CHINA BIOTECH SERVICES HOLDINGS LIMITED
中國生物科技服務控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
Stock Code: 8037

ANNUAL REPORT 2018

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Liu Xiaolin *(Chairman)*
Mr. He Xun *(appointed on 7 August 2018)*
Mr. Leung Pak Hou Anson
Mr. Wang Zheng

NON-EXECUTIVE DIRECTOR
Mr. Huang Song

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit *(appointed on 31 December 2018)*
Mr. Ho Fung Shan Bob *(resigned on 31 December 2018)*
Mr. Qian Hongji *(appointed on 2 March 2018)*

AUDIT COMMITTEE
Mr. Yan Guoxiang *(Chairman)*
Dr. Ho Ivan Chun Kit *(appointed on 31 December 2018)*
Mr. Ho Fung Shan Bob *(resigned on 31 December 2018)*
Mr. Qian Hongji *(appointed on 2 March 2018)*

NOMINATION COMMITTEE
Mr. Liu Xiaolin *(Chairman)*
Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit *(appointed on 31 December 2018)*
Mr. Ho Fung Shan Bob *(resigned on 31 December 2018)*

REMUNERATION COMMITTEE
Mr. Yan Guoxiang *(Chairman)*
Mr. Liu Xiaolin
Dr. Ho Ivan Chun Kit *(appointed on 31 December 2018)*
Mr. Ho Fung Shan Bob *(resigned on 31 December 2018)*

COMPLIANCE OFFICER
Mr. Leung Pak Hou Anson

COMPANY SECRETARY
Ms. Wong Miu Shun, HKICPA

AUTHORISED REPRESENTATIVES
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CMB Wing Lung Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited

COMPANY WEBSITE
www.cbshhk.com

STOCK CODE
8037

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report and the audited consolidated financial statements of China Biotech Services Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 ("**2018 Year**") to the shareholders of the Company.

During 2018 Year, the business of the Group has encountered challenges including (i) the increase in raw material and other direct costs in health related and pharmaceutical products industry in the People's Republic of China (the "**PRC**") and Hong Kong and the medical laboratory testing services and health check services in Hong Kong; (ii) the weak consumption sentiments in health related and pharmaceutical products in the PRC and Hong Kong; and (iii) the fierce competition in the healthcare related products industry and medical laboratory testing services and health check services in Hong Kong with ongoing discounts and promotion programmes, directly affecting the profitability of the Group. Therefore, we have re-examined our existing businesses and future development strategies. The Group now positions itself as a science and technology group in the biomedical field with a view to achieving the conversion and application of advanced medical technologies from around the world in the Mainland and the Greater Bay Area. The Group is steering away from its original businesses of medical testing and sale of pharmaceutical products towards the field of precision medicine. The Group's latest business emphasis focuses mainly on two major aspects: (i) precision examination and testing; and (ii) precision treatment.

In relation to precision treatment, one of the most significant breakthroughs in medicine in recent years is the remarkable progress which immunotherapy has made in the treatment of cancer. Kite Pharma and Juno Therapeutics, which both specialize in the research and development of immune cell therapy, were acquired by large pharmaceutical corporations for US$11.9 billion and US$9 billion respectively. Moreover, the Nobel Prizes for 2018 were awarded to three scientists who had made outstanding contributions to immunotherapy as treatment for cancer. On 22 July 2018, the Group signed agreements in respect of the acquisition (the "**Acquisition**") of a controlling interest in 上海隆耀生物科技有限公司 (Shanghai Longyao Biotech Company Limited*) ("**Shanghai Longyao**"). Shanghai Longyao has chinneric antigen-receptor cell therapy products under research, T-cell receptor products, and a number of other products which specialize in immune cell therapy under research. Preparation work for application for registered clinical trials is already under way now. The Acquisition consists of: (i) the capital contribution of RMB40,000,000 to Shanghai Longyao by the Group ("**PRC Capital Increase**"), (ii) the purchase of registered capital of Shanghai Longyao in the total sum of RMB3,162,332 by the Group ("**PRC Equity Transfer**"), and (iii) the purchase of all issued shares ("**BVI Sale Share**") of a company incorporated in the British Virgin Islands ("**BVI Company**") and all amounts which the BVI Company owe to its shareholder as at completion ("**BVI Sale Debt**"), thereby acquiring indirectly the registered capital of Shanghai Longyao in the sum of RMB3,750,148 by the Group. Upon completion of the Acquisition, the Group will directly or indirectly own approximately 67% of the total registered capital in Shanghai Longyao. The maximum amount of the consideration is approximately RMB225,494,776 (equivalent to approximately HK$261,573,940), among which the Group made a capital contribution of RMB40,000,000 (equivalent to approximately HK$46,400,000) to Shanghai Longyao. Further, as part of the consideration in respect of the Acquisition, RMB27,719,948 (equivalent to approximately HK$32,155,140) will be settled by the Group in cash, RMB10,000,000 (equivalent amount of HK$11,600,000) will be satisfied by the Group by setting off against the aggregate subscription price for 5,800,000 new Shares (being all the subscription shares) in the sum of HK$11,600,000 payable to the Company by Mr. Ye Shengqin ("**Mr. Ye**") pursuant to the subscription agreement dated 22 July 2018 entered into between the Company and Mr. Ye (as amended and supplemented by the supplemental agreements dated 31 October 2018 and 31 January 2019), and RMB47,430,000 (equivalent to approximately HK$55,018,800) will be settled by the Group by allotting and issuing new shares of the Company ("**Shares**") at the issue price of HK$2.00 per new Share to Beike International (HK) Limited.

* The English name of individuals and the PRC entities is a translation from its Chinese name and is for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.

CHAIRMAN'S STATEMENT

In order to replenish the Group's working capital and to finance the Acquisition, on 22 August 2018, the Company entered into a placing agreement with UOB Kay Hian (Hong Kong) Limited ("**UOB**") and China Merchants Securities (HK) Co., Limited ("**CMS**") (UOB and CMS collectively, the "**Placing Agents**"), pursuant to which the Placing Agents conditionally agreed to use their best efforts, as agents of the Company, to procure the placees to subscribe for up to 79,500,000 new Shares at the placing price of HK$1.68 per share (the "**Placing**"). Pursuant to the Placing Agreement, 79,500,000 new Shares had been conditionally placed to three placees. The placing price of HK$1.68 per share represented (i) a discount of approximately 13.85% to the closing price of HK$1.95 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the date of the Placing Agreement; and (ii) a discount of approximately 10.64% to the average of the closing prices per Share of HK$1.88 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the placing agreement. The gross proceeds from the Placing were HK$133,560,000 and the net proceeds were approximately HK$132,000,000 (after deduction of commission and other expenses of the Placing). The completion of the Placing took place on 6 September 2018.

As for precision examination and testing, on the basis of its existing business of provision of medical laboratory testing services and health check services in Hong Kong, the Group has expanded into a new molecular diagnosis service, which includes gene examination and testing, early screening, and risk forecasting for cancer.

