.

Mr. Yang Ai Ping

Mr. Yang Ai Ping ("**Mr. Yang**"), aged 46, has been employed as the deputy general manager of a subsidiary of the Group since November 2018, and is responsible for management and operation of the Property and Cultural Business. Mr. Yang graduated from the Suzhou Institute of Environmental Protection for Urban Construction* (蘇州城市建設環境保護學院) which was merged with Suzhou Railway Teachers College* (蘇州鐵道師範學院) and became Suzhou University of Science and Technology, and has obtained professional qualification of Industrial and Civil Buildings in 1994. He has over 18 years of experience in project management.

The Board is pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Bermuda, and its principal place of business in Hong Kong is Room 1007, Tsim Sha Tsui Centre, West Wing, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in Lithium Ion Motive Battery Business and commenced its property development business, as well as the cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering (the "**Property and Cultural Business**") during the year. On 2 January 2018, the Group had completed the disposal of its Packaging Printing Business. Save as disclosed therein, there was no other change in form of business up to the date of this report.

The principal activities of its principal subsidiaries are set out in Note 42 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of The Laws of Hong Kong), can be found in the Management Discussion and Analysis set out on pages 6 to 12 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in Note 16 to the consolidated financial statements.

CHARGES ON GROUP'S ASSETS

Details of the charges on the Group's assets are set out in Note 28 to the consolidated financial statements.

COMMITMENTS

Details of the commitments of the Group are set out in Notes 39 and 40 to the consolidated financial statements.

SHARE CAPITAL

As at 31 December 2018, the Company's issued share capital is HK$118,631,570 and the total number of its issued ordinary shares is 1,186,315,700 shares of HK$0.10 each.

Details of the movements in share capital of the Company are set out in Note 32 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 49 of this Annual Report and Note 33 to the consolidated financial statement. The Company had no distributable reserves as at 31 December 2018.

DIRECTORS

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

Executive Directors
Mr. Tin Kong *(Chairman)*
Ms. Cheng Hung Mui
Mr. Zhou Jin (retired on 11 June 2018)
Mr. Chen Dekun
Mr. Tao Fei Hu (retired on 11 June 2018)
Mr. Sheng Siguang

Independent Non-executive Directors
Dr. Ng Ka Wing
Mr. See Tak Wah
Mr. Wang Jinlin

By virtue of bye-law 87 of the bye-laws of the Company, Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin shall retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensations).

DIRECTORS' SERVICE CONTRACTS

Each of Ms. Cheng Hung Mui, Mr. Chen Dekun and Mr. Tin Kong, each an executive Director, entered into a service agreement with the Company for a term of 2 years commencing from 27 June 2014, 25 June 2015 and 27 August 2015, respectively.

Mr. Wang Jinlin, an independent non-executive Director, has entered into a service agreement with the Company for a term of 2 years commencing from 24 March 2015.

Mr. Sheng Siguang, an executive Director, and Dr. Ng Ka Wing and Mr. See Tak Wah, both of which are independent non-executive Directors, were appointed on 8 March 2016, 8 March 2016 and 27 January 2017, respectively, without service agreement and specific term.

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

As at 31 December 2018, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company (the "**Shares**") which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Long positions

Name of shareholder	*Notes*	Capacity	Number of issued ordinary Shares held/ underlying Shares	Percentage of the issued share capital of the Company
Cheng Hung Mui	*1*	Interest of controlled corporation	823,387,533	69.41%
Double Key International Limited	*1*	Beneficial owner	823,387,533	69.41%
Lankai Limited	*2*	Beneficial owner	100,000,000	8.43%
Li Yujun	*2*	Interest of controlled corporation	100,000,000	8.43%
Burgeon Max Holdings Limited	*3*	Beneficial owner	65,000,000	5.48%
Wang Jin	*3*	Interest of controlled corporation	65,000,000	5.48%
Sheng Siguang	*3*	Interest of spouse	65,000,000	5.48%
Wu Siqing	*3*	Interest of controlled corporation	65,000,000	5.48%

Notes

1 The entire issued share capital of Double Key International Limited is wholly owned by Ms. Cheng Hung Mui, an executive Director. Therefore, Ms. Cheng Hung Mui is deemed to be interested in the Shares held by Double Key International Limited pursuant to the SFO. As at 31 December 2018, Double Key International Limited held 785,887,533 Shares and 37,500,000 underlying Shares which may be issued upon the exercise of the conversion rights attaching to the convertible bonds.

2 The entire issued share capital of Lankai Limited is wholly owned by Mr. Li Yujun. Therefore, Mr. Li Yujun is deemed to be interested in the Shares held by Lankai Limited pursuant to the SFO.

3 The issued share capital of Burgeon Max Holdings Limited is owned as to 60% by Ms. Wang Jin and 40% by Ms. Wu Siqing. Therefore, Ms. Wang Jin and Ms. Wu Siqing are deemed to be interested in the Shares held by Burgeon Max Holdings Limited pursuant to the SFO. Besides, Mr. Sheng Siguang, an executive Director and a chief executive officer of the Company, is the spouse of Ms. Wang Jin and is accordingly deemed to be interested in the Shares beneficially owned by Ms. Wang Jin through her controlled corporation, Burgeon Max Holdings Limited, pursuant to the SFO.

Save as disclosed above, as at 31 December 2018, the Company has not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short position in the shares and underlying shares" below), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosable to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the directors of Company as set out in Appendix 10 to (the "**Model Code**") the Rules of Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

(i) Long positions in the issued Shares

Name of director	*Notes*	Capacity	Number of issued ordinary Shares held	Percentage of the issued share capital of the Company
Cheng Hung Mui	*1*	Interest of controlled corporation	785,887,533	66.25%
Sheng Siguang	*2*	Interest of spouse	65,000,000	5.48%

Notes

1 The entire issued share capital of Double Key International Limited is wholly owned by Ms. Cheng Hung Mui, an executive Director. Therefore, Ms. Cheng Hung Mui is deemed to be interested in the Shares held by Double Key International Limited pursuant to the SFO. As at 31 December 2018, Double Key International Limited held 785,887,533 Shares and 37,500,000 underlying Shares which may be issued upon the exercise of the conversion rights attaching to the convertible bonds.

2 Mr. Sheng Siguang, an executive Director and a chief executive officer of the Company, is the spouse of Ms. Wang Jin who is interested in 65,000,000 Shares. Mr. Sheng Siguang is deemed to be interested in all the Shares in which Ms. Wang Jin is interested in by virtue of the SFO.

(ii) Long positions in the underlying Shares

As at 31 December 2018, Double Key International Limited held 37,500,000 underlying Shares which may be issued upon the exercise of the conversion rights attaching to the convertible bonds.

Some of the Directors and the chief executive of the Company have been granted options under the Company's share option scheme, details of which are set out in the section "Equity-linked agreements – Share Option Scheme" below.

(iii) Long positions in associated corporations

Name of director	Nature of Interest	Name of associated corporation	Number of shares held	Percentage to that associated corporation's issued share capital as at 31 December 2018
Cheng Hung Mui	Corporate interest	Double Key International Limited	100	100%

Apart from the foregoing, as at 31 December 2018, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be 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 (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

Share Option Scheme

The Company's share option scheme (the "**Scheme**") was adopted pursuant to the special general meeting of the Company held on 13 June 2012 for the primary purpose of providing incentives to selected participants for their contribution to the Group, and will expire on 12 June 2022. Under the Scheme, the Board may grant options to all Directors (including independent non-executive Directors) and any fulltime/part time employees of the Group, and any participants from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

In each grant of options, the Board may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of Shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of Shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. A consideration of HK$1.0 is payable by grantees on acceptance of the offer of the grant of an option.

As at the date of this Annual Report, the total number of Shares available for issue under the Scheme was 103,631,570 Shares which represented 8.7% of the total number of ordinary shares of the Company in issue. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the issued share capital of the Company for the time being.

From the date of adoption of the Scheme and up to 31 December 2018, a total of 24,300,000 share options to subscribe for a total of 24,300,000 Shares were granted by the Company under the Scheme, among which 6,900,000 share options have lapsed. As at 31 December 2018, there were total of 17,400,000 outstanding options, carrying rights to subscribe for 17,400,000 shares.

Details of the movements of the share options granted under the Scheme as at 31 December 2018 are as follows:

					Number of Share Options				
Name of director/ employee	**Date of Grant**	**Exercisable period**	**Exercise Price per Share HK$**	**Closing Price of the Shares immediately before the date of grant HK$**	**Outstanding options as at 1 January 2018**	**Granted and accepted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Outstanding options as at 31 December 2018**
Director									
Tin Kong	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	600,000	–	–	–	600,000
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	600,000	–	–	–	600,000
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	800,000	–	–	–	800,000
Chen Dekun	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	300,000	–	–	–	300,000
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	300,000	–	–	–	300,000
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	400,000	–	–	–	400,000
Sub-total:					3,000,000	–	–	–	3,000,000
Chief Executive									
Chen Weixi	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	600,000	–	–	(600,000)	–
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	600,000	–	–	(600,000)	–
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	800,000	–	–	(800,000)	–
Senior Management (in aggregate)	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	5,520,000	–	–	(1,200,000)	4,320,000
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	5,520,000	–	–	(1,200,000)	4,320,000
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	7,360,000	–	–	(1,600,000)	5,760,000
Sub-total:					20,400,000	–	–	(6,000,000)	14,400,000
Total:					23,400,000	–	–	(6,000,000)	17,400,000

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of Directors' information are set out below.

Following the retirement of each of Mr. Zhou Jin and Mr. Tao Fei Hu as an executive Director at the conclusion of the annual general meeting of the Company held on 11 June 2018, the Board comprises of four executive Directors, namely, Mr. Tin Kong, Ms. Cheng Hung Mui, Mr. Chen Dekun and Mr. Sheng Siguang, and three independent non-executive Directors, namely, Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin.

Dr. Ng received a Doctor Honoris Causa of Business Administration in Manufacturing and Services from International American University in April 2019. In the same year, he is elevated as the honorary life chairman of Hong Kong Bus Suppliers Association.

Save as disclosed above, as at 31 December 2018, there were no changes of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors had any interests in competing business of the Company which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in this Directors' report and Note 34 to the consolidated financial statements in relation to the Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable any Directors (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

As at the end of the year ended 31 December 2018 or at any time during the year, (a) there was no contract of significance between the Company or any of its subsidiary companies, and a controlling shareholder or any of its subsidiaries; and (b) there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN CONTRACTS

As at the end of the year ended 31 December 2018 or at any time during the year, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director had, whether directly or indirectly, a material interest.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin, the annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, less than 30% of the Group's revenue from sales of goods or rendering of services was attributable to the Group's five largest customers.

During the year ended 31 December 2018, approximately 74% of the Group's purchases were attributable to the Group's five largest suppliers. In particular, purchases from the largest supplier of the Group accounted for approximately 55% of the Group's total purchase for the year.

As far as the Directors are aware, neither the Directors nor any of their associates nor any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interests in any of the Group's five largest customers or five largest suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2018 are set out in Note 41 to the consolidated financial statements. These related party transactions (i) did not constitute connected transactions/continuing connected transactions or, (ii) constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations and business would be affected by numerous risks and uncertainties including market risk, foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme is shown in Note 5 to the consolidated financial statements.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

The Group considers employees as the key to success and continues to implement people-oriented policy in human resources management, including the offer of appropriate training programs, performance linked discretionary bonus, and implement a sound and complete performance appraisal system to promote career advancement and opportunity of the staff.

Customers and Suppliers

The Group maintained sound relationships with its customers and suppliers, and did not have material disputes with them during the year ended 31 December 2018.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2018, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

PERMITTED INDEMNITY

In accordance with bye-law 166 of the bye-laws of the Company, the Directors and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that any such persons has not committed any fraud or dishonesty.

