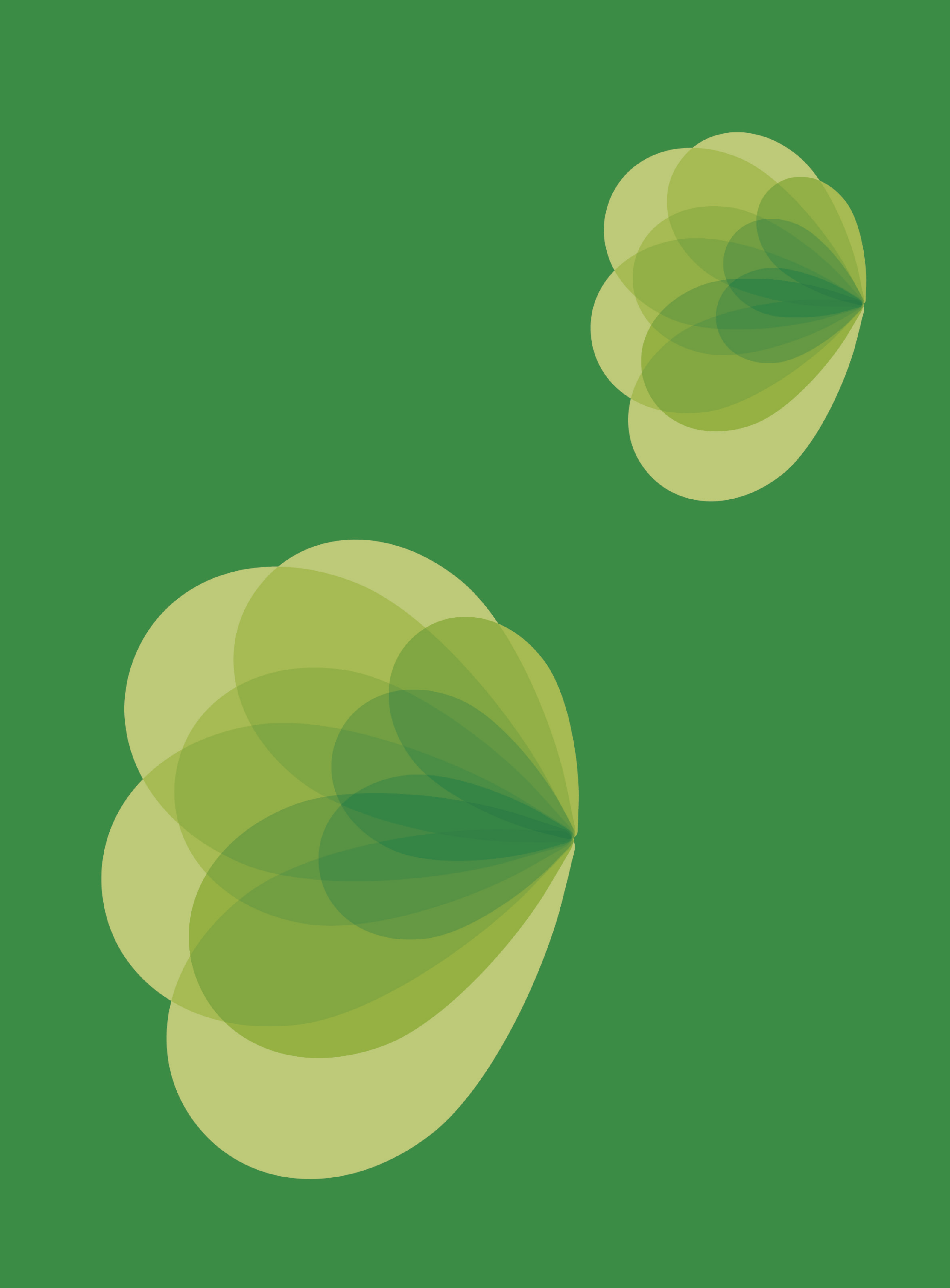
2019
ANNUAL REPORT

Greatview Aseptic Packaging Company Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 0468



CONTENTS

Smart Packaging

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. BI Hua, Jeff *(Chief Executive Officer)*
Mr. LIU Jun *(Chief Operating Officer)*
(resigned with effect from 31 January 2019)
Mr. CHANG Fuquan (appointed with effect from 27 March 2019)

Non-Executive Directors

Mr. HONG Gang *(Chairman)*
Mr. HSU David (resigned with effect from 30 March 2020)
Mr. PANG Yiu Kai (appointed with effect from 30 March 2020)

Independent Non-Executive Directors

Mr. LUETH Allen Warren
Mr. BEHRENS Ernst Hermann
Mr. ZHU Jia

JOINT COMPANY SECRETARIES

Mr. CHANG Fuquan (resigned with effect from 27 March 2019)
Ms. QI Zhaohui (appointed with effect from 27 March 2019)
Ms. SO Lai Shan

AUTHORIZED REPRESENTATIVES

Mr. BI Hua, Jeff
Ms. SO Lai Shan

AUDIT COMMITTEE

Mr. LUETH Allen Warren *(Chairman)*
Mr. BEHRENS Ernst Hermann
Mr. HSU David (resigned with effect from 30 March 2020)
Mr. ZHU Jia
Mr. PANG Yiu Kai (appointed with effect from 30 March 2020)

REMUNERATION COMMITTEE

Mr. ZHU Jia *(Chairman)*
Mr. BI Hua, Jeff
Mr. LUETH Allen Warren
Mr. BEHRENS Ernst Hermann

NOMINATION COMMITTEE

Mr. HONG Gang *(Chairman)*
Mr. BEHRENS Ernst Hermann
Mr. ZHU Jia

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

OTHER PLACE OF BUSINESS IN HONG KONG

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No. 168–200 Connaught Road
Central
Hong Kong

HEADQUARTER IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

14 Jiuxianqiao Road
Chaoyang District
Beijing 100015
The PRC

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

LEGAL ADVISERS

Iu, Lai & Li Solicitors
Tian Yuan Law Firm

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Commerzbank AG
The Hongkong and Shanghai Banking Corporation Limited
Citi Bank
China Construction Bank
Industrial and Commercial Bank of China
China Merchants Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

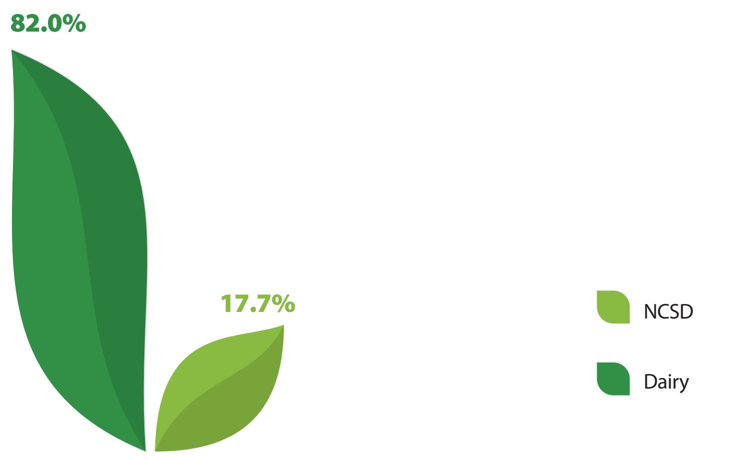
COMPANY WEBSITE

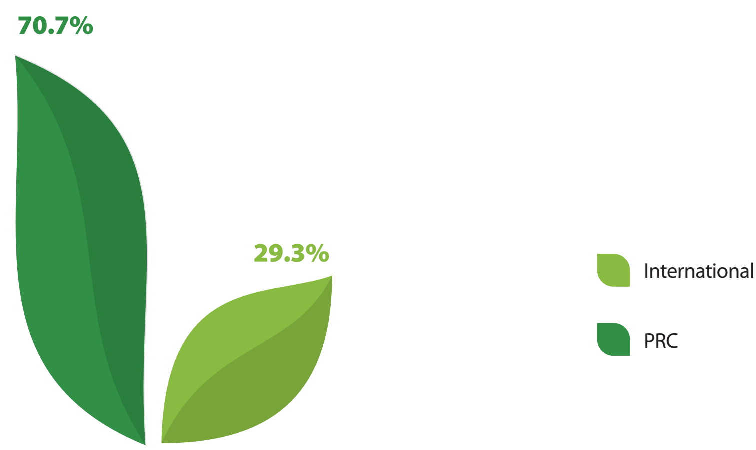
www.greatviewpack.com

FINANCIAL SUMMARY

	Year ended 31 December		
	2019	2018	Percentage
	RMB (million)	RMB (million)	%
Revenue	**2,706.9**	2,492.7	8.6
Gross profit	**668.2**	617.9	8.1
Net profit	**337.3**	360.1	-6.3
Profit attributable to shareholders	**337.3**	360.1	-6.3
Earnings per share — basic and diluted (RMB)	**0.25**	0.27	-7.4
Proposed dividend per share (HK$)	**0.14**	0.14	–

REVENUE ANALYSIS

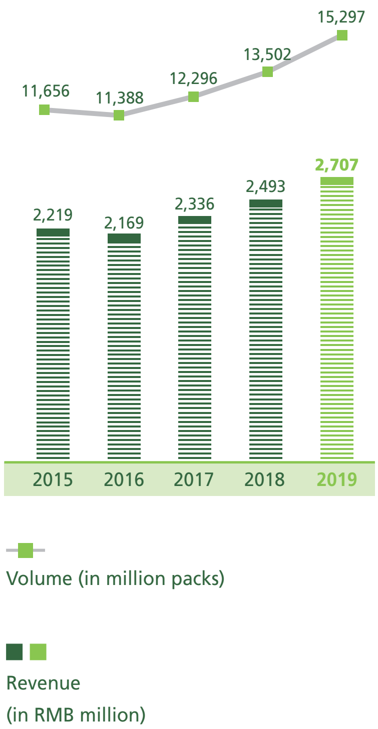




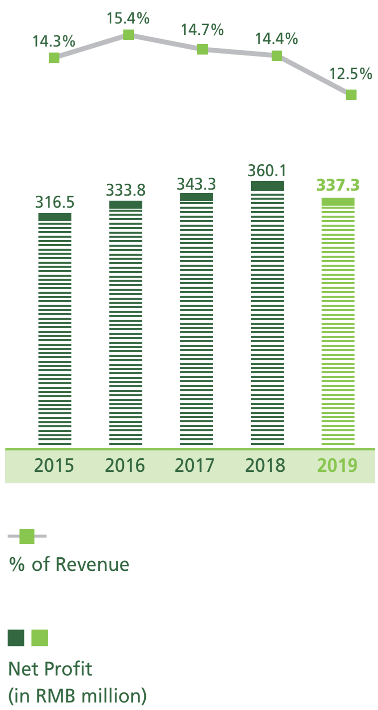
Greatview Discovery

FIVE YEARS FINANCIAL SUMMARY

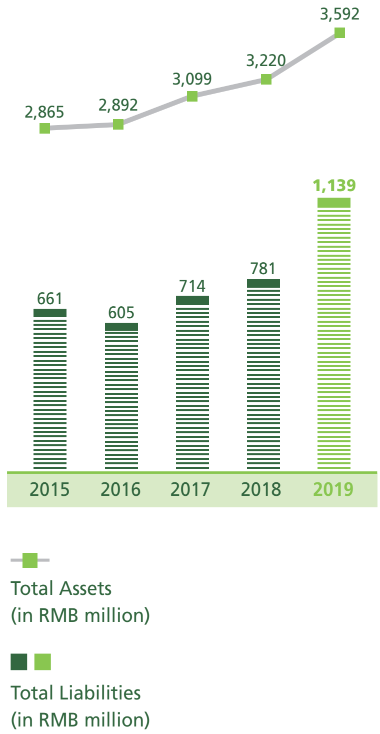
REVENUE TREND



PROFIT TREND



ASSET AND LIABILITY TRENDS



	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**1,581,743**	1,427,761	1,434,873	1,368,351	1,338,094
Current assets	**2,010,630**	1,792,699	1,663,875	1,524,011	1,527,300
Total assets	**3,592,373**	3,220,460	3,098,748	2,892,362	2,865,394
Liabilities					
Non-current liabilities	**124,230**	119,480	91,223	91,674	95,876
Current liabilities	**1,014,973**	661,621	622,492	513,386	564,877
Total liabilities	**1,139,203**	781,101	713,715	605,060	660,753
Total equity	**2,453,170**	2,439,359	2,385,033	2,287,302	2,204,641

CEO'S STATEMENT

WITH SMART AND INNOVATIVE PACKAGING, WE ARE A LEADER FOR FUTURE TRENDS

The ongoing trend of globalization, conflicted by trade protectionism in certain markets, have created uncertainty in the global economy development and affected the growth of the consumer products industry. Stagnant, or even in some markets negative economic growth and increased competition in the food and packaging industry have led to a significant compression in the profit margin of the dairy industry. Against these circumstances, Greatview has increased its investment in research and development, focused its growth in the international market, expanded the scope of technology services, enhanced product quality and improved operational efficiency.

In the PRC, consolidation in the dairy beverage industry triggered the need for brand differentiation among players. Modern Chinese consumers are placing even stronger demand for efficiency and convenience. In addition, the younger consumers, like those from Generation Z, are having strong health and nutrition awareness, and show even more interest in personalisation and package appearance. These market trends have led to diversification and segmentation of the liquid food industry in China.

In view of the above, Greatview has expedited the transformation to an aseptic packaging solution provider with strong digital capability. Greatview's smart packaging has created at least 5 billion "digital touchpoints" to targeted consumers for our customers through our unique QR Code in each carton. A highlight of the year was Greatview's "Smart Packaging Traceable Project" being awarded the "Excellent Golden Tripod Project" by China National Technical Standards Innovation Base (Dairy Industry).

Greatview's effort to rationalize the international markets have delivered initial success. We have further increased our customer presence to seven new countries reaching more than 50 markets. Our current customer portfolio has delivered an improvement in ASP and margin and ASP. We have expanded our Smart Packaging out of China to Central Asia and successfully cooperated with a leading juice brand in Oman to organise a digital marketing campaign named "Experience Oman". The Campaign makes use of famous tourist attractions in Oman as the key marketing focus. These attractions were printed on the cartons of the juice brand and each carton also carries a unique QR code whereby consumers can scan and win prizes. This is an example of our transformation from a traditional aseptic packaging solution provider to an enabler of commercial activities, supporting our customers. This indicates that "smart packaging" of Greatview also has a broad prospect in overseas markets, which can facilitate fast-moving consumer goods companies to reach targeted consumers and improves the brand value as well as the product sales volume. Our multi-year growth programme, which was launched in mid-2019, has led Greatview to focus more on higher value technical services and emphasise more on providing digital solution to improve our world class aseptic packaging solution.

Sustainability has become an even important topic and relevant policies have been implemented in many countries. With the trend towards protecting the environment and reducing plastic consumption, consumers are more conscious about the impact to the environment caused by their consumption behavior. We therefore believe aseptic paper canton packaging will see great potentials for growth. Our vision has always been "Make liquid food safer, more convenient, more environmentally friendly and fashionable".

CEO'S STATEMENT

We position ourselves as an aseptic packaging solution provider with strong digital capability. Our target and confidence to become a close partner to our customers and the consumers in this dynamic market place remain strong. We will achieve this by addressing individual needs through product customization, and to establish a digital-ecosystem comprising Greatview, brand owners and the consumers.

BI Hua, Jeff
CEO and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Our Group (Greatview Aseptic Packaging Company Limited, our "Company" or "Greatview" and its subsidiaries) provides integrated packaging solution, which includes aseptic packaging materials, filling machines, spare parts, technical services, digital marketing and product traceability solution to the liquid food industry. We are the second largest roll-fed supplier globally and the leading alternative supplier in the PRC. Our aseptic packaging materials are branded under the trademark of "GREATVIEW", which includes "Greatview Brick", "Greatview Pillow", "Greatview Crown", "Greatview Octagon" and "Greatview Blank-Fed". In March 2019, we completed the acquisition of Qingdao Likang Food Packaging Technology Co., LTD.* (青島利康食品包裝科技有限公司) ("Likang"), which sells its aseptic packaging materials under the trademark of "Century Pack", including "Century Pack" Aseptic Brick, "Century Pack" Aseptic Pillow, etc.. Our aseptic packaging materials are fully compatible with industry-standard roll-fed and blank-fed aseptic carton filling machines, which has benefited most of the dairy and non-carbonated soft drink ("NCSD") producers in the PRC as well as numerous of international customers.

At present, the sources and risks of global turmoil are increasing, the global economic trade growth is slowing down, and the global dairy industry is developing with the trend towards integration and multi-polarisation. Against this international backdrop, the PRC market shows its own features such as constant expansion, quality focus and consumption patterns diversification. Despite the intensified competition in the global dairy industry and the structural changes in the PRC market, Greatview managed to increase its investment in research and development unceasingly, enhance product quality and operational efficiency, as well as to make progress to become a manufacturing enterprise with capabilities for providing internet services.

We continue to focus on international expansion. We have further increased our customer bases, and increased our presence to seven new countries reaching more than 50 markets.

The successful acquisition of Likang has also increased our competitiveness in the mid-and-low-end markets and enriched our product line. Given "Smart Packaging" began to become a core competence to the Group, we entered into an agreement with Beijing Greatdata Technology Co., Ltd.* (北京數碼通科技有限公司) ("Beijing Greatdata Technology") in October 2019 in relation to the acquisition of its entire equity interest, hence ensuring the Group with enhanced competitive edge in the global liquid food packaging industry.

** For identification purpose only*

Management Discussion And Analysis

In respect of our business in the PRC, which is Greatview's largest single market, the competition in the Chinese dairy industry revealed the trend of brand differentiation under the dual requirements of the implementation of the PRC's national dairy strategy and intensified market competition in 2019. Dairy giants lead the development of the industry, while the development of regional dairy companies is polarising: the strong gets stronger and the weak gets weaker. The competition in the liquid dairy market has been tough. Despite a modest increase in the retail price of ambient liquid dairy products, the continuous consolidation of the dairy industry has weakened the profitability of mid-and-low-end customers.

We embrace the impacts brought about by technology and economic environment, and adopt proactive measures to expand service scopes, reduce costs and enhance efficiency, so as to gain customer satisfaction with our products' quality and cost performance.

In respect of our international business, we have undergone a year of market and customer rationalisation. The objective of this exercise is to build a customer portfolio with sustainable volume, revenue and margin growth. Such exercise has delivered encouraging initial results. We have increased our coverage by 7 more countries to over 50 countries. Our revenue contributed from global key players has increased and we have seen an increase in overall average selling price and profit margin. We have also started to provide technical services and spare parts replacement to customers.

Being dedicated to innovation and independent research and development as always, Greatview has been constantly launching novel and environmentally friendly packaging materials. To align with the global trend towards environmental protection and plastic reduction, Greatview has invested funds and technologies and successfully developed the "Greatview Eco-friendly Packaging" and the filling machines. By Greatview aseptic carton packaging and Greatview easy-peel off seals and forbidding plastic covers, Greatview has substantially reduced the use of plastics during production process, which eliminated the consumption and disposal of plastics.

It is delighted that we have obtained our first overseas order for both "Greatview Blank-Fed" and Greatview Discovery, which were independently developed by Greatview, in 2019. During the second half of 2019, we expanded "smart packaging" service from the PRC to Central Asia and successfully cooperated with Topfruit, a brand in Oman. It indicates that "smart packaging" of Greatview also has a broad prospect in overseas markets, since it can meet various demands from liquid food brand owners, including product traceability, interactive marketing and big data analysis, which can thus enhance consumers' awareness of the brand value as well as the product sales volume. In addition, the "Greatview Brick" product series added the type 330ml to the series and "Greatview Octagon" product series added the type 1,000ml-Square to the series, which have expanded our product range.