On 14 November 2018, the Group entered into a strategic cooperation agreement (the "**Strategic Cooperation Agreement**") with Nanjing Medical University ("**NMU**"). The Group and NMU will commence extensive cooperation in the direction of investment in and development of the integration of industry, academic institutions, and research institutions in the areas of precision testing, bioinformatics, precision intervention, and precision treatment.

On 9 January 2019, the Group subscribed for 819,108 series B preferred stock of Pillar Biosciences, Inc. ("**Pillar**"), a precision testing company for cancer genes located in Boston, the United States of America. On 9 January 2019, Central Laboratory (Holdings) Limited ("**Central Laboratory**"), a 97%-owned subsidiary of the Group which holds third-party pathological testing companies in Hong Kong, entered into a strategic cooperation agreement with Pillar to commence business cooperation, which includes introducing the advanced international testing products for cancer-related genes developed by Pillar and the joint establishment of a joint venture company in Hong Kong with Pillar, in order to pursue the continuous research and development in the area of cancer examination and testing and early screening.

APPRECIATION

I would like to take this opportunity to express my sincere thanks and gratitude to all our business partners and shareholders for their continuing trust and support in the Group. I would also like to thank all staff and members of the board of directors of the Company for their dedicated efforts and contributions to the Group over the past year.

Liu Xiaolin
Chairman

Hong Kong, 25 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2018 (the "**2018 Year**"), the principal activities of the Group are (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong, (ii) provision of medical laboratory testing services and health check services in Hong Kong, and (iii) trading of securities in Hong Kong.

Turnover

During the 2018 Year, the Group recorded a turnover of approximately HK$70,304,000, representing a decrease of approximately 33.13% as compared with that of approximately HK$105,135,000 for the year ended 31 December 2017 (the "**2017 Year**"). The overall decrease in the turnover was mainly resulted from absence of trading of pharmaceutical intermediates to overseas which contributed to approximately HK$33,708,000 for the 2017 Year.

Manufacture and sale of health related and pharmaceutical products

Manufacture and sale of health related and pharmaceutical products segment recorded a significant decrease during the 2018 Year. The turnover of this segment decreased from approximately HK$43,720,000 for the 2017 Year to approximately HK$9,732,000 for the 2018 Year mainly resulted from absence of trading of pharmaceutical intermediates to overseas which contributed to approximately HK$33,708,000 for the 2017 Year. Also, the sales performance of the healthcare and skincare products business of the Group in Hong Kong has been affected significantly by the keen competition in healthcare and skincare product market. Further, the competition of traditional Chinese medicine pharmaceutical market in the PRC has increased, especially because the new development in the field of biological medicine has eroded the market share of both Chinese herbal medicine and chemical medicine. In addition, the result of the tenders of new rebranded products in the PRC is unsatisfactory.

Provision of medical laboratory testing services and health check services

The Group had offered a wide spectrum of quality health check diagnostic services in Hong Kong through four health check centers, one medical testing central laboratory and one molecular laboratory. During the 2018 Year, the turnover of this segment has decreased slightly from approximately HK$61,379,000 for the 2017 Year to approximately HK$58,968,000 for the 2018 Year, due to the keen competition in the medical laboratory testing services and health check services industry in light of the market saturation and the constant increase in number of new entrants in the industry.

Money lending business

Ferran Finance Limited, an indirect wholly-owned subsidiary of the Company, is a holder of money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). With the increasing market demands of the micro-financing business in Hong Kong, the Group has utilised HK$22.7 million for the money lending business. The Group's loan portfolio comprises unsecured loans granted to individual customers and corporation with guarantee; the loan receivables carry an interest rate at 8% per annum and are repayable within one year. The money lending business recorded an interest income of approximately HK$1,604,000 for the 2018 Year (2017 Year: HK$16,000).

Trading of financial assets at fair value through profit or loss ("FVTPL")

The Group's investment portfolio comprises investments in listed securities in Hong Kong. This business segment recorded a net loss on financial assets at FVTPL of approximately HK$397,000 during the 2018 Year as less trading activities occurred (2017 Year: net loss of approximately HK$32,671,000 comprising (i) the net unrealised loss on fair value changes of approximately HK$10,486,000 and (ii) the net realised loss of approximately HK$22,185,000).

The performance of equity investments is subject to certain degree of volatility in the Hong Kong stock market and is susceptible to other external factors. It has been the policy of the Company to closely monitor the performance of its securities investment and to diversify the investment portfolio with a view to mitigating possible financial risks related to the equity investments.

Gross profit and gross profit margin

The Group recorded a slight decrease in the gross profit for the 2018 Year of approximately HK$28,084,000 when compared with that of approximately HK$30,202,000 in the 2017 Year. However, the gross profit margin for the 2018 Year was approximately 39.95%, representing a significant increase by approximately 11.22 percentage points when compared with the gross profit margin of approximately 28.73% for the 2017 Year. The increase in gross profit margin was attributable to the cessation of trading of pharmaceutical intermediates business which commanded a thinner gross profit margin for the 2017 Year.

Selling and distribution expenses

Selling and distribution expenses for the 2018 Year were approximately HK$16,966,000 (2017 Year: HK$16,807,000), representing a slight increase of approximately HK$159,000 or 0.95% compared with such expenses for the 2017 Year. Such increase was mainly attributable to the increase in rental expenses in relation to medical laboratory testing services and health check services. However, the increase is partially offset by the decrease in staff costs as prevalent in the healthcare and skincare product market in Hong Kong.

Administrative expenses

The administrative expenses mainly consisted of staff cost, share-based payment, legal and professional fee and rental expenses. The administrative expenses for the 2018 Year were approximately HK$78,988,000, representing a significant increase of approximately HK$27,044,000 or 52.06%, as compared with that of approximately HK$51,944,000 for the 2017 Year, which was mainly due to (i) amortisation of equity-settled share-based payment of approximately HK$12,258,000 (2017 Year: HK$Nil); (ii) staff costs amounting to approximately HK$27,424,000 which has increased when compared to that of the 2017 Year (2017 Year: HK$17,136,000); and (iii) rental expenses amounting to approximately HK$3,751,000 which has increased when compared to that of the 2017 Year (2017 Year: HK$2,505,000).

Finance costs

During the 2018 Year, the Group's interest expenses (including capitalised interest) amounted to approximately HK$3,472,000 (2017 Year: HK$2,743,000). The increase in finance costs (including capitalised interest) was attributable to other short term borrowings as the working capital of 貴州雙升製藥有限公司(in English, for identification purpose only, Guizhou Shuang Sheng Pharmaceutical Co., Ltd.), a subsidiary which was disposed of during the 2018 Year, which resulted in a higher average borrowing level.

Loss for the year

The Group recorded a loss of approximately HK$69,433,000 for the 2018 Year (2017 Year: HK$76,530,000). The net loss for the 2018 Year was mainly attributable to (i) amortisation of equity-settled share-based payment of approximately HK$12,258,000 in relation to the granting of share options (as opposed to the absence of such amortisation for the 2017 Year); (ii) increase in administrative expenses (excluding amortisation of equity-settled share-based payment) of approximately HK$14,786,000, which is partially set-off by decrease in loss on fair value change of financial assets at FVTPL of approximately HK$397,000 (2017 Year: HK$32,671,000); and (iii) no impairment loss of goodwill and intangible assets for the 2018 Year (2017 Year: HK$12,563,000).