A permitted indemnity provision for the benefit of the Directors was in force as of the date of this report and during the financial year ended 31 December 2018. The Company has maintained directors and officers liability insurance for the directors of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained a sufficient public float as at the latest practicable date prior to the issue of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") SUMMARY

The Group is committed to conducting our business in an environmentally sound manner and has adopted the Environmental, Social and Governance Reporting Guide as required by the Listing Rules. The Board will continue to monitor such policies to ensure the Company remains compliant with the relevant laws and regulations that have a significant impact on the Company in relation to the environment, employment, labor and operation. In addition to carrying out the corporate-wide programs the Company has initiated, all of our employees are required to be familiar with environmental laws and regulations relevant to their employment responsibilities and to comply with them. Details of the above information will be set out in our ESG report which is scheduled to be published within 3 months after the issuance of this Annual Report.

DIVIDENDS

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2018 are set out in Note 42 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2018 was audited by ZHONGHUI ANDA CPA Limited. ZHONGHUI ANDA CPA Limited will retire at the forthcoming annual general meeting and a resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Tesson Holdings Limited

Tin Kong
Chairman
Hong Kong, 28 March 2019

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

The Company and the Directors strive to follow the internal control manuals and put in place sufficient resources to comply with the CG Code. During the year ended 31 December 2018, save for the deviations disclosed below, the Company had complied with all the applicable provisions set out in the CG Code:

According to the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election. Dr. Ng Ka Wing and Mr. See Tak Wah were appointed as independent non-executive Director and have not been appointed for a specific term but will be subject to retirement by rotation and eligible for re-election pursuant to the Bye-laws of the Company.

Pursuant to the code provision A.6.7 of the CG Code, independent non-executive Directors and non-executive Directors should attend general meetings of the Company. However, two independent non-executive Directors were absent from the annual general meeting of the Company held on 11 June 2018 due to other business commitments. To ensure compliance with the CG Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings of the Company and take all reasonable measures to schedule meetings in such a way that all Directors can attend the general meetings.

The Board will continue to review and improve the corporate governance practices and standards of the Company to ensure the business activities and decision making processes of the Company are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors.

Having made specific enquiry of all Directors, the Company reported that the Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2018. The Model Code also applies to other specified senior management of the Group.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises:

Executive Directors:	Mr. Tin Kong *(Chairman)* Ms. Cheng Hung Mui Mr. Chen Dekun Mr. Sheng Siguang
Independent Non-executive Directors:	Dr. Ng Ka Wing Mr. See Tak Wah Mr. Wang Jinlin

The Board comprises of four executive Directors and three independent non-executive Directors. One of the independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise. Biographical details of the directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 13 to 14 of this Annual Report.

The relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 13 to 14. Save as disclosed under "Biographical Details of Directors and Senior Management", the Board members have no financial, business, family or other material/ relevant relationships with each other. The formation of the Board has met Rule 3.10A of the Listing Rules for the Board to have at least one-third in number of its members comprising independent non-executive Directors.

The main focus of the Board is on the formulation of overall strategies and policies of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations. Execution of operational matters and the powers thereof are delegated to the management by way of clear direction and remit from the Board.

The independent non-executive Directors are from professional background with a broad range of expertise and experience in the fields of accounting, finance, legal and business. Their skills and expertise ensure strong independent views and judgment in the Board. They also serve important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the independence criteria as set out under Rule 3.13 of the Listing Rules.

All directors are regularly updated on governance and regulatory matters. There is an established procedure for directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of any potential legal actions that might be taken against its directors.

Directors' Training and Professional Development Programme

The Directors have undergone satisfactory training throughout the year and provided the training record to the Company. During the year ended 31 December 2018, the training records of the Directors are set out below:

Directors	Corporate Governance/update on laws, rules and regulations: Read Materials	Corporate Governance/update on laws, rules and regulations: Attend Seminars, Briefings and Conferences
Executive Directors		
Mr. Tin Kong *(Chairman)*	✓	✓
Ms. Cheng Hung Mui	✓	✓
Mr. Zhou Jin (retired on 11 June 2018)	✓	✓
Mr. Chen Dekun	✓	✓
Mr. Tao Fei Hu (retired on 11 June 2018)	✓	✓
Mr. Sheng Siguang	✓	✓
Independent Non-executive Directors		
Dr. Ng Ka Wing	✓	✓
Mr. See Tak Wah	✓	✓
Mr. Wang Jinlin	✓	✓

Directors' Attendance at the Board Meetings and General Meetings

The individual attendance record of each Director at the Board meetings (not including other ad hoc meetings of the Board held from time to time), certain committee meetings and general meetings during the year ended 31 December 2018 is set out below:

	Attendance/Number of Meetings					
Directors	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Internal Control Committee Meeting	Board Meetings	General Meetings
Executive Directors						
Mr. Tin Kong	N/A	2/2	2/2	1/1	8/9	1/1
Ms. Cheng Hung Mui	N/A	N/A	N/A	N/A	0/9	0/1
Mr. Zhou Jin (retired on 11 June 2018)	N/A	N/A	N/A	N/A	0/5	0/1
Mr. Chen Dekun	N/A	N/A	N/A	N/A	7/9	0/1
Mr. Tao Fei Hu (retired on 11 June 2018)	N/A	N/A	N/A	N/A	0/5	0/1
Mr. Sheng Siguang	N/A	N/A	N/A	N/A	9/9	1/1
Independent Non-executive Directors						
Dr. Ng Ka Wing	2/2	1/2	1/2	1/1	6/9	0/1
Mr. See Tak Wah	2/2	2/2	2/2	1/1	8/9	1/1
Mr. Wang Jinlin	2/2	2/2	2/2	1/1	8/9	0/1

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman and the chief executive officer of the Company are currently held by separate individuals for the purpose of ensuring an effective segregation of duties and a balance of power and authority, and they are Mr. Tin Kong and Mr. Sheng Siguang respectively.

The roles of Chairman are to provide leadership to the Board and responsible for the effective functioning and ensuring that directors receive adequate, reliable and complete information in timely manner. The Chairman assumes the primary responsibility for ensuring that good corporate governance practices and procedures are established.

The Chief Executive Officer is responsible for administering and managing the Group's business and internal controls, including the implementation of major strategies and initiatives decreed and delegated by the Board.

BOARD COMMITTEES

As at the date of this Annual Report, the Board has established four committees, namely, the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the internal control committee (the "**Internal Control Committee**"), for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Each Board committee consists of a majority of independent non-executive Directors ("**INED**"). The list of the chairman and members of each Board committee as at the date of this Annual Report is set out below:

Audit Committee

Mr. See Tak Wah *(Chairman) (INED)*
Dr. Ng Ka Wing *(INED)*
Mr. Wang Jinlin *(INED)*

Internal Control Committee

Mr. Tin Kong *(Chairman) (executive Director)*
Dr. Ng Ka Wing *(INED)*
Mr. See Tak Wah *(INED)*
Mr. Wang Jinlin *(INED)*

Nomination Committee

Mr. Tin Kong *(Chairman) (executive Director)*
Dr. Ng Ka Wing *(INED)*
Mr. See Tak Wah *(INED)*
Mr. Wang Jinlin *(INED)*

Remuneration Committee

Dr. Ng Ka Wing *(Chairman) (INED)*
Mr. Tin Kong *(executive Director)*
Mr. See Tak Wah *(INED)*
Mr. Wang Jinlin *(INED)*

The Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Pursuant to Rule 3.10 of the Listing Rules, every listed issuer is required to have at least three INEDs, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Besides, according to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2). Throughout the year, the Board at all times fully complied with Rules 3.21 and 3.10(2) of the Listing Rules.

AUDIT COMMITTEE

The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director. The Audit Committee currently comprises three independent non-executive Directors. Written terms of reference, which describe the authority and duties of the Audit Committee, have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

As at the reporting date, the Audit Committee comprised three members, all the independent non-executive Directors namely, Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin as members. The chairman of Audit Committee is Mr. See Tak Wah who possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor. The Audit Committee has separate and independent access to the advice and services of the senior management of the Company, and is able to seek independent professional advice at the Company's expense upon reasonable request.

The main duties of the Audit Committee include the following:

(a) To review the consolidated financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors before submission to the Board.

(b) To review the relationship with the external auditors with reference to the work performed by the external auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year, the Audit Committee has, inter alia, reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the annual financial information for the year ended 31 December 2017 and the interim financial information for the six months ended 30 June 2018.

The Group's consolidated financial statements for the year ended 31 December 2018 have been reviewed by the Audit Committee, who is of opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

INTERNAL CONTROL COMMITTEE

The Internal Control Committee comprises four members, namely, Mr. Tin Kong who is the Chairman and executive Director, and Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin who are independent non-executive Directors. The Internal Control Committee is chaired by Mr. Tin Kong. The Internal Control Committee was established to enhance risk management and internal control systems in a timely manner. The Internal Control Committee is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Control Committee examines key issues in relation to the accounting practices and all material controls; evaluate and determine the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives; and provides the effectiveness of its implementation and recommendations for improvement to the Audit Committee and the Board.

During the year, the Company organizes personnel and seeks assistance from external professional advisory institutions to review the risk management and internal control systems which are subject to the review by the Company's management team and the Internal Control Committee and approval by the Audit Committee and the Board.

NOMINATION COMMITTEE

According to the code provision A.5.1 of the CG Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

The Company has set up a Nomination Committee with its written terms of reference in compliance with the CG Code as set out in Appendix 14 of the Listing Rules to ensure fair and transparent procedures for appointment, re-election and removal of Directors to the Board. The Nomination Committee currently comprises three independent non-executive Directors and one executive Director, and was chaired by an executive Director who is the Chairman of the Board.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

During the year ended 31 December 2018, the Nomination Committee has reviewed the existing structure, size, diversity and composition of the Board to ensure it has a balance of expertise, skills, experience and diversity of perspectives appropriate to the requirements the Group's business; reviewed and assessed the independence of independent non-executive Directors; and assessed the board diversity policy of the Company (the "**Board Diversity Policy**").

The Nomination Committee formulated Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

REMUNERATION COMMITTEE

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of non-executive Directors and determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company will align and thereby provide the eligible persons with additional incentives to improve the Company's performance.

According to the Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors, and according to the Rule 3.26 of the Listing Rules, the board of directors must approve and provide written terms of reference for the remuneration committee which clearly establish its authority and duties.

The Company has set up a Remuneration Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 of the Listing Rules to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors and senior management. The Remuneration Committee currently comprises three independent non-executive Directors and one executive Director, and was chaired by an independent non-executive Director.

During the year ended 31 December 2018, the Remuneration Committee has reviewed and discussed the remuneration and structure of the Directors and senior management of the Company.

Pursuant to Code Provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2018 is set out in Note 13 to the consolidated financial statements.

COMPANY SECRETARY

Mr. Chan Wei, the company secretary of the Company, is a full-time employee of the Company. He supports the Board by ensuring information flow within the Board and that the Board policy and procedures are followed. The company secretary is responsible for advising the Board on the corporate governance matters and professional development of the Directors.

According to the requirements of Rule 3.29 of the Listing Rules, the company secretary has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2018.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the systems of internal control and risk management of the Company and for reviewing their effectiveness on a regular basis, covering financial, operational, compliance controls and risk management functions.

The Board is committed to design and implement effective and sound risk management and internal control systems to safeguard the interests of Shareholders and the Group's assets. The systems are implemented to manage and minimize, rather than eliminate, the risk of failure in operation systems, and to provide reasonable assurance against material misstatement or loss. The Board has delegated to executive management the implementation of the systems of risk management and internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework. Our risk management and internal control systems are reviewed and renewed at least on an annual basis.

For the year ended 31 December 2018, Apeck Risk Management Limited, an external professional advisory institution, has been appointed to undertake the internal audit function and assist the Internal Control Committee to review the risk management and internal control systems of the Group. For risk assessment, the management and functional responsible persons are required to evaluate the likelihood and impact of each identified risk item in a risk register. Once significant risks are identified, mitigating measures are required to put in place immediately in order to manage such risks. For internal control review, once areas of improvement have been identified, appropriate measures and follow-up actions are required to be put in place in order to enhance the internal control system. The Internal Control Committee reviews the findings and opinion of the management on the effectiveness of the Company's risk management and internal control systems, and reports to the Audit Committee and the Board on such reviews. In respect of the year ended 31 December 2018, the Board considered the risk management and internal control systems effective and adequate. No significant areas of concern which might affect Shareholders were identified.