Management Discussion And Analysis

During 2019, a multi-year Growth Programme (the "Programme") has been deployed. The Programme aims at raising organisation capability, strengthening our ability to deliver value to customers and establishing differentiated market positioning. We will implement a number of strategic initiatives to optimise our customers' countries and customers' portfolio, extend our service value chain, advance product development and drive digital innovation. The Programme will take time to make progress but all these initiatives are designed to ensure that Greatview will embrace another wave of sustainable growth.

In November 2019, Greatview's "Smart Packaging Traceable Project" was awarded the "Excellent Golden Tripod Project" by China National Technical Standards Innovation Base (Dairy industry).

"Greatview Discovery", our innovative technology, was shortlisted for "Top Packaging Innovation" of the "Manufacturing Industry Excellence Awards" in the Gulf Food Manufacturing Exhibition, which is the largest food processing exhibition in the Middle East and one of the largest in the world. It introduced scratch tickets to aseptic packaging which attracted consumers to participate in brand communication and gained popularity and sales orders from international customers.

Greatview has been persistently expanding the coverage of digital technologies to ensure the accuracy of and enhance the efficiency in the Company's operation, production and interaction. In addition, we has fully explored and analysed the big data derived from both internal and external sources. Thus, we are able to predict the market demand more accurately, take actions more effectively and promptly, so as to promote the coordination of the Company's management and organization. Being customer-focused, we have established an efficient product and service system for our customers to effectively cope with the complex and ever-changing market environment. With such efforts, we seek a long-term cooperation and shared development with customers.

Management Discussion And Analysis

Markets and Products

We sold a total of approximately 15.3 billion packs during the year ended 31 December 2019 which represents an increase of approximately 13.3% as compared to 2018. Such increase was primarily due to the growth of sales volume in the PRC market. "Greatview Brick 250ml Base" remained as our top selling product, followed by "Greatview Brick 200ml Slim".

In respect of the PRC market, although China's demographic dividend has been gradually declining, dairy products are among the products that possess the potential for growth during the consumption advancement in the PRC. China's per capita consumption of dairy products accounts for only one-third of that in developed countries in Europe and America. Meanwhile, despite the unbalanced growth of dairy product consumption among regions in the PRC, the dairy products still possess sufficient potential for growth and enough room for development in the market.

In respect of the international market, the global dairy industry is developing with an integrated and multi-polarised trend. In the global trend towards environmental protection and plastic reduction, the packaging of aseptic carton still has great potential for further development.

Furthermore, in respect of the international business, the global population shows a trend for net increase, which makes us more optimistic about our future opportunities.

In response to increasing market demand for aseptic packaging products, we will strive to step up research and development of new products, introduce various types and sizes of packaging products and expand our product portfolio so as to widen our customer base. Furthermore, with opportunities from the successful acquisition of Likang, we will promote the optimal management of customers to enhance our brand image in the market.

Production Capacity and Utilisation

Our Group has a total annual production capacity of approximately 30.0 billion packs as at 31 December 2019 (2018: approximately 25.4 billion packs). Approximately 15.2 billion packs were produced for the year ended 31 December 2019 which represented an utilisation rate of approximately 50.7% (2018: approximately 52.8%). The decrease in the utilisation rate was mainly due to the increase of total annual production capacity.

Management Discussion And Analysis

Suppliers and Raw Materials

During the year ended 31 December 2019, the cost of raw materials remained stable with the support of effective supply chain management.

We continued to select quality suppliers to maintain the stability of the cost of raw materials.

Business development

Greatview provides aseptic packaging materials and services to leading dairy and NCSD producers across the world.

In May and July 2019, Greatview was granted the "Best Strategic Support Award" and the "Most Valuable Creativity Award" by China Mengniu Dairy Co., Ltd. for our excellent service to customers.

In August 2019, Greatview showcased again its successful case of cooperation, which featured the combination between the latest packaging design and smart packaging, at the 19th Dairy Technology and Equipment Exhibition hosted by China Dairy Industry Association in Shijiazhuang. In addition, we introduced the first experience hall for smart packaging in the industry in Hohhot.

In August and November 2019, we held two new-marketing salons with more than 70 participants, in which 9 guests were invited to share the digital marketing trends and 27 customers were served.

In October 2019, Greatview joined ASI (The Aluminum Stewardship Initiative) as an industrial user member.

In November 2019, we cooperated with the IP under Bayer 04 Leverkusen, a top football team under Bundesliga, and successfully signed agreements with five customers.

In November 2019, Greatview's "Smart Packaging Traceable Project" was awarded the "Excellent Golden Tripod Project" by China National technical Standards Innovation Base (Dairy industry), and was awarded the "Golden Award for Best Supplier" of the Cola industry in Costa Rica.

Management Discussion And Analysis

In November 2019, at a food processing exhibition in Dubai, Greatview was certified by the organiser as part of the "Innovation Tours" for its smart packaging technology and innovation capabilities. In the evaluation of "Manufacturing Industry Excellence Awards", "Greatview Discovery", our innovative technology, was successfully shortlisted for "Top Packaging Innovation".

In December 2019, Greatview Aseptic Packaging (Shandong) Co. Ltd. ("Shandong Greatview Aseptic") was granted the "Best Partner Award for the Year 2019" by Nanjing Weigang Dairy Co., Ltd. In the evaluation of the supplier for the year 2019 by Lactalis in France, we were satisfactorily evaluated as Class one.

Relationships with Stakeholders

Our Group is committed to operate in a sustainable manner while balancing the interests of our various stakeholders including customers, suppliers, employees, shareholders and the social communities. Providing customers with good quality products, with a timely and relevant pre/after sales services is always our focus. Similarly, we view our suppliers as not just vendors but strategic partners and an important component of our supply chain. We aim at providing long-term and sustainable return to our shareholders. Our employees are the key to a sustainable business growth hence workplace safety is a key priority. We uphold our spirit of social responsibility and actively carry out volunteer activities to the best of our ability.

Compliance with Applicable Laws and Regulations

For the year ended 31 December 2019, our Group's operations are mainly carried out by our Company's subsidiaries in the PRC, Hong Kong, Germany and Switzerland. The Group accordingly shall comply with relevant laws and regulations in the PRC, Hong Kong, Germany and Switzerland and the respective places of incorporation of our Company and our subsidiaries.

During the year and up to the date of this annual report, the board of directors of the Company (the "Board") was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of our Group.

Management Discussion And Analysis

FINANCIAL REVIEW

Overview

For the year ended 31 December 2019, top line was higher while bottom line was lower than the year ended 31 December 2018 under the environment of severe competition and the strategy adjustment on international business. We were taking measures to cope with the difficult situation and maintained free cash flow for dividend. Our management will continue to capture growth in the aseptic packaging industry as well as pursue potential business development opportunities to further enhance return to our shareholders.

Revenue

We primarily derive revenue from the PRC and international sales of aseptic packaging and related services to dairy and NCSD producers. Revenue of our Group increased by approximately 8.6% from approximately RMB2,492.7 million for the year ended 31 December 2018 to approximately RMB2,706.9 million for the year ended 31 December 2019. The increase was primarily due to the increase of sales volume in the PRC market.

With respect to the PRC segment, our revenue increased by approximately RMB316.2 million, or 19.8%, to approximately RMB1,914.9 million for the year ended 31 December 2019 from approximately RMB1,598.7 million for the year ended 31 December 2018. Such increase was mainly contributed by the growth of sales volume.

With respect to the international segment, our revenue decreased by approximately RMB102.0 million, or 11.4%, to approximately RMB792.0 million for the year ended 31 December 2019 from approximately RMB894.0 million for the year ended 31 December 2018. Such decrease was primarily due to the integration strategy by assimilating businesses across countries and customers to improve our profitability.

Our revenue from dairy customers increased by approximately RMB117.3 million, or 5.6%, to approximately RMB2,220.3 million for the year ended 31 December 2019 from approximately RMB2,103.0 million for the year ended 31 December 2018, and our revenue from NCSD customers increased by approximately RMB88.6 million, or 22.7%, to approximately RMB478.3 million for the year ended 31 December 2019 from approximately RMB389.7 million for the same period in 2018. It was mainly contributed by the increase of sales volume in the PRC market.

Cost of Sales

Our cost of sales increased by approximately RMB163.9 million, or 8.7%, to approximately RMB2,038.7 million for the year ended 31 December 2019 from approximately RMB1,874.8 million for the year ended 31 December 2018. The growth in cost of sales was lower than the growth in total sales volume.

Management Discussion And Analysis

Gross Profit and Gross Margin

As a result of the foregoing factors, our gross profit increased by approximately RMB50.3 million, or 8.1% from approximately RMB617.9 million for the year ended 31 December 2018 to approximately RMB668.2 million for the year ended 31 December 2019. Our gross margin decreased by approximately 0.1 percentage points to approximately 24.7% for the year ended 31 December 2019 from approximately 24.8% for the year ended 31 December 2018. It was primarily due to the growth of sales volume in the PRC market and the growth of average sales price in the international market.

Other Income and other gains — net

Our other income and other gains — net decreased by approximately RMB3.3 million, or 4.0%, to approximately RMB79.7 million for the year ended 31 December 2019 from approximately RMB83.0 million for the year ended 31 December 2018. It was primarily due to the decrease of government subsidy, foreign exchange gain and the income from wealth management product, partially offset by the bargain purchase arising from the acquisition of Likang.

Distribution Expenses

Our distribution expenses increased by approximately RMB26.7 million, or 19.6%, to approximately RMB163.0 million for the year ended 31 December 2019 from approximately RMB136.3 million for the year ended 31 December 2018. The increase was primarily due to the increase in transportation expenses and promotion expenses.

Administrative Expenses

Our administrative expenses increased by approximately RMB15.0 million, or 11.6%, to approximately RMB145.0 million for the year ended 31 December 2019 from approximately RMB130.0 million for the year ended 31 December 2018. The increase was primarily due to the increase in salary and welfare and the expenses of research and development.

Taxation

Our income tax expenses increased by approximately RMB19.9 million, or 23.6%, to approximately RMB104.4 million for the year ended 31 December 2019 from approximately RMB84.5 million for the year ended 31 December 2018. Our effective tax rate increased by approximately 4.6 percentage points to approximately 23.6% for the year ended 31 December 2019 from approximately 19.0% for the previous financial year. The lower income tax expenses in 2018 was primarily due to the one-off deductible losses arising from the deregistration of one subsidiary. No such instance in 2019.

Profit for the Year and Net Profit Margin

Driven by the factors as aforementioned, our net profit decreased by approximately RMB22.8 million, or 6.3%, to approximately RMB337.3 million for the year ended 31 December 2019 from approximately RMB360.1 million for the year ended 31 December 2018. Our net profit margin decreased by approximately 1.9 percentage points to approximately 12.5% for the year ended 31 December 2019 from approximately 14.4% for the year ended 31 December 2018.

Management Discussion And Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, we had approximately RMB562.8 million (2018: approximately RMB556.4 million) in cash and cash equivalents. Our cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC.

Analysis of Turnover of Inventories, Trade Receivables and Payables

Our Group's inventories primarily consist of raw materials and finished goods. Turnover days for inventory (inventories/cost of sales) decreased from approximately 117.2 days as at 31 December 2018 to approximately 109.5 days as at 31 December 2019. Turnover days for trade receivables (trade receivables/revenue) increased from approximately 57.0 days as at 31 December 2018 to approximately 65.6 days as at 31 December 2019. Turnover days for trade payables (trade payables/cost of sales) decreased from approximately 45.9 days as at 31 December 2018 to approximately 42.0 days as at 31 December 2019.

Borrowings and Finance Cost

Borrowings of our Group as at 31 December 2019 were bank borrowings and third party borrowings and separately amounted to approximately RMB318.8 million and RMB2.0 million (2018: approximately RMB190.4 million and nil) and denominated in HKD, Euro and RMB. Amongst the borrowings, approximately RMB299.3 million (2018: approximately RMB161.0 million) will be repayable within one year and approximately RMB21.5 million (2018: approximately RMB29.4 million) will be repayable after one year. For the year under review, net finance income of our Group was approximately RMB1.9 million (2018: approximately RMB8.4 million). For details of the borrowings and finance cost of our Group, please refer to notes 19 and 24 to the consolidated financial statements contained in this annual report respectively.

Gearing Ratio

As at 31 December 2019, the gearing ratio of our Group was approximately 0.13 (2018: approximately 0.08), which was in line with the growth of outstanding loans. The gearing ratio is calculated by dividing total loans and bank borrowings by total equity) as at the end of the financial year.

Working Capital

Our working capital as at 31 December 2019 was approximately RMB995.7 million (2018: approximately RMB1,131.1 million). The working capital is calculated by the difference between the current assets and current liabilities.

Management Discussion And Analysis

Foreign Exchange Exposure

Our Group's sales were primarily denominated in RMB, Euro and USD. During the year under review, our Group recorded exchange loss of approximately RMB1.0 million (2018: exchange gain of approximately RMB5.0 million).

Capital Expenditure

As at 31 December 2019, our Group's total capital expenditure amounted to approximately RMB121.2 million (2018: approximately RMB114.4 million), which was mainly used for the acquisition of Likang.

Charge on Assets

As at 31 December 2019, our Group neither pledged any property, plant and equipment (2018: nil) nor land use right (2018: nil).

Contingent Liabilities

As at 31 December 2019, our Group did not have any material contingent liabilities (2018: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, our Group employed approximately 1,590 employees (31 December 2018: approximately 1,339 employees). Our Group offered competitive salary package, as well as discretionary bonuses, cash subsidies and contribution to social insurance to our employees. Total employee benefit expenses for the year ended 31 December 2019 amounted to approximately RMB271.5 million (2018: RMB233.9 million). In general, we determine employee salaries based on each employee's qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions. Share option schemes have also been adopted for employees of our Group. In order to ensure that our Group's employees remain competitive in the industry, the Company has adopted training schemes for our employees managed by our human resources department. For details of the remuneration of our Group, please refer to note 23 to the consolidated financial statements contained in this annual report.

Management Discussion And Analysis

PROSPECTS

Greatview focuses on the PRC and international markets. We intend to execute the following plans to support our future development:

- Expanding our market share in the PRC through higher penetration of existing customers and growing our customer base;
- Further developing our international business;
- Broadening our product offering of packaging material and filling equipment, and improving after sales service;
- Increasing our capacities and sustainabilities; and
- Driving operational excellence.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. BI Hua, Jeff (畢樺)

Mr. BI Hua, Jeff (畢樺), aged 56, joined the Group as Chief Executive Officer in March 2003 and was appointed as an executive director of the Company (the "Director") on 29 July 2010. He is primarily responsible for our overall business strategy formulation, execution and organizational development. Mr. Bi is also a director of our subsidiaries, namely Partner One Enterprises Limited ("Partner One"), Falcon Eye Global Limited, Global Land International Industries Limited, Greatview Holdings Limited ("Greatview Holdings"), Esight Company Limited, Shandong Greatview Aseptic, Greatview Aseptic Packaging (Inner Mongolia) Co. Ltd. ("GA Inner Mongolia"), Greatview Beijing Trading Co. Ltd. ("Beijing Greatview"), Greatview Aseptic Packaging Europe GmbH (formerly known as Tralin Pak Europe GmbH and GA Pack Europe GmbH), and Greatview Aseptic Packaging Manufacturing GmbH (formerly known as GA Pack Property GmbH and GA Pack Manufacturing GmbH). Mr. Bi has more than 22 years of experience in marketing development in the aseptic packaging industry as well as company management. From 1997 to 2003, he was a sales and marketing manager at a leading aseptic packaging producer. From 1992 to 1997, Mr. Bi was the Greater China manager of Echostar Corporation, a software and service provider for television companies worldwide. Mr. Bi graduated from the University of Denver with a Master of Arts degree in 1991. He did not hold any directorship in other listed public companies in the last three years. For the interests of Mr. Bi in the shares of the Company (the "Shares") or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") as at 31 December 2019, please refer to the paragraph headed "Interests and Short positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" of page 29 of this annual report for details.

Mr. CHANG Fuquan (常福泉)

Mr. CHANG Fuquan (常福泉), aged 62, is our Chief Financial Officer and was appointed as an executive Director on 27 March 2019. Mr. Chang joined our Group in June 2005. He was the joint company secretary of the Company from November 2010 to March 2019. He is primarily responsible for the overall accounting, financial management and treasury of our Group. Mr. Chang has over 30 years of experience in financial management. Prior to joining us, Mr. Chang was the chief finance officer of Fujian Nanping Nanfu Battery Co., Ltd. from 2002 to 2005, the finance controller of John Deere Jialian Harvester Co. Ltd. from 1999 to 2001, the deputy finance controller of China Automotive Components Corporation from 1997 to 1999, the chief financial officer of San Miguel Bada (Baoding) Brewery Co., Ltd. from 1995 to 1996 and the financial director of China Enterprise Culture Group from 1992 to 1994. Mr. Chang has also worked as the financial supervisor at 北京麥當勞食品有限公司 (Beijing McDonald's Food Co Ltd.) from 1994 to 1995 and as an accountant in each of Bohai Oil Corporation and Oil Drilling Service Co, both being subsidiaries of China National Offshore Oil Corporation from 1985 to 1992. Mr. Chang graduated from Xiamen University in the PRC in 1985, major in International Accounting. He completed a Master of Accounting Class in Xiamen University in the PRC in 1998. He did not hold any directorship in other listed public companies in the last three years. As at the date of this annual report, Mr. Chang beneficially holds 4,500,000 Shares.

Board of Directors and Senior Management

Non-executive Directors

Mr. HONG Gang (洪鋼)

Mr. HONG Gang (洪鋼), aged 61, is our co-founder and Chairman. Mr. Hong joined the Group in March 2003. He was appointed as an executive Director on 29 July 2010 and was re-designated as a non-executive Director on 29 August 2014. He is primarily responsible for the strategic development and supervision of investor relations of our Group. Mr. Hong has more than 31 years of experience in the packaging industry. From 1993 to 2002, he held various executive positions with a leading aseptic packaging producer. Mr. Hong graduated from Zhejiang University in the PRC with a Bachelor of Science degree in 1982 and obtained a Master of Philosophy degree from Sussex University in the United Kingdom in 1987. He did not hold any directorship in other listed public companies in the last three years. For the interests of Mr. Hong in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO as at 31 December 2019, please refer to the paragraph headed "Interests and Short positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" of page 29 of this annual report for details.

Mr. PANG Yiu Kai (彭耀佳)

Mr. PANG Yiu Kai (彭耀佳), *GBS, JP*, aged 59, joined the board of Jardine Matheson Holdings Limited (Jardine Matheson Holdings Limited and its subsidiaries are referred as "Jardine Matheson Group") (a company which has a standard listing on the London Stock Exchange (the "LSE"), with secondary listings on the Bermuda Stock Exchange (the "BSX") and Singapore Exchange (the "SGX") with stock codes JAR, JMHBD.BH and J36, respectively) in 2011 and was appointed deputy managing director in 2016 and chairman of Hong Kong in October 2019. He has held a number of senior executive positions in the Jardine Matheson Group, which he joined in 1984, including chief executive of Hongkong Land between 2007 and 2016. He is chairman of Jardine Pacific Limited and Gammon China Limited. Mr. Pang is also deputy chairman of Jardine Matheson Limited, and a director of Dairy Farm International Holdings Limited (a company which has a standard listing on the LSE, with secondary listings on the BSX and SGX with stock codes DFI, DFIBD.BH and D01, respectively), Hongkong Land Holdings Limited (a company which has a standard listing on the LSE, with secondary listings on the BSX and SGX with stock codes HKLD, HKLBD.BH and H78, respectively), Jardine Matheson (China) Limited, Jardine Strategic Holdings Limited (a company which has a standard listing on the LSE, with secondary listings on the BSX and SGX with stock codes JDS, JSHBD.BH and J37, respectively) and Mandarin Oriental International Limited (a company which has a standard listing on the LSE, with secondary listings on the BSX and SGX with stock codes MDO, MOIBD.BH and M04, respectively). Mr. Pang was a director of Yonghui Superstores Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code 601933) from August 2016 to December 2018. He was also a non-executive director of Zhongsheng Group Holdings Limited (a company listed on the Stock Exchange with stock code 881) from August 2016 to October 2019.