BUSINESS REVIEW

Disposal of subsidiaries

Having taken into consideration that the performance of Bloom Light International Limited and its subsidiaries (collectively, the "**Bloom Light Group**") for the past financial years was not satisfactory, the Directors considered that the disposal of the Bloom Light Group would enable the Company to free up the resources devoted to this business and redirect the resources to the Group's other existing business which might have higher growth potential to maximise the benefit of the shareholders of the Company. The completion of the disposal of the Bloom Light Group took place on 31 December 2018. For details, please refer to the announcement of the Company dated 30 November 2018 and disclosure made in note 39(a) to the audited consolidated financial statement.

Memorandum of understanding in relation to possible acquisition of 34.33% equity interest in Sinobioway Cell

On 5 January 2018, China Biology Services Group Limited ("**China Biology**"), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the "**MOU**") with 安徽未名生物醫藥有限公司 (the "**Vendor**") in relation to the possible acquisition of 34.33% equity interest in 安徽未名細胞治療有限公司 ("**Sinobioway Cell Therapy Co., Ltd.**"), a company incorporated in the PRC with limited liability. No legally binding agreement has been entered into by China Biology and the Vendor in respect of the said possible acquisition and the exclusivity period ended on 5 April 2018. On 6 August 2018, China Biology and the Vendor entered into a termination agreement in relation to the MOU. Details were disclosed in the announcements of the Company dated 5 January 2018, 6 April 2018 and 6 August 2018.

Grant of share options

On 12 January 2018, the Company has granted to eligible participants certain options to subscribe for up to a total of 27,380,000 ordinary shares of nominal value of HK$0.10 each in the share capital of the Company. Details were disclosed in the announcement of the Company dated 12 January 2018.

On 4 October 2018, the Company has granted to an eligible participant who is a director of a subsidiary of the Company options to subscribe for up to a total of 3,000,000 ordinary shares of nominal value of HK$0.10 each in the share capital of the Company. Details were disclosed in the announcement of the Company dated 4 October 2018.

Disposal of 8% of equity interest in a securities company

On 24 January 2018, Keyun Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of 8% of equity interest in a securities company with a cash consideration of HK$2,500,000. No gain or loss in respect of the disposal was recorded during the 2018 Year. The completion of disposal took place on the same date.

Subscription of approximately 2.27% of the issued share capital of Broncus Holding Corporation

On 17 April 2018, Gain Yield Holdings Limited ("**Gain Yield**"), a wholly-owned subsidiary of the Company, and Broncus Holding Corporation ("**Broncus**") entered into a share subscription agreement, pursuant to which, Broncus agreed to issue and allot, and Gain Yield agreed to subscribe for, the subscription shares, being 1,641,794 series B preferred shares in Broncus at the consideration of US$5,000,001.54 (equivalent to approximately HK$39,282,000). The subscription shares represent approximately 2.27% of the total issued share capital of Broncus (as enlarged by the issue of the subscription shares but before the issue of any other series B preferred shares by Broncus) as at the date of completion. Broncus and its subsidiaries are mainly engaged in the development and manufacturing of navigation, diagnostic and therapeutic technologies to treat patients with lung disease. The completion of subscription took place on 19 April 2018. Details were disclosed in the announcement of the Company dated 17 April 2018.

Acquisition of approximately 67% of equity interest in Shanghai Longyao Biotech Company Limited ("Shanghai Longyao") involving issue of consideration shares under the general mandate and Issue of new Subscription shares under the general mandate

On 22 July 2018, the Company and China Biology entered into a master agreement (the "**Master Agreement**") and a sale and purchase agreement (the "**HK SPA**") relating to the sale and purchase of all issued shares ("**BVI Sale Share**") of a company incorporated in the British Virgin Islands ("**BVI Company**") and all amounts which the BVI Company owe to its shareholder as at completion ("**BVI Sale Debt**") by China Biology whereby China Biology will indirectly acquire the registered capital of Shanghai Longyao in the sum of RMB3,750,148 (the "**HK Share Transfer**") and China Biology entered into an agreement (the "**PRC Capital Increase and Equity Transfer Agreement**") in respect of, among others, the capital contribution of RMB40,000,000 to Shanghai Longyao by the Group (the "**PRC Capital Increase**") and the purchase of registered capital of Shanghai Longyao in the total sum of RMB3,162,332 by the Group (the "**PRC Equity Transfer**"). Upon completion of both the HK SPA and the PRC Capital Increase and Equity Transfer Agreement, the Company, through China Biology, will directly or indirectly own approximately 67% of the total registered capital in Shanghai Longyao and Shanghai Longyao will become a non-wholly-owned subsidiary of the Company.

On 31 October 2018, the Company and China Biology entered into supplemental agreements to each of the Master Agreement, the PRC Capital Increase and Equity Transfer Agreement and the HK SPA in relation to, among others, extension of the long stop date of the PRC Capital Increase, the PRC Equity Transfer and the HK Share Transfer to 31 January 2019. On 31 January 2019, the Company and China Biology entered into further supplemental agreements to each of the Master Agreement, the PRC Capital Increase and Equity Transfer Agreement and the HK SPA in relation to, among others, further extension of the long stop date of the PRC Capital Increase, the PRC Equity Transfer and the HK Share Transfer to 31 March 2019 and the adjustment of consideration of the PRC Equity Transfer and the payment mechanism.

The maximum amount of the consideration is approximately RMB225,494,776 (equivalent to approximately HK$261,573,940), among which China Biology has made a capital contribution of RMB40,000,000 (equivalent to approximately HK$46,400,000) to Shanghai Longyao. Further, as part of the consideration in respect of the PRC Equity Transfer and the HK Share Transfer (i) RMB26,455,114 (equivalent to approximately HK$30,687,932) and RMB1,264,834 (equivalent to approximately HK$1,467,207) will be settled in cash to 深圳市北辰生物技術有限公司 (in English, for identification purpose only, Shenzhen Beichen Biotech Company Limited) and Mr. Ye Shengqin ("**Mr. Ye**") respectively, (ii) RMB10,000,000 (equivalent amount of HK$11,600,000) will be satisfied by the Group by setting off against the aggregate subscription price for 5,800,000 new shares of the Company (the "**Shares**") (being all the subscription shares) in the sum of HK$11,600,000 payable to the Company by Mr. Ye pursuant to the subscription agreement dated 22 July 2018 entered into between the Company and Mr. Ye (as amended and supplemented by the supplemental agreements dated 31 October 2018 and 31 January 2019) and (iii) RMB47,430,000 (equivalent to approximately HK$55,018,800) will be settled by the Company by allotting and issuing the new shares of the Company ("**Shares**") at the issue price of HK$2.00 per new share to Beike International (HK) Limited ("**Beike Biotech Holdings**").