The Company has put in place the policies and procedures for the handling and dissemination of inside information. The Company regularly reminds the Directors and employees for the due compliance with all policies regarding the inside information and also keeps them for the latest regulatory updates. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2018.

AUDITOR'S RESPONSIBILITY STATEMENT

The auditor's responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 41 to 44 to this Annual Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the total remuneration of the Group's auditor for statutory audit services was approximately HK$1,680,000. The Group also provided or paid to the Group's auditor of approximately HK$608,000 for non-auditing services. Non-auditing services comprised the review of results announcements and unaudited interim financial statements of the Group, and services in regard of a very substantial disposal and a major transaction.

SHAREHOLDER RIGHTS

Procedures for Shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda ("**Companies Act**"), registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**SGM Requisitionists**") can deposit a written request to convene a SGM at the registered office of the Company ("**Registered Office**"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The SGM Requisitionists must state in their request(s) the purposes of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars in the SGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and accordingly, a SGM will not be convened as requested.

The SGM Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM if within twenty-one (21) days of the deposit of the SGM Requisitionists' request, the Board does not proceed duly to convene a SGM provided that any SGM so convened is held within three (3) months from the date of the original SGM Requisitionists' request. A SGM so convened by the SGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for Shareholders to put forward proposals at a general meeting

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six (6) weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one (1) week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six (6) weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Mr. Chan Wei
Room 1007, Tsim Sha Tsui Centre, West Wing,
66 Mody Road, Tsim Sha Tsui,
Kowloon, Hong Kong
Fax: (852) 3520 3181
Email: info@tessonholdings.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Constitutional Documents

During the year ended 31 December 2018, there was no alteration to the Company's constitutional documents.

INVESTOR RELATIONS

The Company is committed to enhancing communications and relationships with its investors. Designated senior management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.tessonholdings.com, where updates on the Company's business developments and operations, financial information and news can always be found.

CODE OF CONDUCT

The Company is committed to high standard of business ethics and integrity. A code of conduct is enforced on all employees of the Group. The employees at all levels are expected to act in an honest, diligent and responsible manner. No personal gifts or other forms of advantages from any person or organisation doing business with the Group can be accepted by any employee. Business partners and customers are reminded from time to time that its policy forbids any employee or agent of the Group from accepting any gift from them.

TO THE SHAREHOLDERS OF
TESSON HOLDINGS LIMITED
天臣控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Tesson Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 45 to 135, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 OPINION

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 opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

(i) Properties for sale under development ("PUD")

Refer to Note 21 to the consolidated financial statements.

The Group tested the amount of properties for sale under development for impairment. This impairment test is significant to our audit because the balance of properties for sale under development of approximately HK$2,168,976,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Obtaining and evaluating the Group's impairment assessment;
- Assessing the net realisable values of the properties for sale under development; and
- Discussing with management their calculation by comparing the costs to, where available, recently transacted prices for similar properties or the price of comparable properties located in the vicinity of the development.

We consider that the Group's impairment test for properties for sale under development is supported by the available evidence.

(ii) Amount due from a non-controlling shareholder of a subsidiary

Refer to Note 23 to the consolidated financial statements.

The Group tested the amount of amount due from a non-controlling shareholder of a subsidiary for impairment. This impairment test is significant to our audit because the balance of amount due from a non-controlling shareholder of a subsidiary of HK$569,250,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Evaluating the Group's impairment assessment;
- Checking subsequent settlements;
- Assessing the relationship and transaction history with the non-controlling shareholder of a subsidiary;
- Assessing creditworthiness of non-controlling shareholder of a subsidiary; and
- Assessing the disclosure of the Group's exposure to amount due in the consolidated financial statements.

We consider that the Group's impairment test for amount due from a non-controlling shareholder of a subsidiary is supported by the available evidence.

(iii) Goodwill

Refer to Note 18 to the consolidated financial statements.

The Group is required to annually test the amount of goodwill for impairment. This annual impairment test is significant to our audit because the balance of goodwill of HK$211,617,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

– Assessing the arithmetical accuracy of the value-in-use calculations;

– Comparing the actual cash flows with the cash flow projections;

– Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates); and

– Checking input data to supporting evidence.

We consider that the Group's impairment test for goodwill is supported by the available evidence.

OTHER INFORMATION

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988
Hong Kong, 28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	7	**362,208**	390,762
Cost of sales		**(336,141)**	(294,842)
Gross profit		**26,067**	95,920
Other income	8	**28,722**	12,136
Distribution and selling expenses		**(10,085)**	(10,062)
Administrative expenses		**(248,675)**	(79,646)
(Loss)/profit from operations		**(203,971)**	18,348
Finance costs	10	**(13,281)**	(22,623)
Loss before tax		**(217,252)**	(4,275)
Income tax	11	**171**	–
Loss for the year from continuing operations	9	**(217,081)**	(4,275)
Discontinued operations			
Profit for the year from discontinued operations	9	**241,318**	51,570
Profit for the year		**24,237**	47,295
Other comprehensive (expenses)/income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(82,511)**	94,589
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		**(87,007)**	–
Total comprehensive (expenses)/income for the year		**(145,281)**	141,884
Profit for the year attributable to:			
Owners of the Company			
Loss from continuing operations		**(182,155)**	(7,447)
Profit from discontinued operations		**241,318**	26,543
Profit attributable to owners of the Company		**59,163**	19,096

	Notes	2018 HK$'000	2017 HK$'000
Non-controlling interests			
(Loss)/profit from continuing operations		**(34,926)**	3,172
Profit from discontinued operations		**–**	25,027
(Loss)/profit attributable to non-controlling interests		**(34,926)**	28,199
		24,237	47,295
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		**(84,589)**	76,973
Non-controlling interests		**(60,692)**	64,911
		(145,281)	141,884
Earnings per share from continuing and discontinued operations	*15*		
Basic *(cents per share)*		**5.18**	1.84
Diluted *(cents per share)*		**5.16**	1.84
Loss per share from continuing operations			
Basic *(cents per share)*		**(15.93)**	(0.72)
Diluted *(cents per share)*		**(15.89)**	(0.72)
Earnings per share from discontinued operations			
Basic *(cents per share)*		**21.11**	2.56
Diluted *(cents per share)*		**21.05**	2.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	16	**447,846**	499,669
Prepaid land lease payments	17	**98,665**	30,550
Deposits paid for acquisition of property, plant and equipment		**1,905**	6,260
Investment property		**9,610**	–
Goodwill	18	**211,617**	–
Intangible assets	19	**–**	15,082
Interests in joint venture		**10,253**	–
		779,896	551,561
Current assets			
Inventories	20	**59,667**	61,088
Properties for sale under development	21	**2,168,976**	–
Trade, bills and other receivables, deposits and prepayments	22	**347,593**	604,276
Prepaid land lease payments	17	**2,178**	782
Financial assets at fair value through profit or loss		**136**	230
Amount due from a non-controlling shareholder of a subsidiary	23	**569,250**	–
Pledged bank deposits	24	**610**	34,294
Restricted bank deposits	24	**38,525**	–
Bank and cash balances	24	**16,154**	41,014
		3,203,089	741,684
Assets held for sale	25	**–**	1,336,087
		3,203,089	2,077,771
Current liabilities			
Trade, bills and other payables	26	**434,382**	375,757
Contract liabilities	27	**2,013,438**	8,255
Borrowings	28	**68,310**	20,421
Amount due to a related company	29	**–**	4,334
Amount due to the Controlling Shareholder	29	**2,821**	11,751
		2,518,951	420,518

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
Liabilities directly associated with assets held for sale	25	–	392,415
		2,518,951	812,933
Net current assets		**684,138**	1,264,838
Total assets less current liabilities		**1,464,034**	1,816,399
Non-current liabilities			
Amount due to a related company	29	–	17,702
Amount due to the Controlling Shareholder	29	**44,657**	74,456
Convertible bonds	30	**43,308**	216,506
Borrowings	28	–	120,124
Deferred tax liabilities	31	**151,664**	3,798
		239,629	432,586
NET ASSETS		**1,224,405**	1,383,813
Capital and reserves			
Share capital	32	**118,632**	103,632
Reserves	33(a)	**928,686**	631,025
Equity attributable to owners of the Company		**1,047,318**	734,657
Non-controlling interests		**177,087**	649,156
TOTAL EQUITY		**1,224,405**	1,383,813

The consolidated financial statements on pages 45 to 135 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

Tin Kong
Director

Sheng Siguang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company														
	Share capital *HK$'000*	Capital redemption reserve *HK$'000*	Share premium *HK$'000*	Asset revaluation reserve *HK$'000*	Convertible bond equity reserve *HK$'000*	Enterprise expansion fund *HK$'000*	Reserve fund *HK$'000*	Other reserve *HK$'000*	Capital reserve *HK$'000*	Share-based payment reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	(Accumulated losses)/ retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2017	103,632	624	599,849	27,349	–	96,677	28,453	76,417	(200)	846	44,139	(405,540)	572,246	431,855	1,004,101
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	57,877	19,096	76,973	64,911	141,884
Revaluation surplus released upon disposal of property, plant and equipment	–	–	–	(11,651)	–	–	–	–	–	–	–	11,651	–	–	–
Dividends distributed to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(21,789)	(21,789)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	174,179	174,179
Issue of convertible bonds	–	–	–	–	79,916	–	–	–	–	–	–	–	79,916	–	79,916
Transfer to enterprise expansion fund	–	–	–	–	–	17,454	–	–	–	–	–	(17,454)	–	–	–
Equity settled share-based transactions	–	–	–	–	–	–	–	–	–	5,522	–	–	5,522	–	5,522
Lapse of share options	–	–	–	–	–	–	–	–	–	(135)	–	135	–	–	–
	103,632	624	599,849	15,698	79,916	114,131	28,453	76,417	(200)	6,233	102,016	(392,112)	734,657	649,156	1,383,813
At 1 January 2018	103,632	624	599,849	15,698	79,916	114,131	28,453	76,417	(200)	6,233	102,016	(392,112)	734,657	649,156	1,383,813
Total comprehensive income/ (expenses) for the year	–	–	–	–	–	–	–	–	–	–	(143,752)	59,163	(84,589)	(60,692)	(145,281)
Deemed purchase of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	7,946	7,946	(7,946)	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(77,938)	(77,938)
Capital injection and inter-group transfer between the non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	–	–	12,429	200,659	213,088	(99,238)	113,850
Disposal of subsidiaries	–	–	–	(8,772)	–	(114,131)	(28,453)	(70,346)	–	–	–	221,702	–	(425,493)	(425,493)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	199,238	199,238
Issue of shares upon exercise of the debt conversion rights	15,000	–	223,070	–	(63,933)	–	–	–	–	–	–	–	174,137	–	174,137
Equity settled share-based transactions	–	–	–	–	–	–	–	–	–	2,079	–	–	2,079	–	2,079
Laspe of share options	–	–	–	–	–	–	–	–	–	(1,691)	–	1,691	–	–	–
At 31 December 2018	118,632	624	822,919	6,926	15,983	–	–	6,071	(200)	6,621	(29,307)	99,049	1,047,318	177,087	1,224,405