Mr. Pang graduated from the University of Nottingham with a Bachelor of Science Degree in Civil Engineering and a Master of Business Administration degree from the University of Edinburgh in the United Kingdom. He completed the Program for Global Leadership at Harvard Business School in 1998. He was conferred an Honorary Doctorate degree by the University of Edinburgh in July 2016 and an Honorary Doctorate degree in Education by the Education University of Hong Kong in November 2018.

Board of Directors and Senior Management

Independent Non-executive Directors

Mr. LUETH Allen Warren

Mr. LUETH Allen Warren, aged 51, was appointed as an independent non-executive Director on 15 November 2010. Mr. Lueth is primarily responsible for scrutinizing and monitoring the performance of the Group. Mr. Lueth is currently an independent director of Fanhua Inc. (FANH NASDAQ), one of the largest independent financial service providers in the PRC primarily focused on insurance distribution. Since September 2019, Mr. Lueth has served as a president and chief financial officer of International Institute of Education Group, a company mainly engaged in language education in the PRC. From 2017 to 2019 and 2010 to 2017, Mr. Lueth served as a chief financial officer for Asia-Pacific region and a vice president of finance for the PRC region for Cardinal Health, Inc., a Fortune 500 company engaged in the healthcare industry respectively. From 2005 to 2010, Mr. Lueth served as a vice president of finance and strategy formation for the PRC region for Zuellig Pharma China, which was then acquired by Cardinal Health, Inc. in 2010. Previously, Mr. Lueth worked for GE Capital from 1998 to 2004 in a variety of roles, including chief financial officer and chief executive officer for the Taiwan operations, and representative for the PRC. Earlier, he served with Coopers & Lybrand as an auditor. Mr. Lueth received his Bachelor of Science in business degree from the University of Minnesota and an MBA degree from the Kellogg School of Management at Northwestern University. Mr. Lueth obtained his certificate as a certified public accountant in 1991 and certified management accountant in 1994. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

Mr. BEHRENS Ernst Hermann

Mr. BEHRENS Ernst Hermann, aged 72, was appointed as an independent non-executive Director on 15 November 2010. Mr. Behrens is primarily responsible for scrutinizing and monitoring the performance of our Group. From 2005 to 2009, Mr. Behrens was a senior adviser of China business of Vermilion Partners Limited, which is a private equity and investment advisory firm based in the PRC offering a range of merchant banking and corporate advisory services to leading multinationals, Chinese companies and investors. Mr. Behrens was the non-executive chairman of European Aeronautic Defence and Space Company of China ("EADS China") from 2007 to 2009 and the president and chief executive officer of EADS China from 2005 to 2006. From 1997 to 2004, Mr. Behrens served as the president and chief executive officer of Siemens Ltd., China and from 1992 to 1997, he served as the president and chief executive officer of Siemens Inc. Philippines. Prior to joining Siemens Inc. Philippines, Mr. Behrens was an executive vice president of Electronic Telephone Systems, Industries Inc., Philippines from 1984 to 1992; a country representative for Siemens in Jebsen and Co. PRC from 1981 to 1984; a technical and administration manager of Nixdorf Computers, Hong Kong from 1976 to 1981; the head of field engineering of Nixdorf Computers, Germany from 1972 to 1976 and an electronics engineer of German Naval Air Force, Germany from 1968 to 1971. Mr. Behrens was the chairman of the Executive Committee of Foreign Investment Companies in China from 2002 to 2005; the president of the European Union Chamber of Commerce in China from 2002 to 2004; the president of the German Chamber of Commerce in China from 1999 to 2001; the president of the European Chamber of Commerce in Philippines from 1995 to 1997 and its treasurer from 1993 to 1994. Mr. Behrens was honored by Beijing Municipality with the Great Wall Friendship Award in 2004; awarded by Shanghai Municipality with the Magnolia Award Gold level in 2003 and decorated by the German government with the cross of the Order of Merit in 1993. Mr. Behrens was appointed as an independent non-executive director by Deutsche Bank (China) Co. Ltd. from March 2011 to July 2017 and a non-executive director by Nordex (Beijing) Wind Power Engineering & Technology Co. from the first half year of 2011 to December 2017. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

Board of Directors and Senior Management

Mr. ZHU Jia (竺稼)

Mr. ZHU Jia (竺稼), aged 57, is an independent non-executive Director. Mr. Zhu joined the Group in 2006 and was appointed as a non-executive Director on 29 July 2010 until his re-designation as an independent non-executive Director on 15 March 2018. He is currently a managing director of Bain Capital Asia. From 1996 to 2006, Mr. Zhu was a managing director of Morgan Stanley Asia Limited and the chief executive officer of its China business. Mr. Zhu is currently a non-executive director of Clear Media Limited (stock code: 100) and an independent non-executive director of Sunac China Holdings Limited (stock code: 1918) ("Sunac China"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). From November 2007 to March 2016, Mr. Zhu was also an independent non-executive director of Youku Tudou Inc., which is listed on New York Stock Exchange. He also served as a non-executive director of GOME Electrical Appliances Holding Limited (currently known as Gome Retail Holdings Limited) (stock code: 493) from August 2009 to January 2015, the shares of which are listed on the Main Board of the Stock Exchange. From September 2009 to November 2016, Mr. Zhu was a non-executive director of Sunac China. Mr. Zhu graduated from Zhengzhou University with a Bachelor of Arts degree in 1982 and obtained a Master of Arts degree from Nanjing University in 1984. He obtained a Juris Doctor Degree from Cornell Law School in 1992. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years. Save as disclosed in this annual report, Mr. Zhu does not hold any other position with the Company or other members of the Group.

SENIOR MANAGEMENT

Mr. BI Hua, Jeff (畢樺)

Biographical details of Mr. BI Hua, Jeff are set out on page 21 of this annual report.

Mr. CHANG Fuquan (常福泉)

Biographical details of Mr. CHANG Fuquan are set out on page 21 of this annual report.

Mr. LIU Jun (劉鈞)

Mr. LIU Jun (劉鈞), aged 58, is our Chief Operating Officer. Mr. Liu rejoined the Group in February 2020. He is primarily responsible for management and operations. Mr. Liu has nearly 30 years of experience in management and technology, including many years in high-tech industries. Mr. Liu was the general manager of the China branch of an international process control product producer for the semiconductor, mask, and related industries from 2006 to 2009. Prior to joining the aforesaid company, Mr. Liu was with an international producer of chemical vapor deposition (CVD), physical vapor deposition (PVD), electrochemical deposition (ECD), and surface preparation equipment used in the manufacturing of semiconductors. Mr. Liu graduated from Peking University in the PRC with a Bachelor of Science in Physics in 1983. He obtained a Doctor of Philosophy (Ph.D) in Materials Science from Cornell University in 1992 and an Executive MBA from the China Europe International Business School in the PRC in 2008.

Mr. CHEN Guining (陳桂寧)

Mr. CHEN Guining (陳桂寧), aged 64, is our Chief Technical Officer. Mr. Chen joined our Group in May 2003. He is primarily responsible for technical project of aseptic packaging and filling machine. Mr. Chen has over 27 years of experience in the aseptic packaging industry. Prior to joining us, Mr. Chen was a technical service engineer of a leading aseptic packaging materials producer from 1988 to 2001 and its field service manager from 2001 to 2003, respectively. Mr. Chen graduated from the Beijing Open University with a Bachelor of Science in Machinery Science in 1983.

Board of Directors and Senior Management

Mr. YANG Jiuxian (楊久賢)

Mr. YANG Jiuxian (楊久賢) aged 56, is our Sales Director. Mr. Yang joined our Group in September 2003. He is primarily responsible for domestic sales. Mr. Yang has over 20 years of experience in dairy industry management and sales. Mr. Yang was the general manager of NIUMAMA Dairy Co., Ltd. in 2003. Prior to joining NIUMAMA Dairy Co., Ltd., Mr. Yang was a key account manager of Northeast China and Inner Mongolia for a leading aseptic packaging materials producer in Beijing from 2000 to 2003 and a key account manager of six provinces in southwest China for the aforesaid company's Shanghai office from 1998 to 2000. Mr. Yang graduated from the Beijing Union University with a Bachelor of Chinese Language and Literature degree in 1986.

Mr. CHEN Zuqing (陳祖慶)

Mr. CHEN Zuqing (陳祖慶), aged 51, is the Technical Services Director of our Group and serves concurrently as the Plant Manager of Greatview Beijing Packaging Equipment Co., Ltd. Mr. Chen joined our Group in April 2014. He is primarily responsible for after-sales service and technical support for aseptic packaging materials and aseptic filling equipment. Mr. Chen has 20 years of experience in the aseptic packaging industry. Prior to joining our Group, Mr. Chen worked for a leading aseptic packaging materials producer in several positions in the area of technical services from 1997 to 2014. From 1991 to 1997, he worked in Sichuan Airlines and was engaged in management of electronic and electrical maintenance for aircraft. Mr. Chen graduated from the Department of Electrical Engineering of Harbin Institute of Technology in 1991, with a major in micro-motor and electrical control, and a Bachelor of Engineering.

Mr. LEE Victor (李協達)

Mr. LEE Victor (李協達), aged 39, was appointed as our International Business Director and Investor Relations Director in October 2018. He is responsible for the Company's business outside the PRC market and investor relationship management. Mr. Lee joined us from Dairy Farm Group where he was the Regional Finance Director of the IKEA franchise since 2013, covering 4 markets in Asia. Dairy Farm Group is an Asian retail conglomerate and a member of the Jardine Matheson Group. Mr. Lee started his career in PricewaterhouseCoopers in Hong Kong in 2002 where he received his chartered accountant qualification. Mr. Lee graduated from the University of Hong Kong with a Bachelor degree in Business Administration, and he subsequently received a law degree from the University of London.

REPORT OF THE DIRECTORS

The Board presents its report together with the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 29 to the consolidated financial statements. There were no significant changes in nature of the Group's activities during the year.

BUSINESS MODEL AND STRATEGY

Our mission is to create and add value to the liquid food industry and benefit consumers around the world. We are committed to provide to our customers with customised, high quality and competitively priced products. The Group always endeavours to enhance its enterprise value, ensure the Company's long-term and stable development and benefit its shareholders and other stakeholders. These were demonstrated by putting resources on innovation and research and development in order to continue improving the quality of products and services. The discussion and analysis of the Group's performance and the business review for the year ended 31 December 2019 are set out on pages 10 to 20 under Management Discussion and Analysis and pages 25 to 38 under the Report of the Directors of this annual report respectively.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement.

BUSINESS REVIEW AND OUTLOOK

The business review and outlook of the Group for the year ended 31 December 2019 are set out in the section headed Management Discussion and Analysis on pages 10 to 20 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties identified by the Group are set out on page 50 to 51 under the corporate governance report (the "Corporate Governance Report") of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. It is the policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations, and minimizing wastes and emission. The Group achieves this through actively re-designing its production activities and operation that encourage and promote recycling of resources, using environmental friendly raw materials and reviewing production operations constantly to ensure that the production processes are effective and efficient.

For more details, please refer to the corporate sustainability report of the Group prepared according to the "Environmental, Social and Governance Reporting Guide" pursuant to Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A separated report is expected to be issued in July 2020.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 46.0% of the Group's total purchases for the year. Revenue attributable to the Group's five largest customers in aggregate accounted for approximately 61.5% of the Group's total revenue for the year.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year under review in the share capital of the Company are also set out in note 13 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year under review are set out in the consolidated statement of changes in equity.

As at 31 December 2019, the Company had reserves available for distribution of approximately RMB615.7 million (2018: approximately RMB717.1 million).

DIRECTORS

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

Executive Directors

Mr. BI Hua, Jeff
Mr. LIU Jun (resigned with effect from 31 January 2019)
Mr. CHANG Fuquan (appointed with effect from 27 March 2019)

Non-Executive Directors

Mr. HONG Gang
Mr. HSU David (resigned with effect from 30 March 2020)
Mr. PANG Yiu Kai (appointed with effect from 30 March 2020)

Independent Non-Executive Directors

Mr. LUETH Allen Warren
Mr. BEHRENS Ernst Hermann
Mr. ZHU Jia

Report of the Directors

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Group are set out on pages 21 to 24 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a service contract and letter of appointment respectively with the Company for an initial fixed term of two years unless terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract which is not determinable by the Group within one year without the payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

The Company has adopted share option schemes as incentive to eligible employees, details of the schemes are set out in the section headed "Share Option Schemes" below.

DIVIDEND POLICY

Pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO, Greatview and the Board have approved and adopted a dividend policy (the "Dividend Policy").

The Company considers stable and sustainable returns to the shareholders of the Company to be our goal. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

(i) the general financial condition of the Group;

(ii) the Group's actual and future operations and liquidity position;

(iii) the Group's expected working capital requirements and future expansion plans;

(iv) the Group's debt to equity ratios and the debt level;

(v) the retained earnings and distributable reserves of the Company and each of the members of the Group;

(vi) the shareholders' and the investors' expectation and industry's norm;

(vii) the general market conditions; and

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

The declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Company's articles of association (the "Articles") and any other applicable laws and regulations. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 36 and note 23 to the consolidated financial statements. None of the Directors waived or agreed to waive any emoluments during the year ended 31 December 2019.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, interests and short positions 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) held by the Directors and chief executive of the Company which have been 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

Interests and short position in the Shares and underlying Shares

Name of Director/ Chief Executive	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%) (Note 4)
Mr. HONG Gang	78,141,966	1	Interest of controlled corporation	Long position	5.84%
	2,673,000	2	Interest of controlled corporation	Long position	0.20%
Total long position	80,814,966				6.04%
Mr. BI Hua, Jeff	129,000,000	3	Founder of a discretionary trust	Long position	9.65%
Mr. CHANG Fuquan	4,500,000		Interest of controlled corporation	Long position	0.34%

Notes:

(1) Phanron Holdings Limited ("Phanron") is wholly-owned by Mr. HONG Gang and he is therefore deemed to be interested in the 78,141,966 Shares held by Phanron.

(2) Liwei Holdings (PTC) Limited ("Liwei") is 50% owned by each of Mr. HONG Gang and Mr. GAO Wei. Therefore, Mr. HONG Gang and Mr. GAO Wei are deemed to be interested in all of the underlying Shares to be issued pursuant to the options granted to Liwei under the Pre-IPO share option scheme of the Company adopted by the Company on 15 November 2010 (the "Pre-IPO Share Option Scheme").

On 22 November 2010, 22,000,000 options were granted to Liwei under the Pre-IPO Share Option Scheme. On 17 March 2011, 284 employees were granted (by way of transfer) by Liwei the rights to take up the 20,010,000 options granted to Liwei under the Pre-IPO Share Option Scheme upon vesting of their options. On 12 April 2013, 3,236,000 options which were previously granted by Liwei to the aforesaid employees but which lapsed prior to transfer to such employees were reallocated to 193 employees of the Group. On 1 September 2011, 1 June 2012, 1 June 2013 and 1 June 2014, 3,546,000 options, 4,616,000 options, 5,800,000 options and 5,365,000 options were vested respectively. Liwei is therefore deemed to be interested in 2,673,000 Shares in a long position.

(3) Foxing Development Limited ("Foxing") is directly interested in 129,000,000 Shares. Foxing is wholly-owned by Hill Garden Limited ("Hill Garden") and is therefore deemed to be interested in the same 129,000,000 Shares. Mr. BI Hua, Jeff is the founder of the trust that wholly-owns Hill Garden. Mr. BI Hua, Jeff, therefore, is deemed to be interested in the same 129,000,000 Shares.

(4) There were 1,337,019,000 Shares in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions 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 would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2019, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Interests and short position in the Shares and underlying Shares

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%) (Note 6)
Phanron	78,141,966		Beneficial owner	Long position	5.84%
Madam XU Zhen	78,141,966	1	Interest of spouse	Long position	5.84%
	2,673,000	1	Interest of spouse	Long position	0.20%
	80,814,966				6.04%
Hill Garden	129,000,000	2	Interest of controlled corporation	Long position	9.65%
Foxing	129,000,000	2	Beneficial owner	Long position	9.65%
Madam BI Wei Li	129,000,000	3	Interest of spouse	Long position	9.65%
JSH Venture Holdings Limited	377,132,584	4	Beneficial owner	Long position	28.21%
Jardine Strategic Holdings Limited	377,132,584	4	Interest of controlled corporation	Long position	28.21%
Jardine Matheson Holdings Limited	377,132,584	4	Interest of controlled corporation	Long position	28.21%
Janus Henderson Group PLC	66,707,000	5	Investment manager	Long position	4.99%
M&G Plc	103,230,200		Interest of controlled corporation	Long position	7.72%
Edgbaston Investment Partners LLP	67,770,000		Investment manager	Long position	5.07%
FMR LLC	68,124,621		Interest of controlled corporation	Long position	5.10%

Notes:

(1) Madam XU Zhen is interested in a long position of 80,814,966 Shares by virtue of her being the spouse of Mr. HONG Gang.

(2) Foxing has a direct interest in 129,000,000 Shares. Hill Garden is interested in 100% of Foxing. Therefore, Hill Garden is deemed to be interested in 129,000,000 Shares. Mr. BI Hua, Jeff is the founder of the trust that wholly-owns Hill Garden.

(3) Madam BI Wei Li is interested in a long position of 129,000,000 Shares by virtue of her being the spouse of Mr. BI Hua, Jeff.

(4) JSH Venture Holdings Limited has a direct interest in 377,132,584 Shares. Jardine Strategic Holdings Limited is interested in 100% of JSH Venture Holdings Limited. JMH Investments Limited, which is interested in 83.63% of Jardine Strategic Holdings Limited, is wholly-owned by Jardine Matheson Holdings Limited. Therefore, Jardine Strategic Holdings Limited and Jardine Matheson Holdings Limited are deemed to be interested in 377,132,584 Shares.

(5) Janus Henderson Group PLC is a listed company on the New York Stock Exchange.

(6) There were 1,337,019,000 Shares in issue as at 31 December 2019.

Save as disclosed above, and as at 31 December 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Report of the Directors

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries and any controlling shareholder or any of its fellow subsidiaries was a party, and in which a Director or an entity connected with such Director had a material interest (direct or indirect), subsisted at the end of the financial year or at any time during the year ended 31 December 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INDEMNITIES

Pursuant to article 164 of the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

CONNECTED TRANSACTIONS

On 14 October 2019, Esight Company Limited（一點通有限公司）, the purchaser, an indirect wholly-owned subsidiary of the Company, entered into an agreement with Mr. GAO Wei, the vendor formalising the terms of an acquisition. Pursuant to which, the vendor has conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, 90% of the entire equity interest in the target company at a consideration of RMB5.4 million. As the vendor is the brother of Mr. BI Hua, Jeff, who is the chief executive officer of the Company and executive Director, the vendor is regarded as a connected person of the Company. The entering into of the agreement therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 14 October 2019.

Details of significant related party transactions undertaken in the usual course of business are set out in note 32 to the consolidated financial statements. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

PURCHASE, SALES OR REDEMPTION OF THE SHARES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES, FUTURE PLANS FOR MATERIAL INVESTMENT OR ACQUISITION OF CAPITAL ASSETS

On 15 January 2019, Shandong Greatview Aseptic, a wholly-owned subsidiary of the Company, as a purchaser, and Qingdao Likang Packaging Company Limited* (青島利康包裝有限公司), as a vendor, entered into a sale and purchase framework agreement, pursuant to which the purchaser has conditionally agreed to purchase and the vendor has conditionally agreed to sell the entire equity interest in Likang (the "Acquisition"). On 27 March 2019 (after trading hours of the Stock Exchange), the purchaser and the vendor had entered into a formal agreement, and on 28 March 2019, the completion of the Acquisition had taken place at a consideration of RMB106.46 million (equivalent to approximately HK$123.62 million). Immediately after completion of the Acquisition, Likang as the target company, became a subsidiary of the Company, and its financial statements would also be consolidated into the Group's consolidated financial statements. The target company is principally engaged in the manufacture of aseptic soft packaging for food and beverages based in Shandong province in the PRC. For further details, please refer to the announcements of the Company dated 15 January 2019 and 28 March 2019.