Pursuant to the Master Agreement (as amended and supplemented by the supplemental agreements dated 31 October 2018 and 31 January 2019), subject to fulfillment of certain conditions precedent (including, among others, the completion of the Acquisition), in the event that Shanghai Longyao meets certain performance target ("**First Target Achievement**"), the Company shall allot and issue a total of 29,100,000 new Shares at an issue price of HK$2.00 per new Share to Mr. Ye, Beike Biotech Holdings, Mr. Yang Xuanming and Mr. Wang Xin (collectively, the "**Incentive Shares Allottees**"). In the event that Shanghai Longyao meets certain other performance targets ("**Second Target Achievement**"), the Company shall allot and issue another 29,100,000 new Shares to the Incentive Shares Allottees in aggregate. In the event that Shanghai Longyao meets the Second Target Achievement but not the First Target Achievement, the Company shall allot and issue a total of 58,200,000 new Shares to the Incentive Shares Allottees.

On 22 July 2018, the Company and Mr. Ye further entered into a subscription agreement (the "**Subscription Agreement**") in relation to the subscription of 5,800,000 new shares of the Company by Mr. Ye at the subscription price of HK$2.00 per subscription share. On 31 October 2018 and 31 January 2019, the Company and Mr. Ye entered into supplemental agreements to the Subscription Agreement in relation to, among others, extensions of the long stop date to 31 January 2019 and 31 March 2019 respectively.

Details were disclosed in the announcements of the Company dated 22 July 2018, 8 August 2018, 31 October 2018 and 31 January 2019.

Placing of new shares under general mandate and use of proceeds

On 22 August 2018, the Company and UOB Kay Hian (Hong Kong) Limited ("**UOB**") and China Merchants Securities (HK) Co., Limited ("**CMS**") entered into placing agreement (the "**Placing Agreement**"), pursuant to which UOB and CMS have conditionally agreed to procure, as placing agents of the Company, the placees to subscribe for the Placing Shares (being up to 79,500,000 new Shares at a price of HK$1.68 per Placing Share (the "**Placing**"), which represented (i) a discount of approximately 13.85% to the closing price of HK$1.95 per share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 10.64% to the average closing price of HK$1.88 per share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Placing Agreement. The net proceeds after deduction of expenses from the Placing were approximately HK$132,000,000, of which (i) approximately HK$93,000,000 would be utilised for funding the acquisition of approximately 67% of equity interest in Shanghai Longyao (details of which are disclosed in the Company's announcements dated 22 July 2018, 8 August 2018, 31 October 2018 and 31 January 2019); and (ii) the remaining balance of approximately HK$39,000,000 would be utilised for potential investments and/or general working capital of the Group. The net issue price was approximately HK$1.6478 per Placing Share and the aggregate nominal value of the Placing Shares under the Placing was HK$7,950,000. The completion of the Placing took place on 6 September 2018, whereby 47,600,000 new ordinary Shares, 30,000,000 new ordinary Shares and 1,900,000 new ordinary Shares were placed to Cheer Hope Holdings Limited, Greater Harmony Limited and Mr. Liao Zhuming respectively. Details of the Placing are disclosed in the announcements of the Company dated 22 August 2018 and 6 September 2018. As at the date of the reporting, the Company has utilised approximately (i) HK$46,276,000 for acquisition of Shanghai Longyao; (ii) HK$19,638,000 for subscription of shares in Pillar Biosciences, Inc. ("**Pillar**"); and (iii) HK$13,664,000 for general working capital of the Group. The Company intends to apply: (i) HK$43,755,000 for acquisition of Shanghai Longyao and (ii) the remaining balances of approximately HK$8,667,000 for potential investments and general working capital of the Group. The remaining balances of net proceeds from placing of new shares is expected to be fully utilised within 12 months from the date of this report.

Repurchase of shares

During the Year 2018, the Company repurchased 520,000 shares of the Company at HK$1.68 per share on the Stock Exchange pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 21 May 2018. The Company subsequently cancelled all the repurchased shares on 5 November 2018. Save as disclosed in page 56 of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the 2018 Year.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

On 18 February 2019, the State Council of the Central Committee of the Communist Party of China published the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area as a major development strategy of China and the biopharmaceutical industry, as an area of priority development of the Greater Bay Area, will be supported with priority. The Greater Bay Area is one of the regions with the highest per capita GDP and the most active technology entrepreneurship and capital flow in China, and has an advantage in the development of the healthcare industry. As the integration of the Greater Bay Area accelerates and Hong Kong and the entire Greater Bay Area value the healthcare industry with great importance, the Group will seize the opportunity to promote the development of the Group's main business.

China's economic development will gradually enter a stable development phase and, in 2018, China's GDP annual growth rate also reached a high of 6.6%. The improvement of people's consumption capacity and the stronger emphasis placed on physical health brought about by economic development will continue to vigorously promote the development of the biomedical industry in the next few years, especially the development of regular physical examinations, cancer gene testing, vaccination and preventive medicine. The Group's health check business in Hong Kong will enter the Mainland Chinese market in 2019 to provide customers with professional and reliable experiences and services leveraging on its credibility, high level of management, and good reputation developed over the years.

According to the latest "China Cancer Report" released by the China National Cancer Centre in 2019, China ranked first in the world in terms of cancer incidence rate and mortality rate in 2015, but China's per capita spending on cancer prevention and treatment is currently far behind developed countries such as those in Europe and North America, so there is huge room for growth in this market in the future. According to the latest "Cancer Statistics 2019" published in the United States of America, cancer mortality rates have declined for 25 consecutive years in the United States of America. This is in stark contrast to China's persistently high cancer mortality rates. The causes lie in that China is lagging behind developed countries in Europe and North America in cancer examination and testing method and its cancer treatment methods have yet to be improved.

In January 2019, the Group signed an investment and cooperation agreement with Pillar, a clinical testing company for cancer in the United States of America, to jointly establish a joint venture company in Hong Kong which focuses on genetic testing for cancer patients. It will be based in Hong Kong and serve the surrounding areas of the Greater Bay Area. The Group expects its operation could improve China's cancer examination and testing capabilities.

With respect to cancer treatment, one of the biggest breakthroughs in the field of cancer treatment in recent years is the application of immunotherapy in cancer treatment. CAR-T cell therapy has cured a large number of patients with blood tumour and lymphoma; it also became accepted by the U.S. Centers for Medicare & Medicaid Services for medical insurance claims in early 2019, and before that CAR-T products had already been covered by medical insurance in the United Kingdom. In 2019, the Group will acquire approximately 67% of Shanghai Longyao, which specializes in the research and development of CAR-T and related cancer treatment products and is expected to benefit greatly from the positive developments of immunotherapy.