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before tax from continued operations	**(217,252)**	(4,275)
Profit before tax from discontinued operations	**241,318**	64,900
	24,066	60,625
Adjustments for:		
Finance costs	**13,281**	29,592
Interest income	**(1,655)**	(905)
Depreciation	**51,205**	86,231
Amortisation of prepaid land lease payments	**770**	1,798
Amortisation of intangible assets	**1,837**	1,952
Gain on settlement of amount due to the controlling shareholder	**–**	(4,823)
Impairment loss on property, plant and equipment	**3,247**	–
Written-off of inventory	**92,811**	–
Reversal of impairment on trade receivables	**–**	(2,534)
Gain on disposal of subsidiaries	**(257,504)**	–
Fair value changes on financial assets at fair value through profit or loss	**94**	28
Gain on sales of financial assets at fair value through profit or loss	**–**	(136)
Equity settled share-based payment expenses	**2,079**	5,522
Loss on disposal of property, plant and equipment	**285**	20,341
Share of results of a joint venture	**(7)**	–
Operating cash flows before working capital changes	**(69,491)**	197,691
Change in inventories	**(94,240)**	8,296
Change in properties for sale under development	**(682,196)**	–
Change in trade and other receivables, deposits and prepayments	**412,539**	(382,935)
Change in trade and other payables	**38,182**	(18,860)
Change in contract liabilities	**(104,944)**	–
Cash used in operations	**(500,150)**	(195,808)
Interest received	**1,655**	905
Tax paid	**–**	(11,690)
Net cash used in operating activities	**(498,495)**	(206,593)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK$'000	2017 HK$'000
Cash flows from investing activities		
Acquisition of subsidiaries	16,777	–
Disposal of subsidiaries	574,287	–
Investment in joint venture	(10,246)	–
Purchase of property, plant and equipment	(28,063)	(102,599)
Proceeds from disposal of property, plant and equipment	–	1,682
Proceeds from sales of financial assets at fair value through profit or loss	–	271
Deposits paid for acquisition of property, plant and equipment	(1,980)	(21,610)
Acquisition of land	(40,547)	–
Changes in pledged bank deposits	33,154	42,955
Net cash generated from/(used in) investing activities	543,382	(79,301)
Cash flows from financing activities		
New short-term bank loans raised	82,846	200,102
Proceeds from finance lease	–	42,043
Proceeds from other borrowings	–	120,124
Repayment to the controlling shareholder	(47,200)	–
Repayment of bank loans	(21,540)	(180,683)
Repayment of finance lease	(10,571)	(31,472)
Interest paid	(3,780)	(24,492)
Capital injection from non-controlling interest	199,238	174,179
Dividends distributed to non-controlling interest of subsidiaries	–	(21,789)
Transaction costs paid on issuance of convertible bonds	–	(917)
Repayment to a non-controlling shareholder of a subsidiary	(319,183)	–
Repayment to a related company	(22,126)	–
Net cash (used in)/generated from financing activities	(142,316)	277,095
Net decrease in cash and cash equivalents	(97,429)	(8,799)
Cash and cash equivalents at beginning of the year	124,069	132,777
Effect of changes in foreign exchange rate	(10,486)	91
Cash and cash equivalents at end of year	16,154	124,069
Analysis of cash and cash equivalents		
Bank and cash balances	16,154	124,069
Representing		
Continuing operations	16,154	41,014
Discontinued operations	–	83,055
	16,154	124,069

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. In the opinion of the directors of the Company (the "**Directors**"), the Company's controlling shareholder is Double Key International Limited (the "**Controlling Shareholder**"), a company incorporated in British Virgin Islands with limited liability. The address of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1007, Tsim Sha Tsui Centre, West Wing, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. During the year, the Group had discontinued its business of printing and manufacturing of packaging products (the "**Packaging Printing Business**"), and principally engaged in the manufacturing and sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investments holding and import and export trading (the "**Lithium Ion Motive Battery Business**"), and commenced its property development business, as well as the cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering (the "**Property and Cultural Business**").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2018

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

Annual improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1 First-time adoption of Hong Kong Financial Reporting Standards and HKAS 28, Investments in associates and joint ventures
HKAS 28	Measuring an associate or joint venture at fair value
HKFRS 1	Deletion of short-term exemptions for first-time adopters
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
Amendments to HKFRS 15	Revenue from contracts with customers (clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 (Continued)

The adoption of these amendments did not have significant impact to the results and financial position of the Group except as described below:

HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39 Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

HKFRS 9 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	31 December 2017 HK$'000	1 January 2017 HK$'000
Decrease in held-for-trading investments	**230**	393
Increase in financial assets at fair value through profit or loss	**230**	393

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 (Continued)

HKFRS 9 Financial instruments (Continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 Revenue from contracts with customers

The Group has applied HKFRS 15 for the first time in the current year, which had superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and the revenue-related interpretations.

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	31 December 2017 HK$'000	1 January 2017 HK$'000
Increase in contract liabilities	**8,255**	2,191
Decrease in trade and other payables	**8,255**	2,191

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "**earnings processes**" to an "**asset-liability**" approach based on transfer of control.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but not yet effective

The following new and amendments to HKFRSs have been issued but are not effective for the financial year beginning on 1 January 2018, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 3 (Amendments)	Definition of a business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual improvements to HKFRSs 2015–2017 Cycle	1 January 2019

HKFRS 16 Leases

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on financial position for lessees. The standard replaces HKAS 17 Leases, and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the reporting entity adopting HKFRS 15 Revenue from contracts with customers at the same time.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but not yet effective (Continued)

HKFRS 16 Leases (Continued)

The Group is a lessee of various premise, these leases are currently classified as operating leases. HKFRS 16 provides new provisions for the accounting treatment of leases for operating lessees and generally no longer allow them to recognise leases outside of their statements of financial position. Instead almost all leases must be recognised in the form of an asset (for the right-of-use) and a lease liability (for the payment obligation). The new standard will therefore result in an increase in assets and liabilities in the statement of financial position. In the statement of comprehensive income, depreciation on the right-of-use asset and interest expense on the lease liability will be recognised instead of an operating lease expense. The Group does not plan to early adopt HKFRS 16. Based on the Group's undiscounted operating lease commitment of HK$43,446,000 as at 31 December 2018, the amount may therefore need to be recognised as lease liabilities, with corresponding right-of-use, once HKFRS is adopted.

Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements of the Group and the Group does not plan to early adopt this amendment.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "**HKFRSs**"), and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, except for property, plant and equipment and certain financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

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

Consolidation

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

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

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and goodwill (Continued)

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

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

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint arrangements (Continued)

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

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

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

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets held for sale and discontinued operations

Assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5. if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of property, plant and equipment are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the asset revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the asset revaluation reserve are charged against the asset revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued property, plant and equipment, the attributable revaluation increases remaining in the asset revaluation reserve is transferred directly to retained profits.

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

Buildings	Over the shorter of the term of the lease or 25 years
Leasehold improvements	Over the shorter of the term of the lease or 25 years
Plant and Machinery	4%-33%
Office equipment	20%
Motor vehicles	20%

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives of 10 years.

Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Operating leases

The Group as Lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases (Continued)

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition and derecognition of financial instruments

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

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

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

Financial assets

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

Financial assets of the Group are classified under the following categories:

(a) Financial assets at amortised cost

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(b) Investments at fair value through profit or loss

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

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

Loss allowances for expected credit losses

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Convertible loans

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Trade and other payables

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

Equity instruments

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

Revenue from contracts with customers

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

(c) Termination benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

(a) An asset is created that can be identified;

(b) It is probable that the asset created will generate future economic benefits; and

(c) The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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

Related parties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

Segment reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions and contingent liabilities

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

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

Events after the reporting period

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Legal titles of certain land and buildings

As stated in Note 17 to the consolidated financial statements, the titles of certain parcels of land were not transferred to the Group as at 31 December 2018. Despite the fact that the Group has not obtained the relevant legal titles, the Directors determine to recognise those prepaid lease payments and properties for sales under development, respectively, on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those parcels of land.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

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

(b) Impairment of property, plant and equipment

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

(c) Impairment loss for bad and doubtful debts

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(d) Net realisable value of inventories and properties for sale under development

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

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$211,617,000 was recognised during 2018. Details is presented in Note 18 to the consolidated financial statements.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

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

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 57% (2017: 32%) and 91% (2017: 91%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

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

– internal credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

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

	Non-controlling shareholder of a subsidiary *HK$'000*	Other receivables *HK$'000*	Total *HK$'000*
At 31 December 2018			
Amount	**569,250**	**32,047**	**601,297**
Provision for loss allowance	**–**	**–**	**–**
Carrying amounts	**569,250**	**32,047**	**601,297**
At 31 December 2017			
Amount	–	22,113	22,113
Provision for loss allowance	–	–	–
Carrying amounts	–	22,113	22,113

All of these amounts are considered to have low risk and under the "Performing" category because they have a low risk of default and have strong ability to meet their obligations.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

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

	Carrying amounts	Total contractual undiscounted cash flow				
		Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2018						
Trade, bills and other payables	**434,382**	**434,282**	**434,282**	**–**	**–**	**–**
Borrowings	**68,310**	**70,737**	**70,737**	**–**	**–**	**–**
Amount due to the Controlling Shareholder	**47,478**	**81,106**	**6,304**	**6,094**	**17,020**	**51,688**
Convertible bonds	**43,308**	**91,517**	**1,800**	**1,800**	**5,400**	**82,517**
	593,478	**677,642**	**513,123**	**7,894**	**22,420**	**134,205**
31 December 2017						
Trade, bills and other payables	375,757	375,757	375,757	–	–	–
Borrowings	140,545	158,865	24,326	3,604	130,935	–
Amount due to the Controlling Shareholder	86,207	138,369	10,330	9,926	27,793	90,320
Amount due to a related company	22,036	33,902	3,461	2,360	6,608	21,473
Convertible bonds	216,506	466,562	9,000	9,000	27,000	421,562
	841,051	1,173,455	422,874	24,890	192,336	533,355

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates. The Group's amounts due to the Controlling Shareholder and borrowings bear interests at fixed interest rates.

(e) Fair values

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

(f) Financial instruments by category

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

	2018	2017
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss designated as such upon initial recognition	**136**	230
Financial assets at amortised cost (including cash and cash equivalents)	**737,018**	482,545
Financial liabilities		
Financial liabilities at amortised cost	**593,478**	841,051

6. FAIR VALUE MEASUREMENTS

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

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

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

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

	2018			
	Fair value measurements using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	**136**	**–**	**–**	**136**
Investment property	**–**	**–**	**9,610**	**9,610**

	2017			
	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	230	–	–	230

6. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of property, plant and equipment measured at fair value based on level 3:

	2018
	HK$'000
At 1 January	–
Addition	9,493
Currency realignment	117
	9,610

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

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

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

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2018 *HK$'000*
Investment property	Income approach	Term yield	6%	Increase	
		Reversion yield	6.5%		9,610
		Adopted market rent	RMB30 per sq.m. per month		

7. REVENUE

The Group's revenue was derived from lithium ion motive battery products sold, property development and cultural service rendered during the year. Disaggregation of revenue from contracts with customers is set out as below. For both years, all revenue generated by the Group were derived from the PRC and recognised at a point in time when the customers obtain control of the goods or services.

	2018	2017
	HK$'000	*HK$'000*
Packaging printing products	**–**	677,837
Lithium ion motive battery products	**83,516**	390,762
Property development and cultural service	**278,692**	–
	362,208	1,068,599

Disaggregation of revenue from contracts with customers and major products of the segments are as follows:

	Continuing operations			**Discontinued operations**	
	Lithium Ion Motive Battery Business	**Property and Cultural Business**	**Total**	**Packaging Printing Business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2018					
Batteries	**83,516**	**–**	**83,516**	**–**	**83,516**
Properties	**–**	**275,001**	**275,001**	**–**	**275,001**
Provision of event production service	**–**	**3,691**	**3,691**	**–**	**3,691**
	83,516	**278,692**	**362,208**	**–**	**362,208**
For the year ended 31 December 2017					
Batteries	390,762	–	390,762	–	390,762
Packaging printing products	–	–	–	677,837	677,837
	390,762	–	390,762	677,837	1,068,599

7. REVENUE (CONTINUED)

Sales of Batteries

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

Sales to customers are normally made with credit terms of 30 to 60 days. For non state-owned enterprise or those without guarantee provided, deposits or cash on delivery may be required. Deposits received are recognised as contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Development and sales of properties

The Group develops and sells properties to the customers. Sales of a contract are recognised when control of the property has transferred, being when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Provision of event production service

The Group provides event production service to the customers. When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from the contract and the contract costs are recognised.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

8. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Net exchange gains	**–**	299
Interest income	**1,655**	905
Government grants	**9,274**	8,497
Dividend income	**–**	760
Gain on disposal of a subsidiary	**16,186**	–
Gain on settlement of amount due to the Controlling Shareholder	**–**	4,823
Rental income	**185**	–
Others	**1,422**	4,523
	28,722	19,807
Representing		
Continuing operations	**28,722**	12,136
Discontinued operations *(Note 36)*	**–**	7,671
	28,722	19,807

9. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business unit requires different technology and marketing strategies. During the year, the Group's revenue was derived from the Lithium Ion Motive Battery Business and the Property and Cultural Business (2017: from the Lithium Ion Motive Battery Business and the Packaging Printing Business, the discontinued operations).