On 14 October 2019, Esight Company Limited (一點通有限公司), an indirect wholly-owned subsidiary of the Company, as a purchaser, entered into an agreement with Mr. GAO Wei, the vendor, formalising the terms of an acquisition. Pursuant to which, Mr. GAO Wei has conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, 90% of the entire equity interest in Beijing Greatdata Technology, being the target company, at a consideration of RMB5.4 million. At the time of entering into the aforementioned agreement, the purchaser also entered into a separate sale and purchase agreement with an independent third party, Mr. HU Hong, being another vendor, to acquire the remaining 10% of equity interest in Beijing Greatdata Technology at a consideration of RMB0.6 million. Upon completion of the registered charges in regulatory department in accordance with the aforesaid agreements, Beijing Greatdata Technology will become an indirect wholly-owned subsidiary of the Company and its financial statements will be consolidated into the Group's consolidated financial statements. Beijing Greatdata Technology will be holding 38 patents in the PRC (including patents that have been registered and patents that are under application) from completion of the acquisition mentioned thereon. For further details, please refer to the announcement of the Company dated 14 October 2019.

Save as disclosed above, during the year ended 31 December 2019, there was no material acquisition and disposal of subsidiaries and associated companies by the Company. As at the date of this annual report, the Group has no plan to make any significant investment or acquisition of capital assets.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2019, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

** For identification purpose only*

Report of the Directors

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2019, the aggregate amount of guarantees provided for the banking facilities granted to affiliated companies of the Group by the Company was approximately RMB858,127,000, which exceeded 8% of the assets ratios as defined in Rule 14.07(1) of the Listing Rules. Details of which were set out below:

Name of affiliated company	Group's attributable interest in affiliated company	Amount of guarantees given for the banking facilities granted to affiliated company	Extent of guarantees utilised
		RMB'000	RMB'000
Greatview Aseptic Packaging Manufacturing GmbH	100%	195,388	116,365
Greatview Aseptic Packaging Europe GmbH	100%		
Greatview Holdings Ltd.	100%	662,739	202,366

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2019 are set out in note 19 to the consolidated financial statements.

RETIREMENT SCHEMES

Information of the retirement schemes of the Group are set out in notes 2.21 and 23 to the consolidated financial statements.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 — Model Code under the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 31 December 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

DONATIONS

During the year ended 31 December 2019, the Group did not make any donations to charity.

EQUITY-LINKED AGREEMENTS

Save for the share option schemes of the Company as disclosed in the section headed "Share Option Schemes" of this Report of the Directors, the Company has not entered into any equity-linked agreement for the year ended 31 December 2019.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

On 15 November 2010, the Pre-IPO Share Option Scheme was adopted by resolution of shareholders of the Company. The main purpose of the scheme is, among others, to provide incentives to the employees of the Group with regard to their services and employment. Pursuant to the Pre-IPO Share Option Scheme, for a consideration of HK$1.00, Liwei was granted options ("Pre-IPO Options") to subscribe for up to 22,000,000 Shares, and Liwei will grant (by way of transfer) the Pre-IPO Options to eligible participants who are (i) any individual who is an executive director or employee of our Group or any entity in which any member of our Group holds any equity interest in ("Invested Entity"); (ii) any non-executive director of any member of our Group or Invested Entity; (iii) any customer or supplier of goods or services of any member of our Group or Invested Entity; (iv) any person or entity that provides research, development or technological support to any member of our Group or Invested Entity; (v) any trustee or any company wholly-owned by any trustee, of a trust established for the benefit of the aforesaid persons; and (vi) any such other person as the Board may consider appropriate. Prior approval from the Board is required for Liwei to grant the Pre-IPO Options. Such approval covers key terms of the Pre-IPO Options including eligibility, performance target and share subscription price. There is no minimum period for which an option must be held before it can be exercised under the Pre-IPO Share Option Scheme, provided that in granting options under the Pre-IPO Share Option Scheme, the Board can determine whether there is any minimum holding period before an option granted under the Pre-IPO Share Option Scheme can be exercised.

The exercise price per Share under the Pre-IPO Share Option Scheme is HK$4.30, being the price per Share at the global offering of the Shares in December 2010. No further option was granted under the Pre-IPO Share Option Scheme on or after the day of the listing of the Shares on the Stock Exchange on 9 December 2010 ("Listing Date"). All options granted under the Pre-IPO Share Option Scheme may be exercised during the option period after the Listing Date to the date falling 10 years from the Listing Date subject to conditions imposed by the Board to the respective employees. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Pre-IPO Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. The scheme expired on the Listing Date.

Set out below are the details of the outstanding options granted under the Pre-IPO Share Option Scheme:

Name of grantees	Notes	Date of grant/vesting	Exercise period	Exercise price (HK$)	Pre-IPO Options outstanding as at 1 January 2019	Pre-IPO Options vested during the period	Pre-IPO Options exercised during the period	Pre-IPO Options lapsed /expired/ cancelled during the period	Pre-IPO Options outstanding as at 31 December 2019
Liwei	1	22/11/2010	09/12/2010-22/11/2020	4.30	2,673,000	–	–	–	2,673,000
Total					2,673,000	–	–	–	2,673,000

Notes:

(1) The Board approved Liwei to grant (by way of transfer) the Pre-IPO Options on 17 March 2011. Pursuant to the Pre-IPO Share Option Scheme, 284 employees were granted the Pre-IPO Options to subscribe for up to 20,010,000 Shares on 17 March 2011. Such 20,010,000 Pre-IPO Options will only be transferred to the employees upon vesting. The Pre-IPO Options vested in four instalments on 1 September 2011, 1 June 2012, 1 June 2013 and 1 June 2014. On 12 April 2013, 3,236,000 Pre-IPO Options which were previously lapsed were taken back by Liwei and would be reallocated to 193 employees of the Group upon vesting. These Pre-IPO Options vested in two installments on 1 June 2013 and 1 June 2014, respectively.

(2) During the year ended 31 December 2019, no Pre-IPO Options were granted, lapsed, exercised or cancelled.

(3) The total number of Shares subject to the Pre-IPO Share Option Scheme is 2,673,000 Shares, representing approximately 0.2% of the issued shares as at the date of this annual report.

Share Option Scheme

Pursuant to the disclosure requirement under Rule 17.09 of the Listing Rules, particulars in relation to the share option scheme of the Company are shown below.

The Company adopted a share option scheme ("Share Option Scheme") with the purpose of providing an incentive for Qualified Participants (as defined below) to work with commitment towards enhancing the value of the Company and the Shares for the benefit of our shareholders, to compensate such employees for their contribution based on their individual performance and that of the Group and to retain and attract high calibre working partners whose contribution are or may be beneficial to the growth and development of the Group.

There is no minimum period for which an option must be held before it can be exercised under the Share Option Scheme, provide that in granting options under the Share Option Scheme, the Board can determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme can be exercised. The Board will also determine the price per Share upon the exercise of an option according to the terms of the Share Option Scheme, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Board may from time to time grant options to (i) any executive Director, or employee (whether full time or part time) of our Company, any member of our Group or any entity in which any member of our Group holds an equity interest; (ii) any non-executive Director (including independent non-executive Directors), any non-executive director of any member of our Group or any Invested Entity; and (iii) any such other person as the Board may consider appropriate (collectively "Qualified Participants").

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 15 November 2010. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00. An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Share Option Scheme.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue at the Listing Date, and therefore is currently capped at 133,360,000 Shares. The Company may at any time refresh such limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

No option has been granted pursuant to the Share Option Scheme prior to the date ended 31 December 2019. No option has been cancelled or lapsed during the year ended 31 December 2019.

PUBLIC FLOAT

During the year ended 31 December 2019, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Articles and the laws of the Cayman Islands.

TAX RELIEF

The Board is not aware of any relief from taxation available to our shareholders by reason of their holdings in the Shares.

FINAL DIVIDEND

The Board recommends the payment of a final dividend amounting to approximately HK$187.2 million (HK$0.14 per Share, approximately RMB167.7 million in total) to be partly paid out of the share premium account of the Company and partly paid out of the distributable profits of the Company, for the year ended 31 December 2019 (2018: HK$0.14 per Share, approximately RMB164.0 million in total). The proposed final dividend, if approved by shareholders at the forthcoming annual general meeting, shall be paid on or around 7 July 2020 to the shareholders whose names appear on the register of members of the Company on 12 June 2020.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

Mr. LIU Jun, has resigned as an executive Director and chief operating officer of the Company with effect from 31 January 2019. Please refer to the Company's announcement dated 31 January 2019 for further details.

Mr. CHANG Fuquan, has been appointed as an executive Director and resigned as one of the joint company secretaries of the Company with effect from 27 March 2019. Please refer to the Company's announcement dated 27 March 2019 for further details.

Mr. LUETH Allen Warren, an independent non-executive Director, has resigned to be a chief financial officer for Asia-Pacific region of Cardinal Health, with effect from 30 April 2019. Mr. LUETH has been appointed as a president and chief financial officer of International Institute of Education Group, with effect from 1 September 2019.

Mr. BEHRENS Ernst Hermann, an independent non-executive Director, has resigned to be a senior adviser of China business of Vermilion Partners Limited, with effect from 15 December 2019.

Report of the Directors

EVENTS OCCURRING AFTER THE REPORTING PERIOD

(1) Since January 2020, the outbreak of Novel coronavirus ("COVID-19") has impact on the global business environment. A series of precautionary and control measures have been and continued to be implemented across the PRC. As required by the local government offices, GA Inner Mongolia had extended one week holidays and resumed operation in February 2020.

Pending the development and spread of COVID-19 subsequent to the date of this annual report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this annual report.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: increasing our options for logistics and transportation, evaluating the supply readiness of our raw materials suppliers, negotiating with customers on delivery schedule, and continuously monitoring the operations of our domestic and overseas customers.

The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(2) On 30 March 2020, Mr. HSU David resigned as a non-executive Director and a member of the audit committee of the Company (the "Audit Committee") as a consequence of assuming new responsibilities in the Jardine Matheson Holdings Limited and its subsidiaries and on the even date, Mr. PANG Yiu Kai has been appointed as a non-executive Director and a member of the Audit Committee. For further details, please refer to the announcement of the Company dated 30 March 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2020 to 25 May 2020, both days inclusive, during which period no Share transfers in Hong Kong can be registered. In order to be eligible for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 19 May 2020.

In addition, the register of members of the Company will be closed from 10 June 2020 to 12 June 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to ascertain shareholders' entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 9 June 2020.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 December 2019.

PricewaterhouseCoopers shall retire in the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. HONG Gang
Chairman
Beijing, the PRC, 30 March 2020

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2019.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

During the year under review, the Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the CG Code during the year ended 31 December 2019.

The following is a summary of work performed by the Board in determining the policy for the corporate governance of the Company during the year ended 31 December 2019:

(1) developed and reviewed the Company's policies and practices on corporate governance;

(2) reviewed and monitored the training and continuous professional development of Directors and senior management;

(3) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(4) developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and Directors; and

(5) reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Corporate Governance Report

Board Composition

As of 31 December 2019, the Board comprises seven members, consisting of two executive Directors, two non-executive Directors and three independent non-executive Directors.

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board comprises the following Directors:

DIRECTORS

Executive Directors

Mr. BI Hua, Jeff *(Chief Executive Officer)*
Mr. LIU Jun *(Chief Operating Officer)* (resigned with effect from 31 January 2019)
Mr. CHANG Fuquan (appointed with effect from 27 March 2019)

Non-Executive Directors

Mr. HONG Gang *(Chairman)*
Mr. HSU David (resigned with effect from 30 March 2020)
Mr. PANG Yiu Kai (appointed with effect from 30 March 2020)

Independent Non-Executive Directors

Mr. LUETH Allen Warren
Mr. BEHRENS Ernst Hermann
Mr. ZHU Jia

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

There is no relationship (including financial, business, family or other material relationship) among members of the Board.

In compliance with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing not less than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Corporate Governance Report

Board Diversity Policy

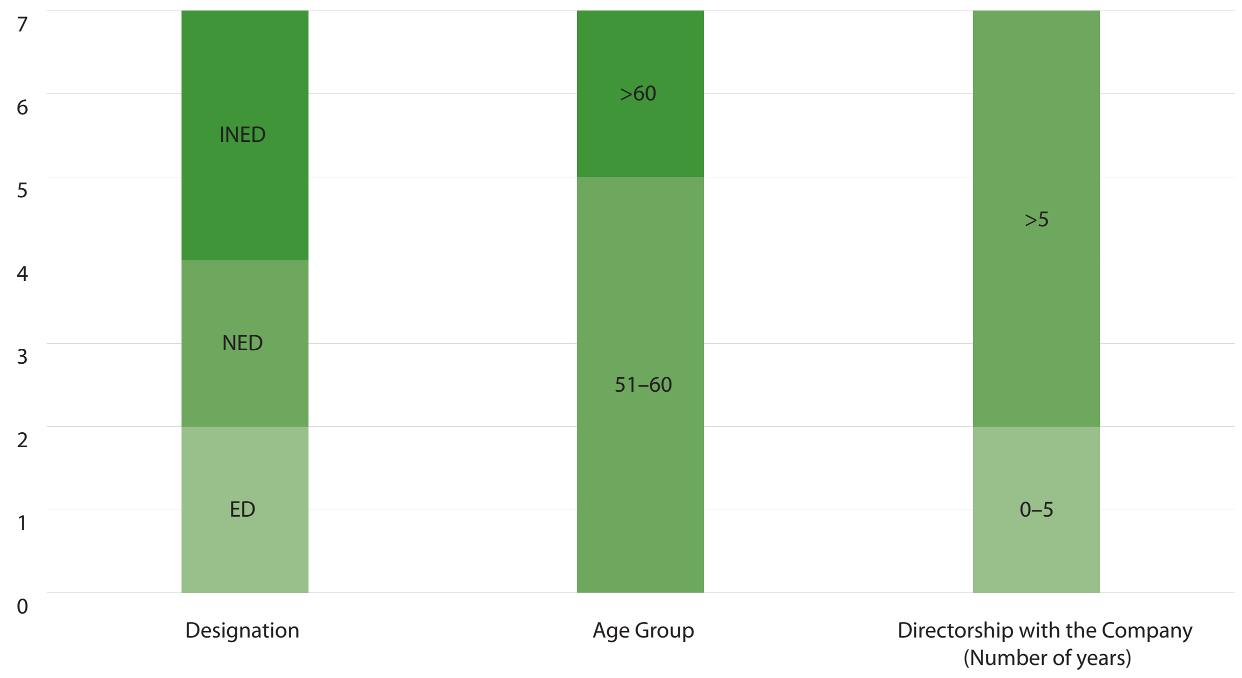
The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Board adopted the board diversity policy (the "Board Diversity Policy") in accordance with the requirement as sets out in the CG Code.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time in designing the optimum Board's composition.

The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board. The biographical details of the Directors are set out on pages 21 to 24 of this report. In implementing the Board Diversity Policy, the Board aims to have a balanced composition in each of the following areas in the graph below, but recognising at the same time that all Board appointments must be based on meritocracy having regard to the best interests of the Company and the shareholders.

The following graph provides an analysis on the composition of the Board as at the date of this annual report:



Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the chairman of the Board ("Chairman") and the chief executive officer of the Company (the "Chief Executive Officer") to ensure a balance of power and authority. The positions of Chairman and Chief Executive Officer are held by Mr. HONG Gang and Mr. BI Hua, Jeff respectively. Their respective responsibilities are clearly defined and set out in writing. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Appointment and Re-Election of Directors

Mr. PANG Yiu Kai was appointed as non-executive Director for a term of two years commencing from 30 March 2020, terminable by not less than three months' written notice and is subject to retirement in accordance with the Articles.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself for re-election by shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself for re-election by shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Nomination Committee

As at the date of this annual report, the Nomination Committee comprises three members, namely Mr. HONG Gang (chairman of the Nomination Committee), Mr. BEHRENS Ernst Hermann and Mr. ZHU Jia. Mr. HONG Gang is the non-executive Director and Mr. BEHRENS Ernst Hermann and Mr. ZHU Jia are the independent non-executive Directors.

The nomination procedure and process involve the Nomination Committee identifying individuals who are suitably qualified to become Board members through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will then make recommendations to the Board on the selection of such individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and objectively against a variety of criteria, having due regard for the benefits of diversity on the Board.

Corporate Governance Report

The following are the roles and functions of the Nomination Committee:

(a) to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

(c) to review the Board Diversity Policy, as appropriate; and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results annually in the Corporate Governance Report as set out in the Company's annual report;

(d) to assess the independence of the independent non-executive Directors and to review the independent non-executive Directors' annual confirmations on their independence;

(e) taking into account the Company's corporate strategy and mix of skills, knowledge, experience and diversity needed in the future, to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive;

(f) to seek independent professional advice to perform its responsibilities where necessary; and

(g) to report back to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so) and to prepare a summary of its work during the year for inclusion in the Corporate Governance Report (including a report the policies, procedures, process and criteria it has adopted to select and recommend candidates for directorship during the year).

Please refer to the terms of reference of the Nomination Committee published by the Company on 28 December 2018 for further details.

The following is a summary of work performed by the Nomination Committee during the year ended 31 December 2019:

(1) reviewed the structure, size and composition of the Board, reviewed the Company's policies on nomination of Directors and make recommendations regarding any proposed changes;

(2) made recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and

(3) assessed the independence of independent non-executive Directors.

There was 1 meeting of the Nomination Committee held during the year ended 31 December 2019. The attendance records of each member of the Nomination Committee are set out below:

Members	Attendance/ Number of meeting held
Mr. HONG Gang *(Chairman)*	1/1
Mr. BEHRENS Ernst Hermann	1/1
Mr. ZHU Jia	1/1

Induction and Continuing Development of Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

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

During the year ended 31 December 2019 and up to the date of this annual report, all Directors namely Mr. BI Hua, Jeff, Mr. CHANG Fuquan, Mr. HONG Gang, Mr. HSU David, Mr. LUETH Allen Warren, Mr. BEHRENS Ernst Hermann and Mr. ZHU Jia have participated in continuous professional development to develop and refresh their knowledge and skills in relation to their contribution to the Board.

Board Meetings

Board Practices and Conduct of Meetings

Code provision A.1.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting.

Certain regular Board meetings held during the year ended 31 December 2019 were convened with at least 14 days' notice. The Company adopted a flexible approach in convening Board meetings and ensuring that sufficient time and adequate information were given to Directors in advance.

Agenda and board papers together with all necessary information are sent to all Directors at least three days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company in order to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management attended all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

Corporate Governance Report

The board secretary and the joint company secretaries are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' Attendance Records

There were 4 Board meetings and one general meeting held during the year ended 31 December 2019. The attendance records of each Director at the Board meetings and general meeting during the year ended 31 December 2019 are set out below:

	Attendance/Number of meetings held	
Name of Director	**General meeting**	**Board meeting**
Executive Directors		
Mr. BI Hua, Jeff	1/1	4/4
Mr. CHANG Fuquan	1/1	4/4
Non-Executive Directors		
Mr. HONG Gang	1/1	4/4
Mr. HSU David (resigned with effect from 30 March 2020)	0/1	4/4
Independent Non-Executive Directors		
Mr. LUETH Allen Warren	1/1	4/4
Mr. BEHRENS Ernst Hermann	1/1	4/4
Mr. ZHU Jia	1/1	3/4

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he has complied with the Model Code during the year under review and up to the date of this annual report.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2019.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. All Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director may seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board Committees are established with defined written terms of reference which are available on both the Company's website and the website of the Stock Exchange.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. ZHU Jia (chairman of the Remuneration Committee), Mr. LUETH Allen Warren and Mr. BEHRENS Ernst Hermann and one executive Director, namely, Mr. BI Hua, Jeff.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The following is a summary of work performed by the Remuneration Committee during the year ended 31 December 2019:

(1) Assessed performance, reviewed and approved the remuneration packages (including year-end bonuses) and service contracts of our executive Directors and senior management; and

(2) Reviewed the remuneration of non-executive Directors and made proposal regarding Directors' fees to the Board for shareholder approval at the 2019 annual general meeting.