As for China's encouragement of innovation in biotechnology enterprises, following the Stock Exchange's relaxation of listing conditions in 2018 to attract biotechnology enterprises to apply for listing in Hong Kong, Mainland China specially started a Science and Technology Innovation Board in 2019 to facilitate the listing and financing of technology and innovation enterprises on advantageous conditions so that, in the absence of profits, biopharmaceutical enterprises can apply for admission to the Science and Technology Innovation Board based on the clinical trial progress of their drugs under research. This is undoubtedly a piece of major positive news for enterprises in the business of the research and development of drugs, whose characteristics include high investment and long cycles in its returns. The development trend and policy orientation of China's medical services will create promising development opportunities for the Group to build a biotechnology platform for the future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations and capital expenditures requirements through (i) internal generated resources, (ii) net proceeds from the placing of new shares under general mandate and (iii) bank and other borrowings.

Liquidity and Financial Resources

As at 31 December 2018, the Group held cash and bank balances of approximately HK$154,479,000 (2017: HK$73,181,000), all were principally denominated in Renminbi and Hong Kong dollars. The increase in cash and bank balances of approximately HK$81,298,000 is mainly due to (i) the net proceeds from the placing of new shares under general mandate of approximately HK$132,000,000 on 6 September 2018 and (ii) proceeds of HK$2,200,000 from disposal of subsidiaries. However, the increase is partially set-off by (i) approximately HK$39,282,000 used for subscription shares of Broncus during the 2018 Year and (ii) approximately HK$7,700,000 for money lending business; and (iii) approximately HK$14,759,000 used for general working capital of the Group.

As at 31 December 2018, the Group had no secured bank borrowing and unsecured other borrowings.

As at 31 December 2017, the Group had secured bank borrowing of approximately HK$4,005,000, which carried a floating interest rate (i.e. HK$ best lending rate offered by the bank minus 2.7%) and was not repayable within one year from the end of the reporting period but contained a repayment on demand clause.

As at 31 December 2017, the Group had unsecured other borrowings of (i) approximately RMB17,900,000 (equivalent to approximately HK$21,460,000), which carried a fixed interest rate of 1% per month and was repayable within one year; and (ii) approximately RMB1,100,000 (equivalent to approximately HK$1,319,000), which carried a fixed interest rate of 12% per annum and was repayable within one year.

The decrease in the bank and other borrowings were mainly due to repayment of bank borrowing and disposal of a subsidiary in Guizhou during the 2018 Year.

As at 31 December 2018, total assets of the Group were approximately HK$337,761,000 (2017: HK$303,400,000), whereas total liabilities were approximately HK$18,846,000 (2017: HK$52,092,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 5.58% (2017: 17.17%). Current ratio (calculated by total current assets divided by total current liabilities) was 13.76 times (2017: 3.98 times).

Capital Structure

As at 31 December 2018, the total issued share capital of the Company was HK$93,534,675 (2017: HK$85,636,675) divided into 935,346,750 (2017: 856,366,750) ordinary shares of HK$0.10 each.

Placing of new shares under general mandate and use of net proceeds

On 22 August 2018, the Company and UOB and CMS entered into the Placing Agreement, pursuant to which UOB and CMS conditionally agreed to procure, as placing agents of the Company, the placees to subscribe for the Placing Shares (being up to 79,500,000 new Shares) at a price of HK$1.68 per Placing Share, which represented (i) a discount of approximately 13.85% to the closing price of HK$1.95 per share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 10.64% to the average closing price of HK$1.88 per share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Placing Agreement. The net proceeds after deduction of expenses from the Placing were approximately HK$132,000,000, of which (i) approximately HK$93,000,000 would be utilised for funding the acquisition of approximately 67% of equity interest in Shanghai Longyao (details of which are disclosed in the Company's announcements dated 22 July 2018, 8 August 2018, 31 October 2018 and 31 January 2019); and (ii) the remaining balance of approximately HK$39,000,000 would be utilised for potential investments and/or general working capital of the Group. The net issue price was approximately HK$1.6478 per Placing Share and the aggregate nominal value of the Placing Shares under the Placing was HK$7,950,000. The completion of the Placing took place on 6 September 2018. Details of the Placing are disclosed in the announcements of the Company dated 22 August 2018 and 6 September 2018. As at the date of the report, the Company has utilised approximately (i) HK$46,276,000 for acquisition of Shanghai Longyao; (ii) HK$19,638,000 for subscription of shares in Pillar; and (iii) HK$13,664,000 for general working capital of the Group. The Company intends to apply: (i) HK$43,755,000 for acquisition of Shanghai Longyao and (ii)_the remaining balances of approximately HK$8,667,000 for potential investments and general working capital of the Group. The remaining balances of net proceeds from placing of new shares is expected to be fully utilised within 12 months from the date of this report.

SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

The details of the investments in financial assets at fair value through other comprehensive income have been disclosed in note 25 of the audited consolidated financial statements respectively. During the 2018 Year, proceeds of HK$2,500,000 were received from disposal of financial assets at fair value through other comprehensive income and an investment of HK$39,282,000 was made for financial assets at fair value through other comprehensive income through subscription of new shares of Broncus, a company mainly engaged in the development and manufacturing of navigation, diagnostic and therapeutic technologies to treat patients with lung disease.

The Group did not hold any other significant investments with a market value that account for more than 5% of the Group's audited net assets as at 31 December 2018.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the disposal of subsidiaries and the acquisition of approximately 67% of equity interest in Shanghai Longyao as disclosed in the section headed "BUSINESS REVIEW" above, the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2018 Year.

OPERATING LEASE COMMITMENTS

Details of operating lease commitments are stated in note 42 to the consolidated financial statements.

CAPITAL COMMITMENTS

Details of capital commitments are stated in note 41 to the consolidated financial statements.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, the Group had no such charge.

As at 31 December 2017, the Group had a secured bank borrowing of approximately HK$4,005,000, which was secured by a legal charge on leasehold land and buildings in Hong Kong with the carrying amounts of approximately HK$14,423,000 and a corporate guarantee executed by a subsidiary in favour of the bank for the banking facilities of HK$5,500,000. The banking facilities were subject to the fulfilment of restrictive covenants including certain financial ratios of a subsidiary as a guarantor, as at 31 December 2017, none of the restrictive covenants relating to drawn down facilities had been breached.

CONTINGENT LIABILITIES

As at 31 December 2018 and 2017, the Group had no contingent liabilities.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2018 Year, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including interest rate swaps and foreign currency forwards contract will be used by the Group in the management of exposure of interest rates and foreign exchange rate fluctuations as appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 125 (2017: 170) full time employees who were located in the PRC and Hong Kong. Total staff costs for the 2018 Year was approximately HK$52,323,000 (2017 Year: HK$38,318,000).

The Group remunerates its employees based on their performance, experience and the prevailing market condition. Performance related bonuses are also granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training and share option scheme.