Segment profits or losses do not include unallocated corporate income and expenses. Segment assets do not include unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities.

9. SEGMENT INFORMATION (CONTINUED)

Information about profit or loss, assets and liabilities of the reportable segments:

	Continuing operations			Discontinued operations	
	Lithium Ion Motive Battery Business *HK$'000*	Property and Cultural Business *HK$'000*	Total *HK$'000*	Packaging Printing Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2018					
Revenue from external customers	**83,516**	**278,692**	**362,208**	**–**	**362,208**
Segment profit/(loss)	**(182,091)**	**2,106**	**(179,985)**	**241,318**	**61,333**
Depreciation	**49,696**	**687**	**50,383**	**–**	**50,383**
Amortisation of prepaid land lease payments	**770**	**–**	**770**	**–**	**770**
Other material non-cash item:					
Written-off of inventory	**92,811**	**–**	**92,811**	**–**	**92,811**
Additions to segment non-current assets	**113,026**	**1,507**	**114,533**	**–**	**114,533**
At 31 December 2018					
Segment assets	**764,542**	**3,213,582**	**3,978,124**	**–**	**3,978,124**
Segment liabilities	**395,581**	**2,228,999**	**2,624,580**	**–**	**2,624,580**
Year ended 31 December 2017					
Revenue from external customers	390,762	–	390,762	677,837	1,068,599
Segment profit	37,239	–	37,239	56,843	94,082
Depreciation	42,064	–	42,064	43,866	85,930
Amortisation of prepaid land lease payments	750	–	750	1,048	1,798
Other material non-cash item:					
Reversal of impairment of trade receivables	–	–	–	2,534	2,534
Additions to segment non-current assets	280,470	–	280,470	121,955	402,425
At 31 December 2017					
Segment assets	1,092,088	–	1,092,088	1,336,081	2,428,169
Segment liabilities	494,492	–	494,492	392,415	886,907

9. SEGMENT INFORMATION (CONTINUED)

Reconciliations of revenue, profit or loss, assets and liabilities of the reportable segments:

	2018 *HK$'000*	2017 *HK$'000*
Revenue		
Total revenue of reportable segments	**362,208**	1,068,599
Reclassification of discontinued operations	**–**	(677,837)
Consolidated revenue from continuing operations for the year	**362,208**	390,762
Profit or loss		
Total profit of reportable segments	**61,333**	94,082
Corporate and unallocated loss	**(37,096)**	(46,787)
Reclassification of discontinued operations	**(241,318)**	(51,570)
Consolidated loss from continuing operations for the year	**(217,081)**	(4,275)
Assets		
Total assets of reportable segments	**3,978,124**	2,428,169
Corporate and unallocated assets	**4,861**	201,163
Consolidated total assets	**3,982,985**	2,629,332
Liabilities		
Total liabilities of reportable segments	**2,624,580**	886,907
Corporate and unallocated liabilities	**134,000**	358,612
Consolidated total liabilities	**2,758,580**	1,245,519

9. SEGMENT INFORMATION (CONTINUED)

Geographical information

All revenue generated by the Group were derived from the PRC.

No (2017: one) customer individually contributed over 10% of total revenue of the Group as follows:

	2018 *HK$'000*	2017 *HK$'000*
Customer A (belong to the Packaging Printing Business)	**N/A**	227,587

In presenting the geographical information, revenue is based on the location of the customers. At the end of the year, the non-current assets of the Group were located as follows:

	2018 *HK$'000*	2017 *HK$'000*
Non-current assets		
Hong Kong	**2,732**	1,722
The PRC	**777,164**	549,839
	779,896	551,561

10. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on bank loans	**3,191**	5,901
Imputed interest expense on convertible bonds	**5,066**	9,707
Interest expenses on amounts due to a related company and the Controlling Shareholder	**4,434**	12,071
Finance lease charge	**590**	1,913
	13,281	29,592
Representing		
Continuing operations	**13,281**	22,623
Discontinued operations *(Note 36)*	**–**	6,969
	13,281	29,592

11. INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
PRC Enterprise Income Tax for the year	**26,725**	12,821
Under-provision of PRC Enterprise Income Tax in prior year	**–**	1,410
	26,725	14,231
Deferred tax	**(26,896)**	(901)
	(171)	13,330
Representing		
Continuing operations	**(171)**	–
Discontinued operations *(Note 36)*	**–**	13,330
	(171)	13,330

No provision for Hong Kong profits tax was required since the Group has no assessable profit in Hong Kong for the years presented.

According to the Law of the PRC on Enterprise Income Tax, all group companies operating in the PRC are subject to the applicable tax rate of 25%, except for certain subsidiaries that are qualified for the tax benefit of being the National High-tech Enterprise, that are entitled to a preferential tax rate of 15% during the reporting years.

11. INCOME TAX (CONTINUED)

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

	2018	2017
	HK$'000	*HK$'000*
Loss before tax from continuing operations	**(217,252)**	(4,275)
Notional tax on profit before tax calculated at the PRC statutory rate	**(54,313)**	(1,069)
Tax effect of non-taxable income	**(10,245)**	(2,111)
Tax effect of non-deductible expenses	**27,464**	6,172
Utilisation of previously unrecognised tax losses	**–**	(9,637)
Tax effect of tax losses not recognised	**32,453**	9,103
Effect of different tax rates in other tax jurisdictions and tax concessions	**4,470**	(2,458)
Income tax for the year	**(171)**	–

12. PROFIT FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Auditor's remuneration	**1,680**	1,810
Cost of sales	**336,141**	294,842
Depreciation	**51,205**	42,365
Amortisation of prepaid land lease payments	**770**	750
Amortisation of intangible assets	**1,837**	1,952
Written-off of Inventories	**92,811**	–
Impairment of property, plant and equipment	**3,247**	–
Loss on disposal of property, plant and equipment	**285**	–
Minimum lease payments under operating leases in respect of office premises	**9,293**	2,780
Research and development expenses (including depreciation and staff costs)	**36,069**	13,392
Staff costs (including directors' emoluments):		
Salaries, bonus and allowances	**69,280**	71,931
Equity-settled share-based payment expenses	**2,079**	5,522

	2018	2017
	HK$'000	*HK$'000*
Discontinued operations		
Cost of sales	**–**	467,899
Depreciation	**–**	43,866
Amortisation of prepaid land lease payments	**–**	1,048
Reversal of impairment of trade receivables	**–**	(2,534)
Loss on disposal of property, plant and equipment	**–**	20,341
Research and development expenses (including depreciation and staff costs)	**–**	18,753
Staff costs (including directors' emoluments):		
Salaries, bonus and allowances	**–**	134,838

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments of each Director were as follows:

	Notes	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Equity-settled share-based payment *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors						
Ms. Cheng Hung Mui		180	1,398	–	18	1,596
Mr. Tin Kong		180	1,028	228	18	1,454
Mr. Chen Dekun		180	744	114	–	1,038
Mr. Zhou Jin	*2*	81	–	–	–	81
Mr. Tao Fei Hu	*2*	81	–	–	–	81
Mr. Sheng Siguang		180	2,173	–	–	2,353
Independent Non-Executive Directors						
Dr. Ng Ka Wing		180	–	–	–	180
Mr. Wang Jinlin		180	–	–	–	180
Mr. See Tak Wah	*1*	180	–	–	–	180
Total for the year ended 31 December 2018		1,422	5,343	342	36	7,143

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

	Notes	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Equity-settled share-based payment *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors						
Ms. Cheng Hung Mui		180	720	–	18	918
Mr. Tin Kong		180	470	463	18	1,131
Mr. Chen Dekun		180	455	232	–	867
Mr. Zhou Jin	*2*	180	124	–	–	304
Mr. Tao Fei Hu	*2*	180	319	–	–	499
Mr. Sheng Siguang		180	1,663	–	–	1,843
Independent Non-Executive Directors						
Dr. Ng Ka Wing		180	–	–	–	180
Mr. Wang Jinlin		180	–	–	–	180
Mr. See Tak Wah	*1*	167	–	–	–	167
Total for the year ended 31 December 2017		1,607	3,751	695	36	6,089

Notes:

1. Appointed as a director with effect from 27 January 2017.
2. Retired on 11 June 2018.

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

	2018 ***HK$'000***	2017 *HK$'000*
Salaries and other benefits	**1,200**	3,036
Retirement benefits scheme contributions	**–**	36
	1,200	3,072

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

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

	Number of employees	
	2018	2017
Emolument bands		
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**–**	1

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

14. DIVIDENDS

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

15. EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$59,163,000 (2017: HK$19,096,000), and the weighted average number of 1,143,165,015 (2017: 1,036,315,700) ordinary shares in issue during the year.

15. EARNINGS PER SHARE (CONTINUED)

(a) From continuing and discontinued operations (Continued)

Diluted earnings per share

The calculation of diluted earnings per share is based on the following:

	2018 Number of shares
Weighted average number of ordinary shares in issue	**1,143,165,015**
Effect of dilutive potential ordinary share:	
Share options	**3,024,973**
Weighted average number of ordinary shares used in diluted earnings per share calculation	**1,146,189,988**
Diluted earnings per share (cents per share)	**5.16**

No diluted earnings per share is presented in 2017 as the Company did not have any dilutive potential ordinary shares.

(b) From continuing operations

The calculation of basic and diluted loss per share from continuing operations is based on the loss attributable to owners of the Company of approximately HK$182,155,000 (2017: HK$7,447,000). The denominator used is the same as that detailed above for basic and diluted earnings per share.

No diluted loss per share is presented in 2017 as the Company did not have any dilutive potential ordinary shares.

(c) From discontinued operations

The calculation of basic and diluted earnings per share from discontinued operations is based on the profit attributable to owners of the Company of approximately HK$241,318,000 (2017: HK$26,543,000). The denominator used is the same as that detailed above for basic and diluted earnings per share.