There was 1 meeting of the Remuneration Committee held during the year ended 31 December 2019. The attendance records of each member of the Remuneration Committee are set out below:

Members	Attendance/ Number of meeting held
Mr. ZHU Jia *(Chairman)*	1/1
Mr. BI Hua, Jeff	1/1
Mr. LUETH Allen Warren	1/1
Mr. BEHRENS Ernst Hermann	1/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

The Board, with support of the finance and legal teams, is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other applicable statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Audit Committee

The Audit Committee comprises four members, namely, Mr. LUETH Allen Warren (chairman of the Audit Committee), Mr. BEHRENS Ernst Hermann, Mr. HSU David (resigned on 30 March 2020) and Mr. ZHU Jia. Mr. HSU David was the non-executive Director and Mr. LUETH Allen Warren, Mr. BEHRENS Ernst Hermann and Mr. ZHU Jia are the independent non-executive Directors. Mr. PANG Yiu Kai has been appointed as a non-executive Director and a member of the Audit Committee with effect from 30 March 2020. Mr. LUETH Allen Warren 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 main duties of the Audit Committee include the following:

(1) to review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board;

(2) to review the relationship with the external auditor by reference to the work performed by the auditor, its fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and

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

During the year under review and up to the date of this annual report, the Audit Committee reviewed the Group's interim results and interim report for the six months ended 30 June 2019, the annual results and annual report for the year ended 31 December 2019, the financial reporting and compliance procedures, the Company's risk management and internal control systems and processes, and the re-appointment of the external auditor.

There were 2 meetings of the Audit Committee held during the year ended 31 December 2019. The attendance records of each member of the Audit Committee are set out below:

Members	Attendance/ Number of meetings held
Mr. LUETH Allen Warren *(Chairman)*	2/2
Mr. BEHRENS Ernst Hermann	2/2
Mr. HSU David (resigned with effect from 30 March 2020)	1/2
Mr. ZHU Jia	2/2

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about its reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 54 to 58 of this annual report.

Annual audit fees of the financial statements of the Group for the year ended 31 December 2019 payable to the external auditor are approximately RMB2.9 million (2018: approximately RMB2.2 million). Approximately RMB1.5 million (2018: approximately RMB3.6 million) was incurred for other non-audit services including allowable due diligence activities, tax consulting and compliance services.

RISK MANAGEMENT AND INTERNAL CONTROL REPORT

Risk Management and Internal Control Systems of the Group Companies

The Board is aware that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives, maintaining adequate risk management and internal control systems to safeguard the investments of our shareholders and the assets of the Company, and reviewing the effectiveness of these systems annually.

The Board oversees the management in designing, implementing and monitoring the risk management and internal control systems, and the management confirms with the Board on the effectiveness of these systems.

The management allocates resources to the risk management and internal control systems with reference to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) standards, manages rather than eliminates the risk of failing to achieve business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

Procedures for Identifying, Evaluating and Managing Significant Risks

- Risk context establishment: formulating general risk management policies and division of roles to ensure that the Group carries out and adheres to consistent procedures and criteria for risk identification, evaluation, management, as well as supervision and reporting.

- Risk identification: identifying potential risks in various business segments and key procedures.

- Risk evaluation: evaluating and rating the impact on business and the likelihood of the risks identified.

- Risk response: evaluating the risk management solutions and the effectiveness of risk management

- Supervision and reporting: supervising and reviewing the policies and assessment procedures of risk management, and the management measures and control effectiveness regarding significant risks, and reporting the findings to the Board.

The “Three Lines of Defence” Risk Management Model

The risk management of the Group is structured on a “three lines of defence” model so as to establish a comprehensive risk management and internal control system, which is monitored by the Audit Committee.

“The First Line of Defence” — Risk Management

Managers at all levels constitute the first line of defence with appropriate internal control policies, procedures and business standards formulated according to the operational needs of the business to effectively delineate management duties and provide training sessions and guidelines to the staff, and to ensure that the policies are effectively implemented. In case of any changes to the business operation or the managing environment of the Company, such policies will be reviewed and updated accordingly.

“The Second Line of Defence” — Risk Control

The Group has formulated risk management policies, established a risk management group and conducted risk assessment and appraisal activities on a regular basis, which could timely identify and reduce the likelihood and impacts of potential risks on operation management. For any material exposure which may arise, a risk alert and response mechanism has been set up to mitigate potential risks and their impacts.

“The Third Line of Defence” — Independent Assurance

An internal audit department has been set up for the Group companies, which will conduct independent comprehensive reviews on risk management and internal control of the Group at least once per year and report the result to the Audit Committee. By reviewing the audit work procedures and audit findings performed by the internal audit department, the Audit Committee will evaluate the effectiveness of risk management and internal control on behalf of the Board.

2019 Risk Management Review

Summary of Risk Management Initiatives

Implementing effective risk management is a crucial step to achieve the strategic objectives of the Group companies. In order to maintain the Company's long-term sustainable development capacity, advance the implementation of strategic objectives and secure stakeholders' trust, the Group manages its risks in various business areas, including but not limited to finance, operation, strategy, market, laws and regulation risks. The significant internal control and risk management activities for the year 2019 include:

- Reviewing and enhancing internal control policies and business procedures;
- Reviewing, updating and implementing risk management plans and assessment procedures;
- Identifying, reviewing and analyzing the potential risk items in the Group's business areas, and evaluating their impacts on the business and likelihood of occurrence;
- Reviewing whether the measures and actions taken to control and mitigate key risks are appropriate and achieve expected results;
- Collecting and analyzing the results of risk identification, evaluation and management, including risk distribution matrix, risk change analysis chart, control of significant risk items and their expected impacts on business;
- Evaluating overall effectiveness of risk management;
- The risk management report was submitted to the Board in February 2020 for review and approval.

Material Risks and Risk Management

1. *The Risk of High Customer Concentration*

   The landscape of domestic UHT liquid milk market in which the Company's key customers are engaged has maintained stable for years, with the top five liquid milk manufacturers accounting for over 70% of the sales in the market, and such feature is expected to persist for some time.

   The Company has adopted a number of measures, for which concrete progress has been achieved, to facilitate the diversification of customers in order to reduce the impacts on the business caused by such risk:

   - Maintaining stable strategic cooperative relationships with key customers through excellent supply chain services, technological innovation and project cooperation in the market;
   - Providing quality products and excellent services, actively expanding domestic and international market, and enlarging the medium-sized customers base with significant achievements; and
   - Making investment to acquire Likang to further expand the domestic market.

   By the end of 2019, we had made substantial progress on the back of the above measures, with both international and domestic medium-sized customers contributing to an increasing share in sales while maintaining growth in total sales.

2. *The Risk of Exchange Rate Fluctuations in Capital and Procurement and Sales Businesses*

The significant fluctuations of exchange rate will result in major impacts on the foreign exchange business of the Company. In 2019, the exchange rate of Euro against US$ and RMB against US$ kept increasing slightly, while the exchange rate of Euro against RMB dropped slightly, generating little impact on the Company's foreign exchange business.

In addition, the Company has also adopted various measures to mitigate the adverse impact on profit and loss caused by exchange rate fluctuations, thereby reducing the risk to an acceptable level, including:

- Optimizing management of international sales business to mitigate the risk caused by exchange rate fluctuations;
- Adjusting the financing strategies properly to lower corporate financial leverage;
- Reducing the impacts of exchange rate by purchasing foreign exchange products from financial institutions to lock in forward exchange rates; and
- Adopting stringent capital management plan, closely monitoring the changes in exchange rates and adjusting business strategies and bank balance of foreign exchange in response to exchange rate fluctuations.

Evaluation of Risk Review

The findings and review of the risk evaluation for the year 2019 showed that the Group companies had established a comprehensive risk management and internal control systems, and implemented and improved them on an ongoing basis. The risk management team' risk identification and control capacity was enhanced constantly. The risk management environment was improved continuously. Tailor-made mitigation measures to reduce and control major risks were adopted with fruitful outcomes. As a result, the ratings of many risks were lowered significantly or the risks were eliminated. For specific risk factors unlikely to be eliminated through management and control, their residual risks were maintained at an acceptable level.

COMPANY SECRETARY

Upon the resignation of Mr. CHANG Fuquan as one of the joint company secretaries on 27 March 2019, the Company appointed Ms. QI Zhaohui as one of the joint company secretaries with effect from the same day. For further details, please refer to the announcement of the Company dated 27 March 2019.

In compliance with Rule 3.29 of the Listing Rules, each of Ms. QI Zhaohui and Ms. SO Lai Shan has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2019.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

To promote effective communication, the Company maintains the website at www.greatviewpack.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and press releases are updated on the Company's website in a timely fashion.

The 2020 annual general meeting of the Company ("AGM") will be held on 25 May 2020. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such a requisition must be signed by the shareholders.

Procedures for putting forward proposals at shareholders' meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the company secretary by written requisition to the company secretary at the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or at the Company's headquarters in the PRC at 14 Jiuxianqiao Road, Chaoyang District, Beijing 100015, the PRC.

Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the company secretary at the Company's principal place of business office in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or at the Company's headquarters in the PRC at 14 Jiuxianqiao Road, Chaoyang District, Beijing 100015, the PRC.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year ended 31 December 2019.

On behalf of the Board

Mr. HONG Gang
Chairman
Beijing, the PRC, 30 March 2020

Independent Auditor's Report

羅兵咸永道

To the shareholders of Greatview Aseptic Packaging Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Greatview Aseptic Packaging Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 126, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

Key audit matter identified in our audit is Impairment assessment of goodwill.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Please refer to note 4 'Critical accounting estimates and judgements' and note 8 'Intangible assets' to the consolidated financial statements. The Group recognised goodwill in an aggregate of RMB64.7 million (Note 8) as at 31 December 2019 (2018: 47.8 million) including additional goodwill of RMB16.9 million arose from the acquisition of Greatdata Technology Co., Ltd during the year ended 31 December 2019. We focused our efforts on the impairment assessment of goodwill mainly because of the amounts involved was significant and that significant judgements were required to evaluate management's assumptions, particularly in respect of the revenue growth rate and the discount rate as they are sensitive to the discounted cash flow model.	In response to this key audit matter, we performed the following procedures: • We discussed with the management and assessed the appropriateness of the Group's identification of Cash Generating Units ("CGU"s) to which the goodwill was allocated. • We evaluated the composition of management's future cash flow forecasts, and the process by which they were prepared. • We compared the current year actual results with the figures for the year ended 31 December 2019 included in the prior year forecast, if applicable, to consider whether management's forecasts included assumptions that, with hindsight, had been reasonable. • We evaluated management's estimations in the forecasts for: — revenue growth rate, by comparing them to industry historical growth rate and economic forecasts; and — the discount rate, by assessing the cost of capital for the Company and comparable companies, as well as considering territory specific factors. • We evaluated management's sensitivity analysis around the key assumptions for revenue growth rate and discount rate. We calculated the degree to which these assumptions would need to move before an impairment conclusion was triggered. We discussed the likelihood of such a movement with management and agreed with their conclusion that it was unlikely. Based on the procedures performed, the significant estimations and judgements made by management in relation to impairment assessment of goodwill are supportable.

Independent Auditor's Report

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 ISAs 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.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Ping Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

Consolidated Statement of Financial Position

As at 31 December 2019

Amounts expressed in thousands of RMB except for share data

	Note	As at 31 December 2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,365,245**	1,303,759
Right-of-use assets	7	**48,714**	–
Land use rights	7	**–**	14,774
Intangible assets	8	**109,226**	71,112
Deferred income tax assets	20	**31,867**	21,786
Trade receivables	10	**9,805**	6,752
Prepayments	11	**16,886**	9,578
		1,581,743	1,427,761
Current assets			
Inventories	9	**627,138**	571,728
Trade and notes receivables	10	**577,326**	413,361
Prepayments	11	**24,593**	24,034
Other receivables	11	**18,815**	36,295
Cash and cash equivalents	12(a)	**562,782**	556,391
Restricted cash	12(b)	**199,976**	190,890
		2,010,630	1,792,699
Total assets		**3,592,373**	3,220,460

Consolidated Statement of Financial Position

As at 31 December 2019
Amounts expressed in thousands of RMB except for share data

	Note	As at 31 December 2019	2018
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and capital reserve	13	**651,247**	748,282
Statutory reserve	14	**256,855**	285,581
Retained earnings	15	**1,591,535**	1,450,308
Exchange reserve		**(46,467)**	(44,812)
Total equity		**2,453,170**	2,439,359
LIABILITIES			
Non-current liabilities			
Deferred government grants	16	**78,337**	86,353
Lease liabilities	18	**4,233**	–
Deferred income tax liabilities	20	**20,167**	3,700
Borrowings	19	**21,493**	29,427
		124,230	119,480
Current liabilities			
Deferred government grants	16	**7,825**	7,412
Contract liabilities		**636**	–
Trade payables, other payables and accruals	17	**666,139**	477,389
Income tax liabilities		**33,639**	15,821
Borrowings	19	**299,268**	160,999
Lease liabilities	18	**7,466**	–
		1,014,973	661,621
Total liabilities		**1,139,203**	781,101
Total equity and liabilities		**3,592,373**	3,220,460

The notes on pages 64 to 126 are an integral part of these consolidated financial statements.

The financial statements on pages 59 to 126 were approved by the Board on 30 March 2020 and were signed on its behalf.

Director
Bi Hua, Jeff

Director
Chang Fuquan

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019
Amounts expressed in thousands of RMB except for share data

	Note	Year ended 31 December 2019	2018
Revenue	5	**2,706,857**	2,492,697
Cost of sales	22	**(2,038,702)**	(1,874,832)
Gross profit		**668,155**	617,865
Other income and other gains — net	21	**79,713**	83,045
(Impairment)/reversal of losses on financial assets — net		**(59)**	1,538
Distribution expenses	22	**(163,026)**	(136,312)
Administrative expenses	22	**(145,030)**	(130,012)
Operating profit		**439,753**	436,124
Finance income	24	**8,341**	11,039
Finance costs	24	**(6,399)**	(2,648)
Finance income — net		**1,942**	8,391
Profit before income tax		**441,695**	444,515
Income tax expense	25	**(104,376)**	(84,456)
Profit for the year		**337,319**	360,059
Profit attributable to:			
Owners of the Company		**337,319**	360,059
Non-controlling interests		**–**	–
		337,319	360,059
Other comprehensive income:			
Item that may be reclassified to profit or loss			
Currency translation differences		**(1,655)**	3,362
Total comprehensive income for the year		**335,664**	363,421
Total comprehensive income attributable to:			
Owners of the Company		**335,664**	363,421
Non-controlling interests		**–**	–
		335,664	363,421
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
— Basic and diluted earnings per share	26	**0.25**	0.27

The notes on pages 64 to 126 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
Amounts expressed in thousands of RMB except for share data

	Share capital (Note 13)	Share premium (Note 13)	Capital reserve (Note 13)	Statutory reserve (Note 14)	Exchange reserve	Retained earnings (Note 15)	Total
As at 1 January 2018	11,446	663,988	122,848	263,550	(48,174)	1,365,723	2,379,381
Comprehensive income:							
Profit for the year	–	–	–	–	–	360,059	360,059
Other comprehensive income:							
Currency translation differences	–	–	–	–	3,362	–	3,362
Transfer to statutory reserve	–	–	–	22,031	–	(22,031)	–
Dividends (Note 27)	–	(50,000)	–	–	–	(253,443)	(303,443)
As at 31 December 2018 and 1 January 2019	11,446	613,988	122,848	285,581	(44,812)	1,450,308	2,439,359
Comprehensive income:							
Profit for the year	–	–	–	–	–	337,319	337,319
Other comprehensive income:							
Currency translation differences	–	–	–	–	(1,655)	–	(1,655)
Transfer to statutory reserve	–	–	–	(28,726)	–	28,726	–
Dividends (Note 27)	–	(97,035)	–	–	–	(224,818)	(321,853)
As at 31 December 2019	**11,446**	**516,953**	**122,848**	**256,855**	**(46,467)**	**1,591,535**	**2,453,170**

The notes on pages 64 to 126 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019
Amounts expressed in thousands of RMB except for share data

	Note	Year ended 31 December	
		2019	2018
Cash flows from operating activities			
Cash generated from operations	28	**446,915**	476,435
Interest paid		**(5,200)**	(2,493)
Income tax paid		**(87,549)**	(83,526)
Net cash generated from operating activities		**354,166**	390,416
Cash flows from investing activities			
Purchases of property, plant and equipment ("PP&E")		**(27,689)**	(110,482)
Receipt of government grants		**358**	10,085
Proceeds from disposal of PP&E		**642**	693
Purchases of intangible assets		**(690)**	(3,873)
Acquisition of subsidiaries, net of cash acquired		**(92,860)**	–
Purchases of financial assets at fair value through profit or loss		**(788,100)**	(700,000)
Disposals of financial assets at fair value through profit or loss		**792,559**	829,344
Interest received		**8,341**	11,039
Net cash (used in)/generated from investing activities		**(107,439)**	36,806
Cash flows from financing activities			
Proceeds from borrowings		**315,950**	433,009
Repayments of borrowings		**(228,432)**	(357,000)
Principal elements of lease payments		**(6,427)**	–
Dividends paid to equity holders		**(321,853)**	(303,443)
Net cash used in financing activities		**(240,762)**	(227,434)
Net increase in cash and cash equivalents		**5,965**	199,788
Cash and cash equivalents at beginning of year		**556,391**	355,788
Exchange gains on cash and cash equivalents		**426**	815
Cash and cash equivalents at end of year		**562,782**	556,391

The notes on pages 64 to 126 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
Amounts expressed in thousands of RMB except for share data

1 GENERAL INFORMATION

Greatview Aseptic Packaging Company Limited (the "Company") was incorporated in the Cayman Islands on 29 July 2010 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the "Group") are principally engaged in the business of manufacturing, distribution and selling of paper packaging and filling machines to dairy and non-carbonated soft drink ("NCSD") producers.

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2010.

The consolidated financial statements are presented in Renminbi ("RMB") and rounded to nearest thousand yuan, unless otherwise stated.

Key events

Business combinations

Acquisition of Qingdao Likang Food Packaging Technology Co., LTD.

On 28 March 2019, the Group completed the acquisition of 100% equity interest in Qingdao Likang Food Packaging Technology Co., LTD.* (青島利康食品包装科技有限公司) ("Likang") from Qingdao Likang Packaging Company Limited* (青島利康包装有限公司) ("Qingdao Likang") for a consideration of RMB106,457,000. A gain of RMB25,558,000 arose from the acquisition of Likang was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2019. Further details were set out in Note 31(a).

Acquisition of Beijing Greatdata Technology Co., Ltd.

On 1 November 2019, the Group acquired 100% of the equity interest in Beijing Greatdata Technology Co., Ltd.* (北京數碼通科技有限公司) ("Greatdata") from Mr. GAO Wei, a family member of Mr. BI Hua, who is the chief executive officer and executive Director of the Company, and Mr. HU Hong, an independent third party, for a consideration of RMB6,000,000 in aggregate. Greatdata became an indirect wholly-owned subsidiary of the Company. A goodwill of RMB16,948,000 arose from the acquisition of Greatdata. Further details were set out in Note 31(b).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with IFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") and the disclosure requirements of Hong Kong Companies Ordinance ("HKCO") Cap. 622.