Provident fund benefits are offered to certain full-time employees through a registered scheme under the Occupational Retirement Schemes Ordinance ("**ORSO**") with the Mandatory Provident Fund exemption. The ORSO scheme is administered by trustees, which are independent, with assets held separately from those of the Group. Under the ORSO scheme, the Group contributes 5% of monthly salaries of employees.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong (other than those who are covered under ORSO scheme). The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK$1,500 per month. The employees in the PRC are members of respective state-managed defined contribution retirement benefits scheme operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total contributions payable to the above schemes by the Group and charged to the consolidated statement of profit or loss and other comprehensive income for the 2018 Year were approximately HK$1,737,000 (2017 Year: HK$1,723,000).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 44 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

Executive Directors

Mr. Liu Xiaolin ("Mr. Liu"), aged 48, has been appointed as a chairman and executive director since 28 August 2017 and 7 August 2017 respectively. Mr. Liu is currently the partner of an investment company, which is mainly engaged in investments in the PRC and Hong Kong. Mr. Liu is a vice chairman of the School Council of Nanjing Medical University since November 2018. He possesses over 15 years of experience in investment, equity fund management, and mergers and acquisitions. From February 2008 to October 2014, Mr. Liu was a partner and chief mainland China representative in an international private equity fund. Mr. Liu graduated from The Macau University of Science and Technology in 2005 with a Master degree of Business Administration. He is also a director of a number of subsidiaries of the Company.

Mr. He Xun ("Mr. He"), aged 54, has been appointed as an executive director on 7 August 2018. He was the founding president of Shenzhen Life Science and Biotechnology Association. Since 2016, Mr. He has been appointed as the general manager of Shenzhen Sinobioway Xinpeng Biomedicine Co., Ltd.* (深圳未名新鵬生物醫藥有限公司) and Jiangsu Sinobioway Biomedicine Co., Ltd* (江蘇未名生物醫藥有限公司) and the vice president of Beijing Sinobioway Group Co., Ltd.* (北京北大未名生物工程集團有限公司). Since 2018, Mr. He has been appointed as the committee member and investment consultant of Shenzhen Fortune Link Thousand Eagle Growth Equity Investment Fund* (深圳匯富未名千鷹成長股權投資基金合夥企業(有限合夥)). With effect from January 2019, Mr. He is the independent non-executive director of Shenzhen Weiguang Biological Products Co., Ltd. (stock code: 002880.SZ), a company listed on the Shenzhen Stock Exchange. Mr. He obtained a Bachelor's degree in chemical engineering and a Master's degree in chemical engineering from Tsinghua University in 1987 and 1991 respectively. Mr. He also obtained the Degree of Master of Business Administration from the National University of Singapore in 2001.

Mr. Leung Pak Hon Anson ("Mr. Leung"), aged 52, has been appointed as an executive Director since 15 May 2013. Mr. Leung has been the compliance officer of the Company since 30 May 2013. Mr. Leung has experiences in dealing in securities, fund management, corporate management and corporate finance. He was employed by Jardine Fleming Holdings Limited from February 1994 to April 1998 and ABN AMRO Asset Management (Asia) Ltd from May 1998 to August 2000 respectively. He was also employed by CITIC Capital Markets Holdings Limited from September 2000 to June 2002. Mr. Leung has about 15 years of experience in investment, management and operation of manufacture and sale of medications in the pharmaceutical industry. He is also a director of a number of subsidiaries of the Company.

Mr. Leung graduated from University of Newcastle, Australia with his Bachelor of Commerce in April 1994. Mr. Leung also obtained his Master of Business Administration from The University of Western Ontario Canada in September 2001.

Mr. Wang Zheng ("Mr. Wang"), aged 36, has been appointed as an executive director since 7 August 2017. Mr. Wang is currently an independent financial consultant. He possesses over 10 years of experience in accounting and management. Prior to becoming an independent financial consultant, Mr. Wang was the audit manager of KPMG Singapore, the deputy general manager of China Everbright Water Limited (stock code: U9E), a company listed on Singapore Exchange Limited and also the chief financial officer of SuperRobotics Limited (formerly known as SkyNet Group Limited (stock code: 8176)), a company listed on the Stock Exchange. Mr. Wang graduated from the University of London and obtained a Master degree of Science in Risk Management and Financial Engineering from the Imperial College Business School in London. He is also a member of the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants. He is also a director of a number of subsidiaries of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Non-executive Director

Mr. Huang Song ("Mr. Huang"), aged 36, has been appointed as a non-executive Director since 15 September 2017. Mr. Huang joined the National Institute of Biological Sciences in Beijing (the "**Institute**"), the People's Republic of China (the "**PRC**"), in 2011 as a postdoctoral research fellow and currently serves as a deputy director for administration and a director of Synthetic Biology Center of the Institute. Mr. Huang has published several research papers in relation to endoplasmic reticulum and jointly owns a patent of potential prostate cancer treatment. Mr. Huang obtained a Bachelor's degree in Biological Science from Peking University, the PRC, in 2003 and a Doctor's degree of Philosophy in Biological Chemistry from The University of Texas Southwestern Medical Center at Dallas, United States of America, in 2010.

Independent non-executive Directors

Mr. Yan Guoxiang ("Mr. Yan"), aged 52, has been appointed as an independent non-executive Director on 7 August 2017. Mr. Yan is currently the general manager of Shenzhen Junxing Information Technology Co., Ltd. Mr. Yan possesses over 20 years of experience in accounting and management. He was a partner of Da Hua Certified Public Accountants from March 2012 to December 2014. He has also been a visiting professor of the accounting school of Jiangxi University of Finance and Economics since May 2013. Mr. Yan obtained the bachelor degree in accounting from Southwest University in 2005. He was also a qualified intermediate economist of the PRC from June 1995, a certified public valuer of the PRC from August 1997 and a certified public accountant of the PRC from April 1998. Mr. Yan was the independent non-executive director of MLS Co., Ltd (stock code: 002745) from July 2010 to September 2016 and Huasu Holdings Co., Ltd. (stock code: 000509) from March 2014 to March 2017, both of which are companies listed on the Shenzhen Stock Exchange. Since August 2018, Mr. Yan is the independent non-executive director of Shenzhen Topway Video Communication Co., Ltd. (stock code: 002238.SZ), a company listed on the Shenzhen Stock Exchange.

Dr. Ho Ivan Chun Kit ("Dr. Ho"), aged 42, has been appointed as an independent non-executive Director on 31 December 2018. Dr. Ho received his bachelor degree of Arts summa cum laude in Chemistry from Harvard College in Cambridge, MA, USA in 1997 and a medical doctor's degree from Harvard Medical School in Boston, MA, USA in 2001.

Dr. Ho is currently a Partner in cardiac electrophysiology at Los Angeles Cardiology Associate and an Assistant Health Sciences Clinical Professor of Medicine at University of California Los Angeles David Geffen School of Medicine since 2010. He is the Medical Director of the Complex Ablation Program at the Good Samaritan Hospital, and the assistant director of Atrial Fibrillation Research of Cedars-Sinai Medical Center Health Institute. He is also the director of Cardiac Electrophysiology Program and Laboratory at Garfield Medical Center. Professionally, he is a fellow of Heart Rhythm Society and the America College of Cardiology. Starting in February 2019, he joined the faculty of Keck School of Medicine at University of Southern California where he is an Associate Professor of Clinical Medicine, and the director of Clinical Electrophysiology of Keck Medical Center at University of Southern California.