No diluted earnings per share is presented in 2017 as the Company did not have any dilutive potential ordinary shares.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation							
At 1 January 2017	236,495	–	468,946	2,762	12,131	48,425	768,759
Currency realignment	20,319	–	32,792	651	462	3,651	57,875
Additions	66,638	165	324,127	2,255	4,444	6,338	403,967
Disposals	(4,324)	–	(21,001)	(625)	(536)	–	(26,486)
Transfers	3,761	3,051	7,628	–	–	(14,440)	–
Reclassified to assets held for sale	(276,037)	–	(372,358)	–	(12,073)	–	(660,468)
At 31 December 2017 and 1 January 2018	46,852	3,216	440,134	5,043	4,428	43,974	543,647
Currency realignment	(2,447)	(176)	(22,987)	(188)	(251)	(2,297)	(28,346)
Additions	1,250	5,013	12,931	2,569	1,845	10,622	34,230
Addition through acquisition of subsidiaries	–	206	–	997	990	–	2,193
Disposal of subsidiaries	(3,564)	–	(11,545)	–	(172)	–	(15,281)
Disposals	–	–	(681)	–	(389)	–	(1,070)
Transfers	–	1,463	–	–	–	(1,463)	–
At 31 December 2018	42,091	9,722	417,852	8,421	6,451	50,836	535,373
Accumulated depreciation and impairment							
At 1 January 2017	–	–	–	–	–	–	–
Currency realignment	776	6	2,570	125	106	–	3,583
Charge for the year	18,590	135	61,587	926	4,993	–	86,231
Disposals	–	–	(308)	(7)	(218)	–	(533)
Reclassified to assets held for sale	(17,260)	–	(23,870)	–	(4,173)	–	(45,303)
At 31 December 2017 and 1 January 2018	2,106	141	39,979	1,044	708	–	43,978
Currency realignment	(202)	(51)	(3,780)	(83)	(80)	–	(4,196)
Charge for the year	2,412	1,194	44,487	1,834	1,278	–	51,205
Impairment	3,247	–	–	–	–	–	3,247
Disposals	–	–	(679)	–	(106)	–	(785)
Disposal of subsidiaries	(3,564)	–	(2,281)	–	(77)	–	(5,922)
At 31 December 2018	3,999	1,284	77,726	2,795	1,723	–	87,527
Carrying amounts							
At 31 December 2018	38,092	8,438	340,126	5,626	4,728	50,836	447,846
At 31 December 2017	44,746	3,075	400,155	3,999	3,720	43,974	499,669

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

No property, plant and equipment (2017: with an aggregate carrying amount of HK$65,847,000) were pledged to secure the other borrowing of the Group *(Note 28)*.

Had all the categories of the Group's property, plant and equipment, other than construction in progress, been carried at cost less accumulated depreciation, the carrying values of property, plant and equipment would have been stated as follows:

	2018			2017		
	Cost	**Accumulated depreciation and impairment**	**Carrying amounts**	Cost	Accumulated depreciation and impairment	Carrying amounts
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Building	**23,726**	**3,660**	**20,066**	28,487	1,767	26,720
Leasehold improvements	**9,722**	**1,282**	**8,440**	3,216	141	3,075
Plant and machinery	**417,550**	**73,614**	**343,936**	439,832	35,867	403,965
Motor vehicles	**8,560**	**3,136**	**5,424**	5,182	1,385	3,797
Office equipment	**6,658**	**1,679**	**4,979**	4,635	664	3,971
	466,216	**83,371**	**382,845**	481,352	39,824	441,528

17. PREPAID LAND LEASE PAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Non-current asset	**98,665**	30,550
Current asset	**2,178**	782
	100,843	31,332

The Group's prepaid land lease payment relating to land use rights are located in the PRC.

As at 31 December 2018, the Group was in the process of applying for the title certificates of certain land acquired with aggregate carrying amount of approximately HK$71,888,000 (2017: Nil). The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land in due course, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2018.

18. GOODWILL

	HK$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Arising on acquisition of subsidiaries *(Note 35)*	213,044
Currency realignment	(1,427)
At 31 December 2018	211,617

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

	2018	2017
	HK$'000	*HK$'000*
Property development unit	**211,617**	–

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's is 16%.

19. INTANGIBLE ASSETS

	Patent *HK$'000*
Cost	
At 1 January 2017	17,659
Currency realignment	1,320
At 31 December 2017 and 1 January 2018	18,979
Disposal of a subsidiary	(17,988)
Currency realignment	(991)
At 31 December 2018	–
Accumulated amortisation and impairment	
At 1 January 2017	1,743
Amortisation for the year	1,952
Currency realignment	202
At 31 December 2017 and 1 January 2018	3,897
Amortisation for the year	1,837
Disposal of a subsidiary	(5,460)
Currency realignment	(274)
At 31 December 2018	–
Carrying amount	
At 31 December 2018	–
At 31 December 2017	15,082

As at 31 December 2018, the Group did not hold any patent as that is disposed through disposal of a subsidiary.

As at 31 December 2017, patent represented the costs in relation to the design and specification of the battery products held by a subsidiary of the Company. It is stated at costs less accumulated amortization and impairment. The amortization is charged on straight line basis over its estimated useful life of 10 years. The average remaining amortisation period of the patent is 8.33 years.

20. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**8,424**	17,550
Work in progress	**886**	9,522
Finished goods	**50,357**	34,016
	59,667	61,088

21. PROPERTIES FOR SALE UNDER DEVELOPMENT

	HK$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Addition through acquisition of a subsidiary *(Note 35(b))*	1,242,298
Additions	900,847
Transfer from investment property	265,270
Properties completed and sold	(261,014)
Currency realignment	21,575
At 31 December 2018	2,168,976

All the properties under development were located in the PRC.

22. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**49,927**	218,309
Bills receivable	**332**	163,755
Down payment in relation to acquisition of land	**–**	156,161
Value-added tax receivables	**176,008**	35,754
Tax recoverable	**66,723**	–
Other receivables, prepayment and deposits	**54,603**	30,297
	347,593	604,276

Trade and bills receivables

The ageing of bills receivable at the end of the years are falling within 60 days.

The Group allows an average credit period of 30 to 60 days to its customers which are state-owned enterprise or those with guarantee provided, and cash on delivery for all other customers (2017: 30 to 180 days for all customers). The following is an aging analysis of trade and bills receivables, presented based on the invoice date at the end of the years:

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**4,972**	129,306
61 to 90 days	**65**	55,829
Over 90 days	**45,222**	196,929
	50,259	382,064

22. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Impairment of trade receivables

The movements in impairment loss of trade receivables are as follows:

	HK$'000
At 1 January 2017	7,299
Reversal of impairment loss on trade receivables	(2,534)
Reclassified to assets held for sale	(4,765)
At 31 December 2017, 1 January 2018 and 31 December 2018	–

Trade receivables that are not impaired

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

22. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Trade receivables that are not impaired (Continued)

	Current	Less than 60 days past due	Over 60 days and less than 1 year	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018					
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**
Receivable amount	**3,840**	**865**	**43,457**	**1,765**	**49,927**
Loss allowance	**–**	**–**	**–**	**–**	**–**
At 31 December 2017					
Weighted average expected loss rate	0%	0%	0%	0%	0%
Receivable amount	102,202	55,829	60,220	58	218,309
Loss allowance	–	–	–	–	–

Trade receivables that were not past due relate to a wide range of customers who has no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

23. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount represented financial assistance provided by Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）("**Nanchang Investment**") to its shareholder before the completion of the capital contribution as detailed in Note 35(b). The amount due from a non-controlling shareholder of a subsidiary is secured by its assets and undistributed earnings, non-interest bearing, and had no fixed term of repayment.

24. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS, AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to bank to secure bills payable.

At the end of year, bank and cash balances of the Group denominated in RMB amounted equivalent to approximately HK$54,296,000 (2017: HK$9,873,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

At the end of the year, the restricted bank deposits of the Group represented guarantee deposits for construction of pre-sale properties denominated in RMB placed in designated accounts.

25. ASSETS OF AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

On 22 September 2017, the Group entered into a sales and purchase agreement with an independent third party, AMVIG Investment Limited, to dispose of its 100% interest in a wholly-owned subsidiary, Outstanding Viewpoint Limited, and its subsidiaries (the "**Disposal Group**") at cash consideration of HK$700,000,000. The disposal was completed on 2 January 2018, and since then the Group's Packaging Printing Business was discontinued.

25. ASSETS OF AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE (CONTINUED)

The major classes of assets and liabilities comprising the Disposal Group classified as held for sale at 31 December 2017 are as follows:

	HK$'000
Property, plant and equipment	615,165
Prepaid land lease payments	47,027
Deposits paid for acquisition of property, plant and equipment	16,251
Available-for-sale financial assets	18,019
Inventories	177,027
Trade and other receivables, deposits and prepayments	379,543
Bank and cash balances	83,055
Total assets classified as held for sale	1,336,087
Trade and other payables	240,329
Tax payables	15,878
Borrowings	104,075
Deferred tax liabilities	32,133
Total liabilities directly associated with assets classified as held for sale	392,415
Net assets of the Disposal Group	943,672

At 31 December 2017, cumulative income or expense recognised in other comprehensive income relating to the disposal group classified as held for sale amounted to HK$70,383,000.

26. TRADE, BILLS AND OTHER PAYABLES

	2018 *HK$'000*	2017 *HK$'000* (Restated)
Trade payables	**108,819**	81,178
Bills payable	**610**	34,294
Amounts payable on acquisition of property, plant and equipment	**220,886**	189,176
Deposits received for disposal of subsidiaries *(Note 35(b)(i))*	**–**	30,000
Accruals and other payables	**104,067**	41,109
	434,382	375,757

The aging of bills payable at the end of the year falls within 180 days (2017: 60 days).

At 31 December 2018, bills payable totalling HK$610,000 (2017: HK$34,294,000) were secured by pledged bank deposits of HK$610,000 (2017: HK$34,294,000).

An aging analysis of the trade payables at the end of the years, based on invoice dates, is as follows:

	2018 *HK$'000*	2017 *HK$'000*
0 to 60 days	**48,323**	55,433
61 to 90 days	**1,437**	16,215
Over 90 days	**59,059**	9,530
	108,819	81,178

27. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2018 *HK$'000*	As at 31 December 2017 *HK$'000*	As at 1 January 2017 *HK$'000*
Total contract liabilities	**2,013,438**	8,255	2,191
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2018	**–**	6,047	
– 2019	**1,372,295**	–	
– 2020	**259,348**	–	
– 2021	**379,363**	–	
	2,011,006	6,047	

	2018 *HK$'000*	2017 *HK$'000*
Revenue recognised in the year that was included in contract liabilities at beginning of year	**4,149**	1,536

Significant changes in contract liabilities during the year:

	2018 *HK$'000*	2017 *HK$'000*
Increase due to operations	**158,463**	7,200
Increase due to acquisition of a subsidiary	**2,110,127**	–
Transfer of contract liabilities to revenue	**(292,910)**	(1,536)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration from the customer.

28. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank loans	**68,310**	9,850
Obligation under finance lease	**–**	10,571
Other borrowing	**–**	120,124
	68,310	140,545
Analysed as:		
Secured	**68,310**	10,571
Unsecured	**–**	129,974
	68,310	140,545

At 31 December 2018, bank loans were secured by a parcel of land held by the Group located in Weinan, Shaanxi with carrying value of approximately HK$11,254,000 (2017: HK$12,205,000), the remaining borrowings were unsecured.

At 31 December 2017, obligation under finance lease is secured by certain equipments with an aggregate carrying amount of HK$65,847,000, the remaining borrowings are unsecured.

Other borrowing of approximately HK$120,124,000 in 2017 represented advance from the Weinan government for the purpose of development of the Lithium Ion Motive Battery Business.

All borrowings for the years presented are denominated in RMB.

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

	2018	2017
Borrowings:		
Fixed-rate	**6.09%**	3%-5.87%

28. BORROWINGS (CONTINUED)

The borrowings are repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
On demand or within one year	**68,310**	20,421
In the third to fifth years, inclusive	**–**	120,124
	68,310	140,545

29. AMOUNTS DUE TO A RELATED COMPANY/THE CONTROLLING SHAREHOLDER

On 28 February 2017, Cloud Apex Global Limited agreed to assign all rights, titles, benefits and interests of approximately HK$382,728,000 debt to the Controlling Shareholder and the Controlling Shareholder agreed to subscribe for the convertible bonds in an aggregate principal amount of HK$300,000,000 (the "**Convertible Bonds**") issued by the Company as detailed in Note 30 to replace the loan amounting to HK$300,000,000.

As at 31 December 2018, amount due to the Controlling Shareholder of approximately HK$47,284,000 (2017: HK$78,662,000), and principal amount of approximately HK$nil (2017: HK$19,669,000) due to a related company are unsecured, interest bearing at 8% per annum, and are repayable by annual equal instalments from 30 June 2017 to 30 June 2036 together with the related interests thereon. The Company, at its discretion, may either make early repayment or request to defer repayment in accordance with the initial repayment schedule if the Company does not have sufficient funds or if such deferral of repayment is agreed between the Company and the respective party.