The preparation of these consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) — measured at fair value.

(c) New and amended standards and annual improvements adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 *Leases*
- *Prepayment Features with Negative Compensation — Amendments to IFRS 9*
- *Annual Improvements to IFRS Standards 2015–2017 Cycle*
- *Plan Amendment, Curtailment or Settlement — Amendments to IAS 19*
- Interpretation 23 *Uncertainty over Income Tax Treatments*

The Group also elected to adopt the following amendments early.

- *Definition of Material — Amendments to IAS 1 and IAS 8*

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Amounts expressed in thousands of RMB except for share data

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(continued)*

(d) New standards, amendments and interpretations issued but not yet adopted

The following new and amended standards have been issued but are mandatorily effective for the annual period beginning on or after 1 January 2020 and which the Group has not early adopted these new and amended standards during the reporting period.

	Effective for accounting periods beginning on or after
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IFRS 3 Definition of a Business	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company have already commenced an assessment of the impact of these new or amended standards, certain of which is relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 "*Leases*" on the Group's consolidated financial statements.

As indicated in note 2.1 above, the Group has adopted IFRS 16 "*Leases*" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.22.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

Amounts expressed in thousands of RMB except for share data

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies *(continued)*

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 "*Determining whether an Arrangement contains a Lease*".

(ii) Measurement of lease liabilities

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	20,014
Discounted using the lessee's incremental borrowing rate of at the date of initial application	16,923
Less: short-term leases recognised on a straight-line basis as expense	(120)
Lease liability recognised as at 1 January 2019	**16,803**
Of which are:	
Current lease liabilities	6,083
Non-current lease liabilities	10,720
	16,803

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies *(continued)*

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increased by RMB31,577,000
- land use rights — decreased by RMB14,774,000
- lease liabilities — increased by RMB16,803,000

Changes in accounting policy do not affect net retained earnings as at 1 January 2019.

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting *(continued)*

(c) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (e) below), after initially being recognised at cost in the consolidated balance sheet.

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting *(continued)*

(e) Changes in ownership interests *(continued)*

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations *(continued)*

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Subsidiaries arising from Contractual Arrangements

In connecting to the acquisition of Greatdata (Note 31(b)), the Group conducted the following arrangement to control the business acquired.

On 2 September 2019, Beijing Esight Innovation Company Limited ("Beijing Esight Innovation") was established to carry out the Group's digital services in the PRC. A domestic operating company has been established by Beijing Esight Innovation as its subsidiary since 2019 and this operating company together with Beijing Esight Innovation are collectively defined as the "PRC Operational Entities". The wholly-owned subsidiary of the Company, Greatdata, has entered into a series of contractual agreements (the "Contractual Agreements") with Beijing Esight Innovation and its equity holders on 1 November 2019, which enable Greatdata and the Group to:

- irrevocably exercise equity holders' voting rights of Beijing Esight Innovation;
- exercise effective financial and operational control over of Beijing Esight Innovation;
- receive substantially all of the economic interest returns generated by Beijing Esight Innovation by way of technical and consulting services provided by Greatdata;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations *(continued)*

Subsidiaries arising from Contractual Arrangements *(continued)*

- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Beijing Esight Innovation from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations. In addition, the Equity Holders are not allowed to sell, assign, transfer, or otherwise disposed of or create encumbrance over their interests in any of the Beijing Esight Innovation directly or indirectly without prior written consent of Greatdata; and

- obtain a pledge over the entire equity interests of Beijing Esight Innovation from its respective equity holders as collateral security for all of Beijing Esight Innovation's payments due to Greatdata and to secure performance of Beijing Esight Innovation's obligation under the Contractual Agreements.

The Group does not have any equity interest in Beijing Esight Innovation. As a result of the Contractual Agreements, the Group has rights to the variable returns from its involvement in Beijing Esight Innovation and has the ability to affect those returns through its power over the Beijing Esight Innovation, and is considered to control Beijing Esight Innovation. Consequently, the Company regards Beijing Esight Innovation as the indirect subsidiary under IFRS. The Group has included the financial position and results of the Beijing Esight Innovation in the consolidated financial statements during the years ended 31 December 2019 since the acquisition date.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Beijing Esight Innovation and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Beijing Esight Innovation. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Greatdata, Beijing Esight Innovation and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors of the Company (the "Executive Directors") that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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 Renminbi ("RMB"), which is the functional currency of the Company and the presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash are presented in the consolidated statement of comprehensive income within "finance income-net". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "Other income and other gains — net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) 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;

(ii) income and expenses for each statement of profit or loss and statement of comprehensive income 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 rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

Except for the freehold land with indefinite useful life and construction in progress, all other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Freehold land with indefinite useful life is stated at historical cost less impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Freehold land in Europe is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining lease term or useful life
Buildings	15–33 years
Machinery	5–15 years
Vehicles and office equipment	4–8 years

Construction in progress is property, plant and equipment on which construction work has not been completed and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery installation, testing and other direct costs. Depreciation is not provided on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets being constructed are ready for their intended use, the costs are transferred to the appropriate categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income and other gains — net" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.4. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 10 years.

(c) Trademarks, patents and other intangible assets

Separately acquired trademarks, patents and other intangible assets are shown at historical cost. Trademarks, patents and other intangible assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation and impairment losses (if any). Amortisation is calculated using the straight-line method to allocate the cost of trademarks, patents and other intangible assets over their estimated useful lives of 5 to 10 years.

2.10 Impairment of non-financial assets

Goodwill and freehold land with infinite useful life are not subject to amortisation and is tested annually for impairment, or more frequently if events, or changes in circumstance indicate that it might be impaired. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets *(continued)*

2.11.3 Measurement *(continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and other gains-net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income and other gains-net in the period in which it arises.

2.11.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts,and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. See note 2.11 for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured, and are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowings *(continued)*

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

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

2.20 Current and deferred income tax

The income tax expenses or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax *(continued)*

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Current and deferred income tax is recognised in profit or loss, expect to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

2.21 Employee benefits

(a) Pension obligations

All eligible employees of the Group's subsidiaries which operate in the PRC participate in a central pension scheme operated by the local municipal government. In connection with pension obligations, the Group operates defined contribution plans in accordance with the local conditions and practices in the countries and provinces in which they operate. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a publicly administered pension insurance plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 18). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases *(continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use assets.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.25 Revenue recognition

(a) Sales of goods

The Group produces and sells liquid food aseptic packaging materials and filling machines in the market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume rebates based on aggregate sales over a specific period as defined in the contracts. Revenue from sales are based on the price specified in the sales contracts, net of the estimated volume rebates at the time of sale. Accumulated experience is used to estimate and provide for the rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Expected rebates payable to customer (included in trade payables, other payables and accruals) in relation to sales made until the end of reporting period are assessed based on anticipated annual purchases.

As receivable is recognised when the goods are delivered 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition *(continued)*

(b) Financing components

The Group does not expect to have any contact containing financing components. As a consequence, the Group does not adjust any of the transition prices for the time value of money.

2.26 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 24 below. All other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Research and development expenses

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved softwares) are capitalized as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognized as expenses as incurred.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

2.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.29 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity 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. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group's exposure to foreign exchange risk mainly arises from various currency exposures, primarily with respect to the United States Dollars ("US$"), Hong Kong Dollars ("HK$") and Euro ("EUR"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency other than RMB.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and try to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

At 31 December 2019, if RMB had weakened/strengthened by 2% against US$ with all other variables held constant, net assets and post-tax profit for the year then ended would have been RMB225,000 (2018: RMB994,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US$-denominated trade payables and foreign exchange gains/losses on translation of US$-denominated trade receivables, cash and cash equivalents.

At 31 December 2019, if RMB had weakened/strengthened by 2% against EUR with all other variables held constant, net assets and post-tax profit for the year then ended would have been RMB660,000 (2018: RMB315,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR-denominated trade receivables, cash and cash equivalents and foreign exchange gains/losses on translation of EUR-denominated trade payables and borrowings.

At 31 December 2019, if RMB had weakened/strengthened by 2% against HK$ with all other variables held constant, net assets and post-tax profit for the year then ended would have been RMB3,367,000 (2018: RMB579,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$-denominated trade receivables, cash and cash equivalents and foreign exchange gains/losses on translation of HK$-denominated trade payables and borrowings.

(ii) Interest rate risk

The Group's exposure to interest rate risk arises mainly from cash at bank, restricted cash and borrowings. Cash at bank, restricted cash and borrowings at fixed rates expose the Group to fair value interest-rate risk, and those at floating rates expose the Group to cash flow interest-rate risk.

As at 31 December 2019, approximately RMB304,956,000 (2018: RMB205,922,000) of the Group's cash at bank and restricted cash was at fixed rates, and approximately RMB457,735,000 (2018: RMB539,731,000) of the Group's cash at bank and restricted cash was at floating rates.

As at 31 December 2019, approximately RMB202,366,000 (2018: RMB159,233,000) of the borrowings of the Group was at floating rates, and approximately RMB118,395,000 (2018: RMB31,193,000) of the borrowings of the Group was at fixed rates. The interest rates and maturities of the Group's borrowings are disclosed in note 19.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk (continued)

The Group regularly monitors its interest rate risk to ensure there is undue exposure to significant interest rate movements.

At 31 December 2019, if interest rates on cash at bank and restricted cash at floating rates had been 10 basis points higher/lower with all other variables held constant, post tax profit for the year would have been RMB361,000 (2018: RMB415,000) higher/lower, mainly as a result of higher/lower interest income on floating interest rate.

At 31 December 2019, if interest rates on the variable borrowings had been 10 basis points higher/lower with all other variables held constant, post tax profit for the year would have been RMB265,000 (2018: RMB159,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, trade receivables, notes receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

To manage risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned, or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from notes receivables, the Group only accepts bank acceptance notes issued by reputable banks located in PRC, and the Group believes the credit risk of these banks is relatively low.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivables balances due from them is not significant.

Amounts expressed in thousands of RMB except for share data

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets

The Group has several types of financial assets that are subject to the expected credit loss model:

- trade receivables, and
- other receivables.

While cash and cash equivalents, restricted cash and notes receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging of these receivables.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

At 31 December 2019	0–90 days	91–365 days	Over 365 days	Total
Provision on individual basis				
Lifetime expected credit loss rate	**100%**	**100%**	**100%**	
Gross carrying amount of certain debtor(s)	**–**	**415**	**7,116**	**7,531**
Loss allowance of certain debtor(s)	**–**	**(415)**	**(7,116)**	**(7,531)**
Provision on collective basis				
Lifetime expected credit loss rate	**0.2%**	**1.7%**	**10.8%**	
Gross carrying amount excluding certain debtor(s)	**460,883**	**74,803**	**17,366**	**553,052**
Loss allowance excluding certain debtor(s)	**(751)**	**(1,235)**	**(1,876)**	**(3,862)**
Total loss allowance	**(751)**	**(1,650)**	**(8,992)**	**(11,393)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

Amounts expressed in thousands of RMB except for share data

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

At 31 December 2018	0–90 days	91–365 days	Over 365 days	Total
Provision on individual basis				
Lifetime expected credit loss rate	100%	100%	100%	
Gross carrying amount of certain debtor(s)	–	2,617	7,944	10,561
Loss allowance of certain debtor(s)	–	(2,617)	(7,944)	(10,561)
Provision on collective basis				
Lifetime expected credit loss rate	0.2%	1.6%	10.5%	
Gross carrying amount excluding certain debtor(s)	316,647	81,535	20,606	418,788
Loss allowance excluding certain debtor(s)	(453)	(1,299)	(2,164)	(3,916)
Total loss allowance	(453)	(3,916)	(10,108)	(14,477)

Other receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward looking information. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding other receivables balances due from them is not significant.

(c) Liquidity risk

Liquidity risk management is to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings (Note 19). The Group maintains unutilised banking facilities to manage its working capital requirements.

Amounts expressed in thousands of RMB except for share data

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount liabilities
At 31 December 2019					
Borrowings	**301,497**	**7,941**	**14,498**	**323,936**	**320,761**
Trade and other payables	**617,992**	**–**	**–**	**617,992**	**617,992**
Lease liabilities	**7,862**	**3,916**	**404**	**12,182**	**11,699**
Total	**927,351**	**11,857**	**14,902**	**954,110**	**950,452**
At 31 December 2018					
Borrowings	163,587	7,973	21,454	193,014	190,426
Trade and other payables	434,250	–	–	434,250	434,250
Total	597,837	7,973	21,454	627,264	624,676

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new share or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as total debt divided by total capital. Total debt is calculated as interest bearing "borrowings" as shown in the consolidated statement of financial position. Total capital is calculated as "equity" as shown in the consolidated statement of financial position.

The Group's general strategy which was unchanged from 2018 is to maintain gearing ratio of less than 50%. The gearing ratio at 31 December 2019 and 2018 were as follows.

	As at 31 December	
	2019	2018
Total debt	**320,761**	190,426
Total equity	**2,453,170**	2,439,359
Gearing ratio	**13%**	8%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management *(continued)*

The total debt to equity ratio increased from 8% to 13% following the adoption of IFRS 16. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. See note 2.2 for further information.

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

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

There were no transfers among each level for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Amounts expressed in thousands of RMB except for share data

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation *(continued)*

Financial assets at fair value through profit or loss are wealth management products. Specific valuation techniques used to value these financial instruments include discounted cash flow analysis and quoted market prices of dealer quotes for similar instruments.

The following table presents the changes in level 3 items for the year ended 31 December 2019 and 31 December 2018:

	Wealth management product RMB'000	**Total** RMB'000
As at 1 January 2018	120,383	120,383
Additions	700,000	700,000
Settlements	(828,761)	(828,761)
Changes in fair value	8,378	8,378
As at 31 December 2018	–	–
Additions	788,100	788,100
Settlements	(792,559)	(792,559)
Changes in fair value	4,459	4,459
As at 31 December 2019	–	–
Changes in unrealised gains or (losses) recognised in profit or loss for assets held at the end of the reporting period		
2019	–	–
2018	–	–

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of investments on a case by case basis. At lease once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amounts of cash-generating units ("CGU") is determined base on value-in-use calculations, which requires the use of assumptions.

The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the growth rates as estimated by management by reference to certain internal and external market data. Details of key assumptions are disclosed in Note 8.

(b) Recoverability of non-financial assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take impairment charge to the consolidated statement of comprehensive income or loss.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions *(continued)*

(c) Current and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Allowance for impairment of trade receivables

The Group makes allowance for impairment of receivables based on assumptions about risk of default and expected credit loss rates. The Group uses judgements in making these assumptions and selecting the inputs to impairments calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(e) Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

(f) Estimated provision for slow moving inventories

Provisions for declines in the value of inventories are determined on an item-by-item basis when the carrying value of the inventories is higher than their net realisable value. The estimation of net realisable values requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact carrying values of inventories and provisions of inventories in the period which estimate has been charged.

Amounts expressed in thousands of RMB except for share data

5 REVENUE AND SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by CODM.

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors which are used for making strategic decisions.

The operating segments are based on sales generated by geographical areas. The segment information provided to the Executive Directors are as follows:

	PRC	International	Total
2019			
Revenue	**1,914,905**	**791,952**	**2,706,857**
Inter-segment revenue	**–**	**–**	**–**
Revenue from external customers	**1,914,905**	**791,952**	**2,706,857**
Cost of sales	**(1,381,484)**	**(657,218)**	**(2,038,702)**
Segment results	**533,421**	**134,734**	**668,155**
2018			
Revenue	1,598,719	893,978	2,492,697
Inter-segment revenue	–	–	–
Revenue from external customers	**1,598,719**	**893,978**	**2,492,697**
Cost of sales	(1,126,478)	(748,354)	(1,874,832)
Segment results	472,241	145,624	617,865

A reconciliation of total segment results to total profit for the year is provided as follows:

	Year ended 31 December	
	2019	2018
Segment results for reportable segments	**668,155**	617,865
Other income and other gains — net	**79,713**	83,045
(Impairment)/reversal of losses on financial assets – net	**(59)**	1,538
Distribution expenses	**(163,026)**	(136,312)
Administrative expenses	**(145,030)**	(130,012)
Operating profit	**439,753**	436,124
Finance income	**8,341**	11,039
Finance costs	**(6,399)**	(2,648)
Finance income — net	**1,942**	8,391
Profit before income tax	**441,695**	444,515
Income tax expense	**(104,376)**	(84,456)
Profit for the year	**337,319**	360,059
Depreciation and amortisation charges	**(148,188)**	(119,880)

Amounts expressed in thousands of RMB except for share data

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information on segment assets and liabilities are not disclosed as this information is not presented to the Executive Directors as they do not assess performance of reportable segments using information on assets and liabilities. The non-current assets excluding deferred income tax assets (there is no employment benefit assets and rights arising under insurance contracts) amount to RMB1,549,876,000 (2018: RMB1,405,975,000).

The following table presents sales generated from packaging materials, filling machines and digital services:

	Year ended 31 December	
	2019	2018
Dairy products	**2,220,331**	2,103,040
NCSD products	**478,303**	389,657
Filling machines	**6,947**	–
Digital services	**1,276**	–
	2,706,857	2,492,697

Revenue of approximately RMB1,663,805,000 or 61% (2018: RMB1,503,190,000 or 60%) was derived from 5 (2018: 5) single external customers. These revenues were attributable to the PRC and international segments.

Amounts expressed in thousands of RMB except for share data

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery	Vehicles and office equipment	Construction in progress	Leasehold improvements	Total
Cost						
As at 1 January 2018	505,260	1,401,176	57,003	132,975	1,739	2,098,153
Additions	12,298	32	3,438	93,758	–	109,526
Transfer upon completion	60,392	124,924	6,941	(192,257)	–	–
Disposals	–	(1,230)	(3,507)	–	–	(4,737)
Exchange differences	1,147	2,134	141	118	10	3,550
As at 31 December 2018	579,097	1,527,036	64,016	34,594	1,749	2,206,492
Acquisition of subsidiaries	118,216	59,162	1,473	296	–	179,147
Additions	–	58	434	19,836	–	20,328
Transfer upon completion	11,426	21,302	4,302	(37,030)	–	–
Disposals	–	(896)	(2,568)	–	–	(3,464)
Exchange differences	(1,099)	(1,585)	(109)	(160)	(7)	(2,960)
As at 31 December 2019	**707,640**	**1,605,077**	**67,548**	**17,536**	**1,742**	**2,399,543**
Accumulated depreciation						
As at 1 January 2018	(88,067)	(660,931)	(40,244)	–	(996)	(790,238)
Charge for the year	(18,376)	(88,261)	(8,338)	–	(163)	(115,138)
Disposals	–	769	3,077	–	–	3,846
Exchange differences	(220)	(886)	(91)	–	(6)	(1,203)
As at 31 December 2018	(106,663)	(749,309)	(45,596)	–	(1,165)	(902,733)
Charge for the year	(23,821)	(101,618)	(9,449)	–	(162)	(135,050)
Disposals	–	736	1,989	–	–	2,725
Exchange differences	187	493	76	–	4	760
As at 31 December 2019	**(130,297)**	**(849,698)**	**(52,980)**	**–**	**(1,323)**	**(1,034,298)**
Net book value						
As at 31 December 2019	**577,343**	**755,379**	**14,568**	**17,536**	**419**	**1,365,245**
As at 31 December 2018	472,434	777,727	18,420	34,594	584	1,303,759

Amounts expressed in thousands of RMB except for share data

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2019	2018
Cost of sales	**129,955**	110,921
Distribution expenses	**125**	90
Administrative expenses	**4,970**	4,127
	135,050	115,138

(b) The Group's property, plant and equipment are located in the PRC and Europe.

As at 31 December 2019, the net book value of property, plant and equipment located in Europe was approximately RMB474,361,826 (as at 31 December 2018: RMB509,369,249).