Mr. Qian Hongji ("Mr. Qian"), aged 43, has been appointed as an independent non-executive Director since 2 March 2018. Mr. Qian graduated from the Peking University in 2009 with a Juris Master degree. Mr. Qian is an experienced lawyer with extensive practice in the areas of mergers and acquisition and other corporate practice. He has served as the legal advisor of several domestic and international corporations in bankruptcy, project acquisition and other corporate regulatory matters. Mr. Qian is currently a senior partner at Dentons, a law firm in the PRC and the chairman of the board of supervisors of 北京太比雅科技股份有限公司 (in English, for identification purpose only, Beijing Tepia Technology Limited), whose equity securities are being exchanged and quoted on the National Equities Exchange and Quotations (Securities code: 838941).

CORPORATE GOVERNANCE REPORT

Pursuant to the Rule 18.44(2) of Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"), the board of Directors (the "**Board**") is pleased to present the corporate governance report for the year ended 31 December 2018 ("**2018 Year**"). This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company. The Board is committed to maintaining corporate governance with high standard and ensuring compliance of the legal and regulatory requirements. The Company has put in place governance practices with emphasis on the integrity, quality of disclosures, transparency and accountability for the shareholders of the Company.

Throughout the 2018 Year, the Company has complied with the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules save for the deviation from code provision A.2.7 and A.6.7 of the CG Code as disclosed below.

Under code provision A.2.7 of the CG Code, the chairman of the Company should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As the chairman of the Company, Mr. Liu Xiaolin, is also an executive Director, he was unable to hold such meeting where no executive Director was present.

Under code provision A.6.7 of the CG Code, non-executive Director and independent non-executive Directors should attend general meetings of the Company. Due to other pre-arranged business commitments which had to be attended, Mr. Huang Song (being a non-executive Director) and Mr. Qian Hongji (being an independent non-executive Director) were unable to attend the annual general meeting of the Company held on 21 May 2018.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the 2018 Year.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Composition

As at 31 December 2018, the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors

Mr. Liu Xiaolin *(Chairman)*
Mr. He Xun *(appointed on 7 August 2018)*
Mr. Leung Pak Hou Anson
Mr. Wang Zheng

Non-executive Director

Mr. Huang Song

Independent non-executive Directors

Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit *(appointed on 31 December 2018)*
Mr. Ho Fung Shan Bob *(resigned on 31 December 2018)*
Mr. Qian Hongji *(appointed on 2 March 2018)*

The composition of the Board reflects the combination of skills and experience in different areas with different expertise of the Directors to provide independent opinions and implement strategic plans.

The resignation of Mr. Ho Fung Shan Bob as an independent non-executive Director was due to his other personal commitments which require more of his dedication. He confirmed that he did not have any disagreement with the Board and there was no matter in relation to his resignation that would need to be brought to the attention of the shareholders of the Company.

There is no relationship among members of the Board and the biographical details of the Directors except the Director resigned in the 2018 Year are set out in the section headed "Biographical Details of Directors" of this report.

Directors' Insurance

The Company has arranged appropriate insurance cover in respect of legal action against the Directors in compliance with code provision A.1.8 of the CG Code.

Responsibilities, accountabilities and contributions of the Board and management

The Company is governed by the Board, which is primarily responsible for formulating the overall strategy development of the Group and overseeing management, administration and operation of the Group. The Board should assume responsibility for leadership and control of the Group by directing and supervising its affairs. All Directors should make decisions objectively in the interests of the Company.

The Board reserves for its decision on all major matters relating to (i) monitoring and executing the internal control and risk management; (ii) evaluating the financial performance; (iii) seeking and evaluating of any potential material acquisitions, disposals, investments or transactions; and (iv) approving appointment of Directors and other significant operational matters of the Group including setting the overall strategies and directions for the Group with a view to developing its business and enhancing return to the shareholders.

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management of the Group. The Board has reviewed the delegation to management periodically to ensure that they remain appropriate.

The biographical details of the Directors are set out in the section above headed "Biographical Details of Directors" on page 14 to page 15 of this report. Their role and function are published on the websites of the Company and the Stock Exchange. Save as disclosed in this report, none of the Directors has any relationship (including financial, business, and family or other material/relevant relationship) with each other.

All Board committees of the Company are established with defined written terms of reference.

The respective terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee have been published on the websites of the Company and the Stock Exchange.

Attendance of Directors at Meetings

The attendance of the Directors at the general meetings of the Company, the meetings of each of the Board, the Audit Committee, the Remuneration Committee, and the Nomination Committee during the 2018 Year are set out below:

Name of Directors	Notes	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive Directors						
Mr. Liu Xiaolin		29/29	N/A	5/5	4/4	1/1
Mr. He Xun	1	14/14	N/A	N/A	N/A	N/A
Mr. Leung Pak Hou Anson		29/29	N/A	N/A	N/A	0/1
Mr. Wang Zheng		29/29	N/A	N/A	N/A	1/1
Non-executive Director						
Mr. Huang Song		29/29	N/A	N/A	N/A	0/1
Independent non-executive Directors						
Mr. Yan Guoxiang		29/29	5/5	5/5	4/4	1/1
Dr. Ho Ivan Chun Kit	2	N/A	N/A	N/A	N/A	N/A
Mr. Ho Fung Shan Bob	3	29/29	5/5	4/5	4/4	1/1
Mr. Qian Hongji	4	24/24	5/5	N/A	N/A	0/1

Notes:

(1) Mr. He Xun was appointed as an executive Director with effect from 7 August 2018.

(2) Dr. Ho Ivan Chun Kit was appointed as an independent non-executive Director, a member of audit committee, a member of remuneration committee and a member of nomination committee of the Company with effect from 31 December 2018.

(3) Mr. Ho Fung Shan Bob resigned as an independent non-executive Director and ceased to be a member of audit committee, a member of remuneration committee and a member of nomination committee of the Company with effect from 31 December 2018.

(4) Mr. Qian Hongji was appointed as an independent non-executive Director, a member of audit committee of the Company with effect from 2 March 2018.

The Directors have received details of agenda and minutes of committee meetings in advance of and after each Board meeting respectively. The company secretary of the Company ("**Company Secretary**") has distributed relevant documents to the Directors in a timely manner to enable the Directors to make informed decisions on matters to be raised at the Board meeting. All Directors have access to the advices and services of the Company Secretary who is responsible for ensuring the procedures of the Board meetings are complied with, and in consultation with the compliance officer of the Company, advising the Board on compliance matters.

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company. Moreover, the Company Secretary have prepared minutes of the Board meetings and kept records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also has kept the minutes of the Board meetings, which are open for inspection at any reasonable time on reasonable notice by any Director.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Pursuant to code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. All existing non-executive Director and independent non-executive Directors are appointed for a specific term of one year.

According to Company's bye-laws, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 5.05 of the GEM Listing Rules, the Company must have three independent non-executive Directors; one of them has appropriate professional qualification or accounting or related financial management expertise. The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive Directors are considered to be independent.

Following the resignation of Mr. Leung Ka Fai as an independent non-executive Director on 5 December 2017, the number of independent non-executive Directors is less than three as required under Rule 5.05(1) of the GEM Listing Rules. Following the appointment of Mr. Qian Hongji as independent non-executive Director on 2 March 2018, the requirement of having three independent non-executive directors has been fulfilled.