The remaining amounts are unsecured, non-interest bearing, and had no fixed term of repayment.

30. CONVERTIBLE BONDS

On 28 February 2017, the Company issued the Convertible Bonds in an aggregate principal amount of HK$300,000,000 with a coupon rate of 3% to the Controlling Shareholder as detailed in Note 29, payable quarterly in arrears, no proceeds were raised on the issue of the Convertible Bonds. The Convertible Bonds will mature from the date of issue to 30 June 2036 representing maturity period of 18.3 years, and can be converted into a maximum of 187,500,000 conversion shares of the Company at the conversion price of HK$1.6 per conversion shares upon full exercise of the conversion rights by the end on the third anniversary to the date of issue of the Convertible Bonds. On 16 April 2018, 150,000,000 conversion shares were allotted and issued, representing conversion of Convertible Bonds at the principal amount of HK$240,000,000.

The Convertible Bonds recognised in the consolidated statement of financial position had been split between liability element and equity component, and are calculated as follows:

	Liability component	**Equity component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 28 February 2017	215,012	80,165	295,177
Transaction costs	(668)	(249)	(917)
Issue of Convertible Bonds	214,344	79,916	294,260
Imputed interest expense	9,707	–	9,707
Interest payable	(7,545)	–	(7,545)
At 31 December 2017 and 1 January 2018	216,506	79,916	296,422
Conversion	(174,137)	(63,933)	(238,070)
Imputed interest expense	5,066	–	5,066
Interest paid/payable	(4,127)	–	(4,127)
At 31 December 2018	43,308	15,983	59,291

The interest charged for the year is calculated by applying an effective interest rate of 5.46% (2017: 5.36%) to the liability component for the 10 month period since the bonds were issued.

The Directors estimate the fair value of the equity and liability components of the Convertible Bonds at the issuance date with reference to the independent valuation performed by an independent valuer, Ascent Partners Valuation Service Limited by discounting the future cash flows at the specific discount rate under level 2 fair value measurement.

31. DEFERRED TAX

The following are the detailed deferred tax liabilities and assets recognised by the Group.

	Properties for sale under development	Revaluation of property, plant and equipment	Depreciation allowances in excess of related PRC tax depreciation	Undistributed earnings of subsidiaries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	–	10,318	20,245	6,337	40	36,940
(Credit)/charge to consolidated statement of profit or loss	–	(2,577)	1,676	–	–	(901)
Currency realignment	–	(108)	–	–	–	(108)
Transfer to liabilities directly associated with assets held for sale *(Note 25)*	–	(3,835)	(21,921)	(6,337)	(40)	(32,133)
At 31 December 2017 and 1 January 2018	–	3,798	–	–	–	3,798
Acquisition of subsidiaries	175,099	–	–	–	–	175,099
(Credit)/charge to consolidated statement of profit or loss	(26,812)	(84)	–	–	–	(26,896)
Currency realignment	(565)	228	–	–	–	(337)
At 31 December 2018	147,722	3,942	–	–	–	151,664

At the end of the year, subject to the agreements with the tax authority, the Group has unused tax losses of approximately HK$106,264,000 (2017: HK$143,172,000) for subsidiaries incorporated in Hong Kong available for offset against future profits of approximately HK$106,264,000 (2017: HK$143,172,000) and such tax losses may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams of those subsidiaries.

32. SHARE CAPITAL

	Note	*Number of shares*	*HK$'000*
Authorised:			
Ordinary shares of HK$0.10 each			
At 31 December 2017, 1 January 2018 and 31 December 2018		2,000,000,000	200,000
Issued and fully paid:			
At 1 January 2017, 31 December 2017 and 1 January 2018		1,036,315,700	103,632
Issue of shares upon exercise of the debt conversion rights	*1*	150,000,000	15,000
At 31 December 2018		1,186,315,700	118,632

Note

1. During the year, 150,000,000 conversion shares were allotted and issued. Accordingly, the Company's issued share capital was increased by approximately HK$15,000,000 and its share premium account was increased by approximately HK$223,070,000.

Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buyback shares, raise new debts, redeem existing debts or sell assets to reduce debts.

33. RESERVES

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

(b) Reserves of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Convertible bond equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	599,849	624	29,509	846	–	(308,636)	322,192
Loss for the year	–	–	–	–	–	(38,316)	(38,316)
Issue of convertible bonds	–	–	–	–	79,916	–	79,916
Equity settled share-based transactions	–	–	–	5,522	–	–	5,522
Lapse of share options	–	–	–	(135)	–	–	(135)
At 31 December 2017 and 1 January 2018	599,849	624	29,509	6,233	79,916	(346,952)	369,179
Loss for the year	–	–	–	–	–	(34,732)	(34,732)
Issue of shares upon exercise of the debt conversion rights	223,070	–	–	–	(63,933)	–	159,137
Equity settled share-based transactions	–	–	–	2,079	–	–	2,079
Lapse of share options	–	–	–	(1,691)	–	–	(1,691)
At 31 December 2018	822,919	624	29,509	6,621	15,983	(381,684)	493,972

(c) Nature and purpose of reserves of the Group

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

33. RESERVES (CONTINUED)

(c) Nature and purpose of reserves of the Group (Continued)

(iii) Capital reserve

Capital reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1998.

(iv) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and directors of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 3 to the consolidated financial statements.

(v) Contributed surplus

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Kith Limited at the date on which it was acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation in 1998.

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

33. RESERVES (CONTINUED)

(c) Nature and purpose of reserves of the Group (Continued)

(vi) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3 to the consolidated financial statements.

(vii) Asset revaluation reserve

Assets revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for property, plant and equipment in Note 3 to the consolidated financial statements.

(viii) Convertible bond equity reserve

The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 3 to the consolidated financial statements.

(ix) Enterprise expansion fund and reserve fund

The enterprise expansion fund and reserve fund are set up by subsidiaries established and operated in the PRC by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. Pursuant to the "Accounting Regulations of the People's Republic of China for Enterprises with Foreign Investment", if approvals are obtained from the relevant government authorities, the enterprise expansion fund can be used to increase the capital of the relevant PRC subsidiaries and the reserve fund can be used in setting off deficit or to increase the capital of the relevant PRC subsidiaries.

(x) Other reserve

Other reserves represent the amount of enterprise expansion fund capitalised by the relevant PRC subsidiaries and the difference between the net proceeds received or paid after deducting the transaction costs and the adjustment to the non-controlling interests resulted from the equity transaction with non-controlling interests.

34. EQUITY-SETTLED SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 13 June 2012 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 as at 23 May 2017. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period, is limited to 1% of the shares of the Company in issue as at 23 May 2017. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Details of the share options are as follows:

	Weighted average exercise price *HK$*	Number of share options
At 1 January 2017	0.85	24,300,000
Lapsed during the year	0.85	(900,000)
Outstanding at 31 December 2017 and 1 January 2018	0.85	23,400,000
Lapsed during the year	0.85	(6,000,000)
Outstanding at 31 December 2018	0.85	17,400,000
Exercisable up to		
31 December 2017		7,020,000
31 December 2018		10,440,000

34. EQUITY-SETTLED SHARE OPTION SCHEME (CONTINUED)

Details of the specific categories of options are as follows:

Categories	Date of grant	Vesting period	Exercise period	Exercise price
				HK$
2016A	11/11/2016	1 year	11/11/2017 to 10/11/2021	0.85
2016B	11/11/2016	2 years	11/11/2018 to 10/11/2021	0.85
2016C	11/11/2016	3 years	11/11/2019 to 10/11/2021	0.85

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.86 years (2017: 3.86 years) and the exercise price is HK$0.85 (2017: HK$0.85). The share options were granted on 11 November 2016. The estimated fair values of the options on those dates are approximately HK$10,473,000.

These fair values were calculated using the Binomial model. The inputs into the model are as follows:

Weighted average share price	HK$0.85
Weighted average exercise price	HK$0.85
Expected volatility	63%
Expected life	2-4 years
Risk free rate	0.84%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company’s share price over the previous 4 years. The expected life used in the model has been adjusted, based on the Group’s best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

(i) Pursuant to a capital increase agreement dated 9 May 2018, a subsidiary of the Group, by way of a capital contribution, acquired 95% equity interest of Nanning Rongzhou Cultural Broadcasting Company Limited*（南寧容州文化傳播有限公司）(the "**Nanning Culture**" together with its subsidiary, the "**Nanning Culture Group**"). The capital contribution was made in the form of cash in the amount of RMB19,000,000 (equivalent to approximately HK$22,515,000). Following the capital contribution, the registered capital of Nanning Culture has been increased to RMB20,00,000, and the immediate holding company became interested in 95% equity interest in Nanning Culture.

The Nanning Culture Group is principally engaged in cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering. The Directors believe that the capital contribution will enable the Group to engage in the cultural and creative industries, so as to diversify the income streams of the Group and broaden its revenue base with a view to generate higher investment returns. For details, please refer to the announcement of the Company dated 9 May 2018.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (Continued)

(i) (Continued)

The fair value of the identifiable assets and liabilities of the Nanning Culture Group with reference to the independent valuation as at its date of acquisition was as follows:

	HK$'000
Net assets acquired	
Property, plant and equipment	1,655
Investment property	276,105
Inventories	1,653
Trade and other receivables, and prepayments	12,753
Bank and cash balances	29,110
Trade and other payables, and accruals	(19,378)
Amount due to the shareholder	(319,586)
Deferred tax liabilities	(44,323)
Total identifiable net assets at fair value	(62,011)
Goodwill arising from acquisition	
Consideration transferred	22,515
Add: Non-controlling interests	(6,076)
Less: Fair value of identifiable net assets acquired	62,011
Goodwill	78,450
Satisfied by:	
Cash	22,515
Net cash inflow on acquisition of subsidiaries	
Consideration paid in cash	22,515
Less: Bank and cash balances acquired	(29,110)
	(6,595)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (Continued)

(i) (Continued)

Goodwill arising from the acquisition of Nanning Culture Group, which is not deductible for tax purposes, is attributable to the anticipated profitability of the Property and Cultural Business.

If the capital contribution had been completed on 1 January 2018, revenue of the Group for the year would have been approximately HK$363,628,000 and profit for the year would have been approximately HK$22,644,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the capital contribution been completed on 1 January 2018, nor is it intended to be a projection of future results. The cost in relation to the capital contribution was approximately HK$140,000.

(ii) Pursuant to a capital increase agreement dated 26 October 2018, a subsidiary of the Group, by way of a capital contribution, acquired approximately 67% equity interest of Nanchang Investment. The capital contribution was made in the form of cash in the amount of RMB20,000,000 (equivalent to approximately HK$22,494,000). Following the capital contribution, the registered capital of Nanchang Investment increased to RMB30,000,000, and the immediate holding company became interested in approximately 67% equity interest in Nanchang Investment.

Nanchang Investment is principally engaged in investment, development, and management of property in Nanchang, Jiangxi. The Directors believe that the capital contribution will enable the Group to engage in the property development industries and to complement current development of the Group's other business segment. For details, please refer to the announcement of the Company dated 26 October 2018.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (Continued)

(ii) (Continued)

The fair value of the identifiable assets and liabilities of Nanchang Investment with reference to the independent valuation as at its date of acquisition was as follows:

	HK$'000
Net assets acquired	
Property, plant and equipment	538
Investment property	9,493
Properties held under development	1,242,298
Other receivables	185,994
Bank and cash balances	70,734
Trade and other payables	(14,466)
Amount due from a shareholder	562,350
Receipt in advance	(2,110,127)
Deferred tax liabilities	(130,776)
Total identifiable net assets at fair value	(183,962)
Goodwill arising from acquisition	
Consideration transferred	22,494
Add: Non-controlling interests	(71,862)
Less: Fair value of identifiable net assets acquired	183,962
Goodwill	134,594
Satisfied by:	
Cash	22,494
Net cash inflow on acquisition of a subsidiary	
Consideration paid in cash	22,494
Less: Bank and cash balances acquired	(70,734)
	(48,240)
Restricted bank deposits	38,058
Cash and cash equivalent acquired	(10,182)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (Continued)

(ii) (Continued)

Goodwill arising from the acquisition of Nanchang Investment, which is not deductible for tax purposes, is attributable to the anticipated profitability of the Property and Cultural Business.