(c) Construction in progress as at 31 December 2019 mainly comprises new equipment being constructed in Halle, Germany, Shandong, PRC and Inner Mongolia, PRC.

7 RIGHT-OF-USE ASSETS

This note provides information for leases where the Group is a lessee.

The Group has lease contracts for land and buildings and various items of machinery and equipment used in its operations. The movements during the year are set out below:

	Land use rights (a)	Buildings (b)	Office equipment (b)	Total
Net book value at 1 January 2019, as previously reported	–	–	–	–
Effect of the adoption of IFRS 16 (Note 2.22 of Significant Account Policies)	14,774	16,062	741	31,577
Net book value at 1 January 2019, as restated	14,774	16,062	741	31,577
Acquisition of subsidiaries (Note 31)	23,420	1,165	–	24,585
Additions	–	254	–	254
Depreciation	(764)	(6,615)	(323)	(7,702)
Net book value at 31 December 2019	37,430	10,866	418	48,714

(a) All of the Group's land use rights are located in the PRC with the leasehold period of 50 years.

(b) The Group has leased several assets for buildings and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Tenures of the leases range from 1 to 5 years.

Amounts expressed in thousands of RMB except for share data

8 INTANGIBLE ASSETS

	Goodwill	Computer Software	Trademarks	Patent and others	Total
Cost					
As at 1 January 2018	47,773	38,721	428	–	86,922
Additions	–	3,873	–	–	3,873
Exchange differences	–	120	–	–	120
As at 31 December 2018	47,773	42,714	428	–	90,915
Acquisition of subsidiaries	16,948	3,277	–	22,697	42,922
Additions	–	690	–	–	690
Exchange differences	–	(93)	–	–	(93)
As at 31 December 2019	**64,721**	**46,588**	**428**	**22,697**	**134,434**
Accumulated amortisation					
As at 1 January 2018	–	(15,094)	(265)	–	(15,359)
Amortisation	–	(4,357)	(47)	–	(4,404)
Exchange differences	–	(40)	–	–	(40)
As at 31 December 2018	–	(19,491)	(312)	–	(19,803)
Amortisation	–	(4,867)	(47)	(522)	(5,436)
Exchange differences	–	31	–	–	31
As at 31 December 2019	**–**	**(24,327)**	**(359)**	**(522)**	**(25,208)**
Net book value					
As at 31 December 2019	**64,721**	**22,261**	**69**	**22,175**	**109,226**
As at 31 December 2018	47,773	23,223	116	–	71,112

Amortisation of the Group's intangible assets has been charged to administrative expense in the consolidated statement of comprehensive income.

(a) Impairment tests for goodwill

Goodwill is monitored by management at the level of the following two CGUs:

	Total
Packaging business — GA Shandong, GA Beijing and GA Inner Mongolia (i)	47,773
Greatdata (ii)	16,948
	64,721

Amounts expressed in thousands of RMB except for share data

8 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill *(continued)*

(i) The goodwill arose from acquisition of Greatview Aseptic Packaging (Shandong) Co., Ltd. ("GA Shandong") in January 2005. The goodwill is monitored by the Group at the level of cash-generated units ("CGUs") which contain GA Shandong, Greatview Beijing Trading Co.,Ltd. ("GA Beijing") and Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd. ("GA Inner Mongolia"), as GA Shandong's business was partially transferred to GA Beijing and GA Inner Mongolia after acquisition, all these entities are included in the PRC operating segment.

(ii) The goodwill arose from the acquisition of Greatdata on 1 November 2019.

The recoverable amount of cash-generated units ("CGUs") is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period using estimated growth rates which are based on past performance and their expectations of future development. Cash flows within the five-year period are extrapolated using the estimated growth rates stated below.

The following table sets out the key assumptions for those CGUs with goodwill allocated to them:

	Packaging business- GA Shandong, GA Beijing and GA Inner Mongolia	Greatdata
2019		
Revenue growth rate for next 5 years	**3.0%–3.5%**	**3%–18.6%**
Perpetuity growth rate	**2%**	**3%**
Pre-tax discount rate	**15.8%**	**23.0%**
2018		
Revenue growth rate for next 5 years	2.5%–3.5%	–
Perpetuity growth rate	2%	–
Pre-tax discount rate	15.5%	–

Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	Approach used to determine values
Revenue growth rate for next 5 years	Revenue growth rate is for the five-year forecast period. It is based on past performance and management's expectations of market development.
Perpetuity growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	The discount rate reflects specific risks relating to the relevant CGUs in which they operate.

Amounts expressed in thousands of RMB except for share data

8 INTANGIBLE ASSETS (CONTINUED)

(b) Impact of possible changes in key assumptions

Packaging business — GA Shandong, GA Beijing and GA Inner Mongolia CGU:

As at 31 December 2019, the recoverable amount of GA Shandong, GA Beijing and GA Inner Mongolia CGU is estimated exceed the carrying amount of the CGU by RMB481,000,000. The recoverable amount of this CGU would equal its carrying amount of the key assumptions were to change as follows:

	2019	
	From	**To**
Revenue growth rate for next 5 years	**3.0%–3.5%**	**(0.56%)–(0.06%)**
Perpetuity growth rate	**2%**	**(0.6%)**
Pre-tax discount rate	**15.8%**	**18.2%**

Greatdata CGU:

As at 31 December 2019, the recoverable amount of Greatdata CGU is estimated exceed the carrying amount of the CGU by RMB2,801,000. The recoverable amount of this CGU would equal its carrying amount of the key assumptions were to change as follows:

	2019	
	From	**To**
Revenue growth rate for next 5 years	**3%–18.6%**	**(3.64%)–11.96%**
Perpetuity growth rate	**3%**	**1.1%**
Pre-tax discount rate	**23.0%**	**24.3%**

9 INVENTORIES

	As at 31 December	
	2019	2018
Raw materials	**465,869**	438,733
Work in progress	**34,907**	11,689
Finished goods	**138,777**	133,540
	639,553	583,962
Less: Provision for obsolescence		
— Raw materials	**(10,369)**	(10,644)
— Finished goods	**(2,046)**	(1,590)
	627,138	571,728

Amounts expressed in thousands of RMB except for share data

9 INVENTORIES (CONTINUED)

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB2,023,218,000 for the year ended 31 December 2019 (2018: RMB1,859,138,000).

Inventory provision and the amount reversed have been included in cost of sales in the consolidated statement of comprehensive income for the years ended 31 December 2019 and 2018.

10 TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2019	2018
Trade receivables — gross	**560,583**	429,349
Less: Provision for impairment of trade receivables	**(11,393)**	(14,477)
Trade receivables — net	**549,190**	414,872
Notes receivables	**37,941**	5,241
Less non-current portion: Trade receivables	**(9,805)**	(6,752)
	577,326	413,361

Customers are normally granted credit term within 90 days. At 31 December 2019 and 2018, the aging analysis of the trade receivables based on invoice date are as follows:

	As at 31 December	
	2019	2018
Trade receivables — gross		
0–90 days	**460,883**	316,647
91–180 days	**53,746**	53,897
181–365 days	**21,472**	30,255
Over 365 days	**24,482**	28,550
	560,583	429,349

The Group does not hold any collateral as security.

All non-current receivables are due over one year from the end of the year.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1 provides for details about the calculation of the allowance.

Amounts expressed in thousands of RMB except for share data

10 TRADE AND NOTES RECEIVABLES (CONTINUED)

Movement in the allowance for impairment of trade receivables is as follows:

	Year ended 31 December	
	2019	2018
As at 1 January	**14,477**	23,908
Increase in loss allowance recognised in profit or loss during the year	**113**	2,193
Allowance reversed	**(54)**	(3,731)
Receivables written off during the year as uncollectible	**(3,143)**	(7,893)
At 31 December	**11,393**	14,477

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the failure of a debtor to engage in a repayment plan with the Group.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

11 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
Prepayments		
— tariffs	**176**	3,611
— advances to suppliers	**19,093**	22,027
— other deferred expenses	**8,351**	8,757
— prepayment for land use rights	**13,859**	7,898
Less: Provision for impairment	**—**	(8,681)
Prepayments — net	**41,479**	33,612
Less non-current portion: prepayments	**(16,886)**	(9,578)
	24,593	24,034
Other receivables		
— staff advances and other payments for employees	**3,881**	6,641
— value added tax deductible	**2,266**	12,400
— value added tax receivable	**9,301**	14,322
— others	**3,367**	2,932
	18,815	36,295
	43,408	60,329

Amounts expressed in thousands of RMB except for share data

12 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at 31 December	
	2019	2018
Cash at bank and in hand	**485,507**	543,691
Bank deposits with initial terms within three months	**77,275**	12,700
	562,782	556,391

(b) Restricted cash

At 31 December 2019, RMB199,976,000 (2018: RMB190,890,000) are restricted deposits held at bank as guarantee for notes payables.

The carrying amounts of cash and cash equivalents and restricted cash of the Group are denominated in the following currencies:

	As at 31 December	
	2019	2018
RMB	**638,100**	665,251
US$	**56,353**	35,856
EUR	**66,133**	44,876
HK$	**71**	406
CHF	**1,222**	220
GBP	**879**	672
	762,758	747,281

Amounts expressed in thousands of RMB except for share data

13 SHARE CAPITAL, SHARE PREMIUM AND CAPITAL RESERVE

	Note	As at 31 December	
		2019	2018
Share capital	(a)	**11,446**	11,446
Share premium	(a)	**516,953**	613,988
Capital reserve		**122,848**	122,848
		651,247	748,282

(a) Share capital and share premium

Share capital

The total authorised number of ordinary shares is 3,000,000,000 (2018: 3,000,000,000) with par value of HK$0.01 per share (2018: HK$ 0.01 per share).

The number of ordinary shares issued as of 31 December 2019 is 1,337,019,000 (2018: 1,337,019,000). All issued shares are fully paid.

Share premium

On 9 December 2010, the Company completed its initial public offering by issuing 233,600,000 shares of HK$0.01 each at a price of HK$4.30 per share. The Company's shares are listed on the Stock Exchange.

14 STATUTORY RESERVE

	Year ended 31 December	
	2019	2018
As at 1 January	**285,581**	263,550
Transfer (to)/from retained earnings	**(28,726)**	22,031
As at 31 December	**256,855**	285,581

(a) In accordance with PRC's regulations and the Articles of Association of those subsidiaries of the Group, which incorporated in the PRC ("PRC subsidiaries"), the PRC subsidiaries of the Group appropriate 10% of their net profits as shown in the accounts prepared under PRC generally accepted accounting principles to statutory reserve, until the reserve reaches 50% of their respective registered capital. Appropriation of the statutory reserve must be made before distribution of dividend to equity holders.

(b) Pursuant to the resolution of the Board of GA Inner Mongolia on 30 May 2019, GA Inner Mongolia reversed portion of its statutory reserve which exceeded 50% of its registered capital to retained earnings.

Amounts expressed in thousands of RMB except for share data

15 RETAINED EARNINGS

	Year ended 31 December	
	2019	2018
As at 1 January	**1,450,308**	1,365,723
Profit for the year	**337,319**	360,059
Transfer from/(to) statutory reserve (Note 14(b))	**28,726**	(22,031)
Dividends paid	**(224,818)**	(253,443)
As at 31 December	**1,591,535**	1,450,308

16 DEFERRED GOVERNMENT GRANTS

	Year ended 31 December	
	2019	2018
As at 1 January	**93,765**	90,833
Additions	**358**	10,085
Acquisition of subsidiaries	**168**	–
Amortisation	**(7,775)**	(7,569)
Exchange adjustments	**(354)**	416
As at 31 December	**86,162**	93,765
At the end of the year		
Cost	**142,283**	141,351
Acquisition of subsidiaries	**83**	–
Less: accumulated amortisation	**(55,778)**	(48,161)
Exchange adjustments	**(426)**	575
Net book amount	**86,162**	93,765

	As at 31 December	
	2019	2018
Current portion of deferred government grant	**7,825**	7,412
Non-current portion of deferred government grant	**78,337**	86,353

During the year ended 31 December 2019, the Group received government grants relating to costs. The amounts are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Amounts expressed in thousands of RMB except for share data

17 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2019	2018
Trade payables	**241,263**	227,446
Notes payables	**257,930**	137,890
Advances from customers	**9,958**	17,406
Accrued expenses	**86,372**	54,481
Salary and welfare payables	**27,706**	20,518
Other tax payables	**10,483**	5,215
Other payables	**32,427**	14,433
	666,139	477,389

The normal credit period granted by the creditors generally ranged from 30 to 90 days. As at 31 December 2019 and 2018, the aging analysis of the trade payables is as follows:

	As at 31 December	
	2019	2018
Within 30 days	**176,726**	163,229
31–90 days	**63,033**	59,702
91–365 days	**1,029**	2,402
Over 365 days	**475**	2,113
	241,263	227,446

The carrying amounts of trade payables, notes payables, salary and welfare payables and other payables approximate their fair values and are mainly denominated in the following currencies:

		As at 31 December	
		2019	2018
Trade payables	— RMB	**126,706**	77,941
	— US$	**75,164**	96,795
	— EUR	**39,196**	51,846
	— Others	**197**	864
		241,263	227,446
Notes payables	— RMB	**257,930**	137,890

Amounts expressed in thousands of RMB except for share data

17 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

		As at 31 December	
		2019	2018
Salary and welfare payables	— RMB	**26,615**	19,627
	— EUR	**1,091**	891
		27,706	20,518
Other payables	— RMB	**29,952**	7,406
	— US$	**–**	73
	— HK$	**–**	56
	— EUR	**2,475**	6,898
		32,427	14,433

18 LEASE LIABILITIES

	As at 31 December	
	2019	2018
Lease liabilities	**11,699**	–
Less: Current portion of non-current liabilities	**(7,466)**	–
	4,233	–

As at 31 December 2019, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

Amounts expressed in thousands of RMB except for share data

19 BORROWINGS

		As at 31 December	
		2019	2018
Current			
Secured			
Bank borrowings (a)	— EUR	**94,872**	129,806
	— HK$	**202,366**	–
		297,238	129,806
Unsecured			
Borrowings from a third party (b)	— RMB	**2,030**	–
Bank borrowings (a)	— HK$	**–**	31,193
		2,030	31,193
		299,268	160,999
Non-Current			
Secured			
Bank borrowings (a)	— EUR	**21,493**	29,427
Total borrowings		**320,761**	190,426

(a) Bank Borrowings

The weighted average effective interest rates at the balance sheet dates are set out as follows:

	As at 31 December	
	2019	2018
Bank Borrowings	**2.44%**	1.57%

All secured bank borrowings of RMB318,731,000 were guaranteed by the Company (2018: RMB44,180,000 were guaranteed by the Company and RMB115,053,000 were secured by bank deposit of the Group).

The Group's bank borrowings were repayable as follows:

	As at 31 December	
	2019	2018
Within 1 year	**297,238**	160,999
Between 1 and 2 years	**7,816**	7,847
Between 2 and 5 years	**13,677**	21,580
	318,731	190,426

Amounts expressed in thousands of RMB except for share data

19 BORROWINGS (CONTINUED)

(a) Bank Borrowings *(continued)*

As of 31 December 2019, the Group has 4 borrowing facilities (31 December 2018: 6) with a total limit of US$95,000,000 (RMB662,739,000) and EUR25,000,000 (RMB195,388,000) (31 December 2018: US$120,000,000 (RMB823,584,000) and EUR31,350,000 (RMB246,013,000)). The amounts of the unutilized borrowing facilities are as follows:

	As at 31 December	
	2019	2018
Floating rate:		
— Expiring within 1 year	**539,396**	879,171

(b) Borrowings from a third party

Borrowings from a third party arose from the acquisition of Greatdata (Note 31 (b)). Borrowings from a third party were unsecured and with an average effective annual interest rate of 4.75%. All borrowings from a third party will be repaid subsequently in 2020.

20 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2019	2018
Deferred income tax assets		
— Deferred income tax asset to be recovered after more than 12 months	**11,678**	13,482
— Deferred income tax asset to be recovered within 12 months	**20,189**	8,304
	31,867	21,786
Deferred income tax liabilities		
— Deferred tax liability to be recovered after more than 12 months	**(11,314)**	–
— Deferred income tax liability to be recovered within 12 months	**(8,853)**	(3,700)
	(20,167)	(3,700)

Amounts expressed in thousands of RMB except for share data

20 DEFERRED INCOME TAX (CONTINUED)

The movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2019	2018
At beginning of the year	**18,086**	13,119
(Charged)/credited to profit or loss (Note 25)	**(988)**	4,967
Acquisition of subsidiaries	**(5,398)**	–
At end of the year	**11,700**	18,086

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	**Accrued expenses**	**Government grants**	**Impairments and provisions**	**Leases**	**Total**
At 1 January 2018	6,948	4,896	9,570	–	21,414
Credited/(charged) to profit or loss	644	(363)	91	–	372
At 31 December 2018	7,592	4,533	9,661	–	21,786
Change in accounting policies (note 2.2)				4,201	4,201
At 1 January 2019	7,592	4,533	9,661	4,201	25,987
Acquisition of subsidiaries	13	–	772	267	1,052
Credited/(charged) to profit or loss	10,059	(392)	(3,296)	(1,543)	4,828
At 31 December 2019	**17,664**	**4,141**	**7,137**	**2,925**	**31,867**

Deferred income tax liabilities	**Unremitted earnings (Note 20(b))**	**Fair value gains**	**Other tax differences**	**Leases**	**Total**
At 1 January 2018	7,450	845	–	–	8,295
Credited to profit or loss	(3,750)	(845)	–	–	(4,595)
At 31 December 2018	3,700	–	–	–	3,700
Change in accounting policies (note 2.2)	–	–	–	4,201	4,201
At 1 January 2019	3,700	–	–	4,201	7,901
Acquisition of subsidiaries	–	–	6,159	291	6,450
Charged/(credited) to profit or loss	3,300	–	4,187	(1,671)	5,816
At 31 December 2019	**7,000**	**–**	**10,346**	**2,821**	**20,167**

Amounts expressed in thousands of RMB except for share data

20 DEFERRED INCOME TAX (CONTINUED)

(a) Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The amount of tax losses for which no deferred income tax asset were recognised was approximately RMB45,101,000 (2018: RMB12,920,000). As at 31 December 2019 and 2018, the expiry dates of the unrecognised tax losses can be carried forward against future taxable income are analysed as below:

Expiring in year ending:	**2019**	2018
2019	**–**	3,615
2020	**3,059**	3,277
2021	**3,600**	2,719
2022	**6,869**	1,564
2023	**17,193**	645
2024	**13,025**	–
Losses without expiry date	**1,355**	1,100
	45,101	12,920

(b) In accordance with the corporate income tax law in the PRC, a 5% withholding tax will be levied on the dividend declared by the subsidiaries which was established in the PRC to its foreign investor. Considering the dividend policies of the PRC subsidiaries and the Group's business plan, the directors are of the view that only a portion of the unremitted earnings of the PRC subsidiaries of approximately RMB140,000,000 (2018: RMB74,000,000) may be distributed to their foreign parent company in the foreseeable future and the related deferred income tax liabilities of approximately RMB7,000,000 (2018: RMB3,700,000) have been recognised accordingly.

21 OTHER INCOME AND OTHER GAINS — NET

	Year ended 31 December	
	2019	2018
Other income — net:		
Income from sales of scraps	**14,465**	19,096
Subsidy income from government	**26,835**	40,600
Interest income from wealth management products measured at fair value through profit or loss	**4,459**	8,961
	45,759	68,657
Other gains — net:		
Net losses on disposal of assets	**(97)**	(198)
Net foreign exchange (loss)/gain	**(976)**	5,034
Gains from a bargain purchase	**25,558**	–
Others	**9,469**	9,552
	33,954	14,388
	79,713	83,045

Amounts expressed in thousands of RMB except for share data

21 OTHER INCOME AND OTHER GAINS — NET (CONTINUED)

The subsidy income comprised cash grants from local government as an incentive to promote local businesses.

Gain from a bargain purchase recognised was mainly attributable to the consideration negotiated with the vendor under the circumstances of the financial difficulties faced by and the underutilisation of the production capacity of the acquiree before the acquisition of Likang.

22 EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
Raw materials and consumables used	**1,593,960**	1,470,423
Changes in inventories of finished goods and work in progress	**36,512**	40,359
Tax and levies on main operations	**15,486**	15,694
Write-back for obsolescence on inventories	**(121)**	(3,460)
Depreciation and amortisation charges:	**148,188**	119,880
— *Depreciation of PP&E*	**135,050**	115,138
— *Depreciation of right-of-use assets*	**7,702**	–
— *Amortisation of intangible assets*	**5,436**	4,404
— *Amortisation of land use rights*	**–**	338
Employee benefit expenses (Note 23)	**271,536**	233,891
Auditors' remuneration		
— Audit services	**2,930**	2,180
— Non-audit services	**1,483**	3,648
Transportation expenses	**89,119**	84,678
Repair and maintenance expenses	**31,644**	28,940
Electricity and utilities	**46,406**	40,967
Rental expenses	**1,032**	6,802
Plating expenses	**15,305**	15,563
Professional fees	**13,032**	15,742
Travelling expenses	**15,203**	15,238
Advertising and promotional expenses	**27,834**	16,059
Other expenses	**37,209**	34,552
Total cost of sales, distribution expenses and administrative expenses	**2,346,758**	2,141,156

Amounts expressed in thousands of RMB except for share data

23 EMPLOYEE BENEFITS

The analysis of employee benefits is as follows:

	Year ended 31 December	
	2019	2018
Wages and salaries (including discretionary bonuses)	**223,878**	197,231
Employer's contributions to pension scheme and others	**47,658**	36,660
	271,536	233,891

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors (2018: 2), whose emoluments were reflected in the analysis presented in Note 36. All of these individuals have not received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the year ended December 31, 2019 and 2018. The aggregate amounts of emoluments for the remaining 3 (2018: 3) individuals for the years are as follows:

	Year ended 31 December	
	2019	2018
Salaries and other short-term employees benefits	**3,232**	3,116
Contribution to pension scheme	**100**	111
Bonuses	**582**	666
Social security cost	**87**	82
	4,001	3,975

The emoluments fell within the following bands:

	Year ended 31 December	
	2019	2018
Emolument bands		
HK$1,000,001–HK$1,500,000	**2**	2
HK$1,500,001–HK$2,000,000	**1**	–
HK$2,000,001–HK$2,500,000	**–**	1
	3	3

Amounts expressed in thousands of RMB except for share data

23 EMPLOYEE BENEFITS(CONTINUED)

(b) Senior management remuneration by band (excluded 2 directors (2018: 2), whose emoluments were reflected in the analysis presented in Note 36)

The number of individuals emoluments fell within the following bands:

	Year ended 31 December	
	2019	2018
Emolument bands		
HK$0–HK$500,000	**–**	1
HK$500,001–HK$1,000,000	**1**	1
HK$1,000,001–HK$1,500,000	**3**	2
	4	4

24 FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December	
	2019	2018
Interest income	**8,341**	11,039
Finance income	**8,341**	11,039
Interest expenses — bank borrowings	**(4,525)**	(2,493)
Interest expenses — lease	**(675)**	–
Exchange losses — net	**(1,199)**	(155)
Finance costs	**(6,399)**	(2,648)

25 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Current income tax:		
Enterprise income tax	**103,388**	91,307
Deferred income tax:	**988**	(6,851)
Income tax expense	**104,376**	84,456

Amounts expressed in thousands of RMB except for share data

25 INCOME TAX EXPENSE (CONTINUED)

The Group's subsidiaries established in the PRC except for GA Inner Mongolia are subject to the PRC statutory income tax rate of 25% (2018: 25%) on the taxable income for the year. Hong Kong profits tax rate is 16.5% up to 1 April 2018. When the two-tiered profits tax regime took effect on 1 April 2018, the applicable Hong Kong profits tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million. The profits tax of Greatview Aseptic Packaging Manufacturing GmbH and Greatview Aseptic Packaging Service GmbH has been provided at rate of 30.8%. Greatview Aseptic Packaging Europe GmbH is subject to the Swiss statutory income tax rate of 11.35%.

GA Inner Mongolia is located in a special economic zone with a preferential statutory income tax rate of 15%, which is subject to annual approval from the local tax bureau. The local tax bureau has approved this preferential tax rate of 15% for this subsidiary in year 2019.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group companies is as follows:

	Year ended 31 December	
	2019	2018
Profit before tax	**441,695**	444,515
Tax calculated at domestic tax rates applicable to profits in the respective countries	**102,046**	81,993
Withholding tax on dividends	**12,131**	10,100
Preferential tax treatment for a subsidiary	**(12,012)**	(13,914)
Income not subject to tax	**(201)**	(786)
Expenses not deductible for tax purposes	**1,202**	3,884
Tax losses for which no deferred income tax asset is recognised	**987**	256
Utilisation of previously unrecognised tax losses	**(967)**	(210)
Others	**1,190**	3,133
Income tax expense	**104,376**	84,456

26 EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company	**337,319**	360,059
Weighted average number of ordinary shares in issue (thousands)	**1,337,019**	1,337,019
Basic and diluted earnings per share (RMB per share)	**0.25**	0.27

Basic and diluted earnings per share are the same as the Group does not have any dilutive potential ordinary shares for the years ended 31 December 2019 and 2018.

Amounts expressed in thousands of RMB except for share data

27 DIVIDENDS

The dividends paid in 2019 and 2018 were HK$360,995,130 (2018 final dividend of HK$0.14 per share, approximately RMB165,121,000, and 2019 interim dividend of HK$0.13 per share, approximately RMB156,732,000, respectively) and HK$347,626,470 (2017 final dividend and 2018 interim dividend each of HK$0.13 per share, approximately RMB303,443,000 in total) respectively. A final dividend in respect of the year ended 31 December 2019 of HK$0.14 per share, amounting to a total dividend of HK$187,182,660 (approximately RMB167,678,000 in total) is to be proposed by the Board at the forthcoming annual general meeting to be partly paid out of the share premium account of the Company and partly paid out of the distributable profits of the Company. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2019	2018
Proposed and paid interim dividend of HK$0.13 (2018: HK$0.13) per ordinary share	**156,732**	152,955
Proposed final dividend of HK$0.14 (2018: HK$0.14) per ordinary share	**167,678**	164,009
	324,410	316,964

28 CASH GENERATED FROM OPERATIONS

	Year end 31 December	
	2019	2018
Profit before income tax	**441,695**	444,515
Adjustments for:		
— Amortisation of intangible assets	**5,436**	4,404
— Amortisation of land use rights	**–**	338
— Amortisation of deferred government grants	**(7,775)**	(7,569)
— Depreciation of property, plant and equipment	**135,050**	115,138
— Depreciation of right-of-use assets	**7,702**	–
— Impairment/(reversal) for trade and other receivables	**59**	(1,895)
— Write-back for obsolescence on inventories	**(121)**	(3,460)
— Loss on disposal of property, plant and equipment	**97**	198
— Interest income from financial assets at FVPL	**(4,459)**	(8,961)
— Gain from a bargain purchase	**(25,558)**	–
— Finance income — net	**(1,942)**	(8,391)
— Foreign exchange gains on operating activities	**7,458**	528
Changes in working capital:		
— Inventories	**4,307**	35,801
— Trade and notes receivables	**(92,579)**	(66,889)
— Other receivables and prepayments	**14,168**	(10,903)
— Restricted cash	**(9,086)**	(1,136)
— Trade payables, other payables and accruals	**(27,352)**	(15,283)
— Contract liabilities	**(185)**	–
Cash generated from operations	**446,915**	476,435

Amounts expressed in thousands of RMB except for share data

28 CASH GENERATED FROM OPERATIONS (CONTINUED)

Non-cash transaction

In 2018 and 2019, there was no significant non-cash transaction.

	Liabilities from financing activities			
	Borrowings due after 1 year	Borrowings due within 1 year	Leases	Total
At 1 January 2018	–	(112,919)	–	(112,919)
Cash flows	(29,343)	(46,666)	–	(76,009)
Foreign exchange adjustments	(84)	(1,414)	–	(1,498)
At 31 December 2018	(29,427)	(160,999)	–	(190,426)
Recognised on adoption of IFRS 16 (note 2.2)	–	–	(16,803)	(16,803)
At 1 January 2019	(29,427)	(160,999)	(16,803)	(207,229)
Cash flows	–	(87,518)	7,102	(80,416)
Acquisition of subsidiary	–	(33,734)	–	(33,734)
Addition — leases principle	–	–	(1,323)	(1,323)
Addition — leases interests	–	–	(675)	(675)
Foreign exchange adjustments	217	(9,300)	–	(9,083)
Other non-cash movement	7,717	(7,717)	–	–
At 31 December 2019	**(21,493)**	**(299,268)**	**(11,699)**	**(332,460)**

Amounts expressed in thousands of RMB except for share data

29 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 December 2019 are set out below: Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share and paid-in capital/ registered capital	Ownership interest held by the Group (%)	
				2019	2018
Directly held by the Company					
Partner One Enterprises Ltd.	British Virgin Island, Limited liability company	Investment holding in British Virgin Islands	US$2	**100%**	100%
Falcon Eye Global Ltd.	British Virgin Island, Limited liability company	Investment holding in British Virgin Islands	US$2	**100%**	–
Indirectly held by the Company					
Global Land International Industries Limited	Hong Kong, Limited liability company	Investment holding in Hong Kong	HK$10,000	**100%**	100%
Greenone Co., Ltd.	PRC, Limited liability company	Research and development of multi-layers food packaging materials in PRC	RMB10,000,000	**100%**	100%
Greatview Holdings Ltd.	Hong Kong, Limited liability company	Investment holding in Hong Kong	HK$10,000	**100%**	100%
Greatview Aseptic Packaging (Shandong) Co., Ltd.	PRC, Limited liability company	Production and sale of packaging products in PRC	US$48,040,000	**100%**	100%
Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd.	PRC, Limited liability company	Production and sale of packaging products in PRC	US$20,000,000	**100%**	100%
Greatview Aseptic Packaging Europe GmbH	Switzerland, Limited liability company	Sale of packaging products in Switzerland	CHF50,000	**100%**	100%
Greatview Beijing Trading Co., Ltd.	PRC, Limited liability company	Sale of packaging products and equipment and related technical development services in PRC	US$750,000	**100%**	100%
Greatview Aseptic Packaging Manufacturing GmbH	Germany, Limited liability company	Production and sale of packaging products in Germany	EUR25,000	**100%**	100%

Amounts expressed in thousands of RMB except for share data

29 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share and paid-in capital/ registered capital	Ownership interest held by the Group (%) 2019	2018
Indirectly held by the Company (continued)					
Greatview Aseptic Packaging Service GmbH	Germany, Limited liability company	Sale of packaging products in Germany	EUR25,000	**100%**	100%
Langfang XinCeHeng Plastic Co., Ltd.	PRC, Limited liability company	Production of rubber and plastic films in PRC	RMB10,000,000	**100%**	100%
Qingdao Likang Food Packaging Technology Co., LTD.	PRC, Limited liability company	Production and sale of packaging products in PRC	RMB100,000,000	**100%**	–
Esight Company Limited	Hong Kong, Limited liability company	Investment holding in Hong Kong	HK$1	**100%**	–
Beijing Greatdata Technology Co., Ltd.	PRC, Limited liability company	Technical research and development, software research and development, technical services in PRC	RMB10,000,000	**100%**	–
Controlled by the Company pursuant to the Contractual Agreements					
Beijing Esight Innovation Co., Ltd.	PRC, Limited liability company	Technical research and development, software research and development, technical services in PRC	RMB1,000,000	**100%**	–
Beijing Esight Digital Innovation Co., Ltd.	PRC, Limited liability company	Technical research and development, software research and development, technical services in PRC	RMB10,000,000	**100%**	–

Significant restrictions

Cash and bank balances of RMB619,946,000 (2018: RMB672,834,000) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Amounts expressed in thousands of RMB except for share data

30 COMMITMENTS

(a) The Group's capital commitments at the date of each statement of financial position are as follows:

	As at 31 December	
	2019	2018
Contracted but not provided for		
— Property, plant and equipment	**2,091**	6,373

(b) Non-cancellable operating leases

The Group leases various land use rights, buildings and office equipment under non-cancellable operating leases expiring within six months to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases, see note 7 for further information.

	As at 31 December	
	2019	2018
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within 1 year	**–**	9,135
Later than 1 year and no later than 5 years	**–**	10,879
	–	20,014

Amounts expressed in thousands of RMB except for share data

31 BUSINESS COMBINATION

(a) Acquisition of Likang

On 28 March 2019, the Group completed the acquisition of 100% equity interest in Likang from a third party for a consideration of RMB106,457,000.

The following table summarises the purchase consideration for Likang, and the provisional fair value of the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	As at 28 March 2019
Acquisition consideration	106,457
Less:	
Cash and cash equivalents	2,318
Notes receivables	10,370
Trade and other receivables	62,547
Prepayments	3,646
Inventories	59,596
Property, plant and equipment	178,922
Right-of-use assets	23,420
Deferred income tax assets	785
Trade payables	(16,463)
Accruals and other payables	(189,268)
Income tax liabilities	(1,979)
Deferred income tax liabilities	(1,828)
Deferred government grants	(51)
Gains from a bargain purchase	(25,558)
Acquisition-related costs (included in administrative expenses in the consolidated statement of comprehensive income	1,202
Outflow of cash for the acquisition, net of cash acquired	
Acquisition consideration	106,457
Cash paid during the current period	96,457
Cash and cash equivalents in the subsidiary acquired	(2,318)
Net cash outflow	94,139

(i) Revenue and profit contribution

The revenue and net profit included in the consolidated statement of comprehensive income contributed by Likang since 28 March 2019 was RMB218,482,000 and RMB28,210,000 respectively.

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit of the Group for the year ended 31 December 2019 would have been RMB2,779,684,000 and RMB346,722,000 respectively.

Amounts expressed in thousands of RMB except for share data

31 BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of Greatdata

On 1 November 2019, the Group acquired 90% and 10% of the equity interest in Greatdata from Mr. GAO Wei and Mr. HU Hong for a consideration of RMB5,400,000 and RMB600,000, respectively.

The following table summarises the purchase consideration for Greatdata, and the provisional fair value of the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	As at 1 November 2019
Acquisition consideration	6,000
Less:	
Cash and cash equivalents	1,279
Trade and other receivables	2,203
Prepayments	34
Property, plant and equipment	225
Intangible assets	25,974
Right-of-use assets	1,165
Deferred income tax assets	267
Accruals and other payables	(1,732)
Contract Liabilities	(821)
Lease Liability	(1,069)
Deferred income tax liabilities	(4,622)
Deferred government grants	(117)
Borrowings	(33,734)
Goodwill	16,948
Acquisition-related costs (included in administrative expenses in the consolidated statement of comprehensive income	596
Inflow of cash for the acquisition, net of cash acquired	
Acquisition consideration	6,000
Cash paid during the current period	–
Cash and cash equivalents in the subsidiary acquired	(1,279)
Net cash inflow	(1,279)

(i) Revenue and profit contribution

The revenue and net loss included in the consolidated statement of comprehensive income contributed by Greatdata since 1 November 2019 was RMB1,276,000 and RMB1,206,000 respectively.

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit of the Group for the year ended 31 December 2019 would have been RMB2,713,237,000 and RMB331,289,000 respectively.

Amounts expressed in thousands of RMB except for share data

32 RELATED PARTY TRANSACTIONS

Key management compensation

Key management includes Executive Directors and other key management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year end 31 December	
	2019	2018
Salaries and other short-term employees benefits	**10,263**	9,630
Contribution to pension scheme	**321**	378
Bonuses	**1,633**	1,668
Social security cost	**450**	474
	12,667	12,150

33 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 31 December 2019.

34 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Since January 2020, the outbreak of Novel coronavirus ("COVID-19") has impact on the global business environment. A series of precautionary and control measures have been and continued to be implemented across the PRC. As required by the local government offices, GA Inner Mongolia had extended one week holidays and resumed operation in February 2020.

Pending the development and spread of COVID-19 subsequent to the date of these financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: increasing our options for logistics and transportation, evaluating the supply readiness of our raw materials suppliers, negotiating with customers on delivery schedule, and continuously monitoring the operations of our domestic and overseas customers.

The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(b) On 30 March 2020, Mr. HSU David resigned as a non-executive Director and a member of the Audit Committee of the Company (the "Audit Committee") Company as a consequence of assuming new responsibilities in the Jardine Matheson Holdings Limited and its subsidiaries and on the even date, Mr. PANG Yiu Kai, has been appointed as a non-executive Director and a member of the Audit Committee.

Amounts expressed in thousands of RMB except for share data

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2019	2018
ASSETS			
Non-current assets			
Investment in a subsidiary		**221,801**	221,801
Amount due from a subsidiary		**503,724**	621,360
		725,525	843,161
Current assets			
Amount due from a subsidiary		**93,580**	76,981
Cash and cash equivalents		**11**	118
		93,591	77,099
Total assets		**819,116**	920,260
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**11,446**	11,446
Other reserves and retained earnings		**806,443**	907,817
Total equity		**817,889**	919,263
LIABILITIES			
Current liabilities			
Trade payables, other payables and accruals		**1,227**	997
Total liabilities		**1,227**	997
Total equity and liabilities		**819,116**	920,260

The balance sheet of the Company was approved by the Board of Directors on 30 March 2020 and was signed on its behalf:

Director
Bi Hua, Jeff

Director
Chang Fuquan

Amounts expressed in thousands of RMB except for share data

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	2019	2018
As at 1 January	**907,817**	883,874
Profit for the year	**220,479**	327,386
Dividends	**(321,853)**	(303,443)
As at 31 December	**806,443**	907,817

36 DIRECTORS' EMOLUMENTS

(a) The remuneration of directors was as follows:

Name of Director	Fees	Salary	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to pension scheme	Total
Year ended 31 December 2018:						
Executive directors						
Mr. Bi Hua, Jeff	169	2,420	410	201	70	3,270
Mr. Liu Jun (resigned on 31 January 2019)	169	1,088	191	71	55	1,574
Mr. Chang Fuquan (appointed on 27 March 2019)	–	764	134	7	–	905
Non-executive directors						
Mr. Hong Gang	–	–	–	–	–	–
Mr. Hsu David (resigned on 30 March 2020)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Lueth Allen Warren	169	–	–	–	–	169
Mr. Behrens Ernst Hermann	169	–	–	–	–	169
Mr. Zhu Jia (re-designated on 15 March 2018)	124	–	–	–	–	124
	800	4,272	735	279	125	6,211

Amounts expressed in thousands of RMB except for share data

36 DIRECTORS' EMOLUMENTS(CONTINUED)

(a) The remuneration of directors was as follows: *(continued)*

Name of Director	Fees	Salary	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to pension scheme	Total
Year ended 31 December 2019:						
Executive directors						
Mr. Bi Hua, Jeff	176	2,631	377	212	66	3,462
Mr. Liu Jun (resigned on 31 January 2019)	28	103	–	3	5	139
Mr. Chang Fuquan (appointed on 27 March 2019)	124	873	124	8	–	1,129
Non-executive directors						
Mr. Hong Gang	–	–	–	–	–	–
Mr. Hsu David (resigned on 30 March 2020)	–	–	–	–	–	–
Mr. Pang Yiu Kai (appointed on 30 March 2020)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Lueth Allen Warren	175	–	–	–	–	175
Mr. Behrens Ernst Hermann	176	–	–	–	–	176
Mr. Zhu Jia	176	–	–	–	–	176
	855	3,607	501	223	71	5,257

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2018: Nil).

(c) Directors' termination benefits

During the year, no payment or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2018: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2018: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2018: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of year or at any time during the year (2018: Nil).