If the capital contribution had been completed on 1 January 2018, revenue of the Group for the year would have been approximately HK$362,208,000 and profit for the year would have been approximately HK$12,153,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the capital contribution been completed on 1 January 2018, nor is it intended to be a projection of future results. The cost in relation to the capital contribution was approximately HK$302,000.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries

(i) As detailed in Note 25, disposal of the Disposal Group was completed on 2 January 2018.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	615,165
Prepaid land lease payments	47,027
Deposits paid for acquisition of property, plant and equipment	16,251
Available-for-sale financial assets	18,019
Inventories	177,027
Trade and other receivables, deposits and prepayments	379,543
Bank and cash balances	83,055
Trade and other payables	(240,329)
Tax payables	(15,878)
Borrowings	(104,075)
Deferred tax liabilities	(32,133)
Amount due to the remaining group	(182,271)
Net assets disposed of	761,401
Release of foreign currency translation reserve	(88,037)
Non-controlling interests	(409,475)
	263,889
Waiver of amount due from the Disposal Group	182,271
Direct transaction costs incurred	12,522
Gain on disposal of subsidiaries	241,318
Consideration	700,000
Consideration	700,000
Deposit received in the year ended 31 December 2017	(30,000)
Consideration received during the year	670,000
Bank and cash balances disposed of	(83,055)
Direct transaction costs incurred	(12,522)
Net cash inflow arising on disposal	574,423

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries (Continued)

(ii) On 30 November 2018, the Group disposed 100% of the issued share capital of Shaanxi Leaders Battery Co., Ltd.*（陝西力度電池有限公司）at cash consideration of RMB1 (equivalent to approximately HK$1) to an independent third party.

Net liabilities at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	9,359
Intangible assets	12,528
Inventories	1,192
Trade and other receivables	1,458
Bank and cash balances	136
Trade and other payables	(25,871)
Net liabilities disposed of	(1,198)
Release of foreign currency translation reserve	1,030
Non-controlling interests	(16,018)
Gain on disposal of a subsidiary	(16,186)
Net cash outflow arising on disposal	
Bank and cash balances disposed of	136

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Capital injection and intergroup transfer between the non-wholly owned subsidiaries

On 1 April 2018, Tesson New Energy (Weinan) Limited ("**Tesson Weinan**"), a subsidiary of the Company, is transferred from a non-wholly owned subsidiary to another non-wholly owned subsidiary at the consideration of RMB900,000,000 (equivalent to approximately HK$1,124,600,000). On 31 December 2018, Tesson Weinan had a capital injection of RMB100,000,000 (equivalent to approximately HK$113,850,000) from an independent third party.

	HK$'000
Decrease in non-controlling interest due to the intergroup transfer	(184,244)
Capital injection by the non-controlling interests	(113,850)
Increase in non-controlling interests due to the capital injection	85,006
Loss of non-controlling interests	(213,088)
Exchange differences	12,429
	(200,659)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Changes in liabilities arising from financing activities

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

	Borrowings *HK$'000*	Amount due to a related company *HK$'000*	Amount due to the Controlling Shareholder *HK$'000*	Convertible bonds *HK$'000*	Total liabilities from financing activities *HK$'000*
At 1 January 2017	87,128	416,632	27,955	–	531,715
Changes in cash flows	150,114	(5,462)	(10,498)	(917)	133,237
Non-cash changes					
Transfer to amount due to the Controlling Shareholder	–	(382,728)	382,728	–	–
Transfer to liabilities directly associated with assets held for sale	(104,075)	–	–	–	(104,075)
Settlement by issuance of Convertible Bonds	–	–	(300,000)	300,000	–
Gain on settlement of amount due to the Controlling Shareholder	–	–	–	(4,823)	(4,823)
Settlement by transfer of other receivables	–	(7,980)	(32,020)	–	(40,000)
Transfer to convertible bond equity reserve	–	–	–	(79,916)	(79,916)
Interest expenses	–	1,574	10,497	–	12,071
Imputed interest expense	–	–	–	9,707	9,707
Interest payable	–	–	7,545	(7,545)	–
Exchange differences	7,378	–	–	–	7,378
At 31 December 2017 and 1 January 2018	140,545	22,036	86,207	216,506	465,294
Changes in cash flows	50,735	(22,126)	(47,200)	–	(18,591)
Non-cash changes					
Transfer to equity of a subsidiary	(113,850)	–	–	–	(113,850)
Transfer to convertible bond equity reserve	–	–	–	(174,137)	(174,137)
Interest expenses	–	90	4,344	–	4,434
Imputed interest expense	–	–	–	5,066	5,066
Interest payable	–	–	4,127	(4,127)	–
Exchange differences	(9,120)	–	–	–	(9,120)
At 31 December 2018	68,310	–	47,478	43,308	159,096

36. DISCONTINUED OPERATIONS

As detailed in Note 25, the Group discontinued its Packaging Printing Business. Profit for the year from discontinued operations is analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit of discontinued operations	**–**	51,570
Gain on disposal of discontinued operations *(Note 35(b)(i))*	**241,318**	–
	241,318	51,570

36. DISCONTINUED OPERATIONS (CONTINUED)

The results and cash flows of the discontinued operations for the years ended 31 December 2018 and 2017 were detailed in Note 35(b)(i) and as follows:

	2017 *HK$'000*
Revenue	677,837
Cost of sales	(467,899)
Gross profit	209,938
Other income	7,671
Distribution and selling expenses	(4,832)
Administrative expenses	(143,442)
Profit from operations	69,335
Reversal of impairment on trade receivables	2,534
Gain on disposal of subsidiaries	–
Profit from operations	71,869
Finance costs	(6,969)
Profit before tax	64,900
Income tax expense	(13,330)
Profit for the year	51,570
Operating cash flows	179,481
Investing cash flows	(181,568)
Financing cash flows	16,948
Total cash flows	14,861

37. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2018 *HK$'000*	2017 *HK$'000*
Non-current assets		
Investments in subsidiaries	**44,089**	44,089
Current assets		
Amounts due from subsidiaries	**1,157,166**	738,880
Other receivables, deposits and prepayments	**230**	1,455
Bank and cash balances	**476**	30,596
	1,157,872	770,931
Current liabilities		
Accruals and other payables	**43,196**	41,208
Amounts due to subsidiaries	**455,375**	5,833
Amount due to the Controlling Shareholder	**2,821**	4,206
	501,392	51,247
Net current assets	**656,480**	719,684
Non-current liabilities		
Convertible bonds	**43,308**	216,506
Amount due to the Controlling Shareholder	**44,657**	74,456
	87,965	290,962
NET ASSETS	**612,604**	472,811
Capital and reserves		
Share capital	**118,632**	103,632
Reserves	**493,972**	369,179
TOTAL EQUITY	**612,604**	472,811

38. CONTINGENT LIABILITIES

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

39. LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**747**	–
In the second to fifth year inclusive	**3,106**	–
After five years	**14,289**	–
	18,142	–

The Group as lessee

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**14,159**	7,968
In the second to fifth year inclusive	**22,600**	25,199
After five years	**6,687**	8,580
	43,446	41,747

40. CAPITAL COMMITMENTS

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

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for		
– Property, plant and equipment	**41,785**	74,236

41. RELATED PARTY TRANSACTIONS

	2018	2017
	HK$'000	*HK$'000*
Interest expense on amount due to a related company *(Notes 10 and 29)*	**90**	1,574
Interest expenses on Convertible Bonds and amount due to the Controlling Shareholder *(Notes 10, 29 and 30)*	**9,410**	20,204

Key management personnel remuneration

The emoluments of the Company's Directors, who are also identified as members of key management of the Group, are set out in Note 13.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

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

Name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of the Company's indirect ownership interest		Principal activities
			2018	2017	
天臣新能源(深圳)有限公司 Tesson New Energy (Shen Zhen) Limited	The PRC	RMB850,000,000 (2017: RMB450,000,000)	**95.00%**	88.89%	Trading of lithium ion battery products
天臣新能源有限公司 Tesson New Energy Company Limited*	The PRC	RMB1,000,000,000	**57.00%**	53.33%	Manufacturing of lithium ion products
天臣新能源研究南京有限公司 Tesson New Energy Research (Nanjing) Limited*	The PRC	RMB150,000,000	**57.00%**	88.39%	Research and development centre
南京容州文化產業投資有限公司 Nanjing Rongzhou Cultural Industry Investment Company Limited*	The PRC	RMB200,000,000	**91.40%**	53.33%	Property holding
南寧容州文化傳播有限公司 Nanjing Rongzhou Cultural Broadcasting Company Limited*	The PRC	RMB20,000,000	**86.83%**	-	Property development
廣州靈眾廣告有限公司 Guangzhou Lingzhong Advertising Company Limited*	The PRC	RMB5,836,735	**44.28%**	-	Cultural service

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

The following table shows information of subsidiaries that have non-controlling interests ("**NCI**") material to the Group as at 31 December 2018. The summarised financial information represents amounts before inter-company eliminations.

Name	Nanchang Investment	Tesson New Energy Company Limited^	
	2018	**2018**	2017
	HK$'000	***HK$'000***	*HK$'000*
Principal place of business and country of incorporation	**PRC**	**PRC**	
% of ownership interests and voting rights held by NCI	**39.06%**	**43.00%**	46.67%
At 31 December:			
Non-current assets	**8,886**	**551,731**	187,398
Current assets	**1,937,113**	**301,146**	208,394
Current liabilities	**(2,013,438)**	**(219,306)**	(22,578)
Non-current liabilities	**(103,964)**	**–**	–
Net assets	**(171,403)**	**633,571**	373,214
Accumulated NCI	**(66,950)**	**272,435**	174,179
Year ended 31 December:			
Revenue	**278,692**	**83,516**	–
(Loss)/profit	**12,575**	**(83,895)**	2,714
Total comprehensive income	**14,398**	**(113,258)**	–
(Loss)/profit allocated to NCI	**4,912**	**(36,075)**	1,267
Dividends distributed to NCI	**–**	**–**	–
Net cash generated from/(used in) operating activities	**(22,622)**	**(247,014)**	(2,714)
Net cash (used in)/generated from investing activities	**–**	**(40,289)**	2,877
Net cash generated from financing activities	**–**	**249,972**	–
Net (decrease)/increase in cash and cash equivalents	**(22,622)**	**(37,331)**	163

^ Included its subsidiaries.

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

PROPERTIES FOR SALES UNDER DEVELOPMENT

Location	Purpose	Approximate site area (sq.m.)	Approximate gross floor area (sq.m.)	Group's interest	Stage of completion	Year of completion/ expected completion
Rongzhou Gangjiucheng, Wuhuazhong Road, South of 320 National Highway, Wangcheng New District, Nanchang City, Jiangxi Province, PRC* （中國江西省南昌市新建區望城新區320國道南面物華中路 容州港九城）	Residential and commercial	99,973	373,740	60.94%	Under development	2018 – 2021
North of Fengling Section, Minzu Avenue, Qingxiu District, Nanning, Guangxi, PRC* （中國廣西南寧市青秀區民族大道鳳嶺段北面）	Residential and commercial	13,148	85,215	86.83%	Foundation works in progress	2022
South of Xiushan East Road and East of Qinhuai Avenue, Lishui Economic Development Zone, Nanjing City, Jiangsu Province, PRC* （中國江蘇省南京市溧水經濟開發區秀山東路南及秦淮大道東）	Residential and commercial	104,600	***to be determined***	91.40%	Planning stage	***to be determined***

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