BOARD COMMITTEES

As part of the corporate governance practices, the Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee with terms of reference in accordance with the principles set out in the CG Code. The compositions of the various committees of the Company on 31 December 2018 were set out below:

Audit Committee

Following the resignation of Mr. Leung Ka Fai as an independent non-executive Director on 5 December 2017, he also ceased to be a member of audit committee of the Company. As such, the Company was unable to fulfill the requirement of having three members on the audit committee as required under Rule 5.28 of the GEM Listing Rules. Following the appointment of Mr. Qian Hongji as a member of the audit committee of the Company with effect from 2 March 2018, the requirement of having three members on the Audit Committee has been fulfilled.

Mr. Ho Fung Shan Bob ceased to be a member of Audit Committee following his resignation as an independent non-executive Director with effect from 31 December 2018. Dr. Ho Ivan Chun Kit has been appointed as a member of the Audit Committee with effect from 31 December 2018.

The Audit Committee is currently composed of three independent non-executive Directors, namely, Mr. Yan Guoxiang (chairman of the Audit Committee), Dr. Ho Ivan Chun Kit and Mr. Qian Hongji. The financial results for the 2018 Year have been reviewed by the Audit Committee.

The principal duties of the Audit Committee include:

(a) to review the relationship with the external auditor to (i) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; and (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(b) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and review these reports and significant financial reporting judgments contained in them;

(c) to review the Company's financial controls, risk management and internal control systems, discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, and consider major investigation findings on risk management and internal control matters;

(d) to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors; and

(e) to review arrangements employees of the Company can use, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the 2018 Year, the Audit Committee has performed the above mentioned principal duties and reviewed the Company's monthly unaudited consolidated financial statements, annual results, annual report, interim report and quarterly reports and to advise and comments thereon to the Board. The Audit Committee has performed the duties to review the compliance procedures, report on the Company's internal control and risk management. The Audit Committee also met the external auditor twice without the presence of the executive Directors. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

The Audit Committee is established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The full terms of reference setting out the Audit Committee's authority and its role and responsibilities are available on the websites of the Company (www.cbshhk.com) and the Stock Exchange.

Remuneration Committee

Mr. Ho Fung Shan Bob ceased to be a member of the Remuneration Committee following his resignation as an independent non-executive Director with effect from 31 December 2018. Dr. Ho Ivan Chun Kit has been appointed as a member of the Remuneration Committee with effect from 31 December 2018.

The Remuneration Committee is currently composed of two independent non-executive Directors, namely Mr. Yan Guoxiang (chairman of the Remuneration Committee) and Dr. Ho Ivan Chun Kit and one executive Director and the chairman of the Company, Mr. Liu Xiaolin.

The principal duties of the Remuneration Committee include:

(a) making recommendations on the remuneration policy and structure of the Company, and determining the remuneration packages of, all Directors and senior management to the Board for the Board's final determination pursuant to Code Provision B.1.2(a) of the CG Code; and

(b) establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration pursuant to Code Provision B.1.2(h) of the CG Code.

The Remuneration Committee held five meetings during the 2018 Year to perform the above mentioned principal duties.

Details of the Directors' remuneration and five individuals with highest emoluments are set out in notes 14 and 15 to the consolidated financial statements.

The Remuneration Committee is established with written terms of reference in compliance with Rules 5.34 and 5.35 of the GEM Listing Rules. The full terms of reference setting out the Remuneration Committee's authority and its role and responsibilities are available on the websites of the Company (www.cbshhk.com) and the Stock Exchange.

Nomination Committee

Mr. Ho Fung Shan Bob ceased to be a member of the Nomination Committee following his resignation as an independent non-executive Director with effect from 31 December 2018. Dr. Ho Ivan Chun Kit was appointed as a member of the Nomination Committee with effect from 31 December 2018.

The Nomination Committee is currently composed of two independent non-executive Directors, namely Mr. Yan Guoxiang and Dr. Ho Ivan Chun Kit and one executive Director and the chairman of the Company, Mr. Liu Xiaolin (Chairman of the Nomination Committee).

The principal duties of the Nomination Committee include:

(a) reviewing the structure, size; composition (including the skills, knowledge and experience) and diversity (including but not limited to gender, age, cultural and education background or professional experience or geography pursuant to Code Provision A.5.6 of the CG Code) of the Board on a regular basis and recommending any changes to the Board;

(b) identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships;

(c) assessing the independence of independent non-executive Directors; and

(d) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular, the chairman and the chief executive officer of the Company, taking into the Company's corporate strategy and diversity, including but not limited to the proposed candidate's reputation for integrity, qualifications, skills, knowledge and experience that are relevant to the Group's business.

During the 2018 Year, four meetings were held by the Nomination Committee to, among other thing, review the structure, size, composition and diversity of the board, assess the independence of each of the independent non-executive Directors, and recommend to the Board for approval. The Nomination Committee reviewed the board diversity policy to ensure its effectiveness and considered that the Group has implemented the policy since its adoption.

The full terms of reference setting out the Nomination Committee's authority and its role and responsibilities are available on the websites of the Company (www.cbshhk.com) and the Stock Exchange.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. The position of the chairman is held by Mr. Liu Xiaolin. The responsibilities of the chairman of the Company is to ensure the Board to work effectively and perform its responsibilities, and all key and appropriate issues are discussed by the Board, draw up and approve the agenda for each board meeting and take into accounts, any matters proposed by others Directors for inclusion in the agenda.

As at 31 December 2018 and up to the date of this report, the Company has not appointed a chief executive officer and is looking for a suitable candidate to act as chief executive officer in order to comply with the CG Code. The office and duties of the chief executive officer in respect of the day-to-day management of the Group's business are held and handled by the executive Directors collectively.

COMPANY SECRETARY

The Company Secretary supports the Board and Board committees by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is appointed by the Board and reports to the chairman and Directors of the Company. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

Ms. Wong Miu Shun ("**Ms. Wong**") has been appointed as the Company Secretary on 9 October 2017. The biographical details of Ms. Wong have been disclosed in the Company's announcement dated 9 October 2017. Ms. Wong has taken more than 15 hours of relevant professional training to update her skills and knowledge during the 2018 Year.

CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statues, laws, rules and regulations.

Directors' training is an ongoing process. During the 2018 Year, the Directors are provided with monthly updates on the Company's performance and position to enable the Board as a whole and each Director to discharge their duties.

Under 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. The Directors are encouraged to participate in continuous professional development.

All Directors participated in continuous professional development by attending training and reviewing the materials relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements during the 2018 Year in order to develop and refresh their knowledge and skills. The Company updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

During the 2018 Year, the Directors have participated in the following trainings at the Company's expenses:

	Type of trainings	
Name of Directors	**Seminars**	**Reading Materials**
Executive Directors		
Mr. Liu Xiaolin	√	√
Mr. He Xun	√	√
Mr. Leung Pak Hou Anson	x	√
Mr. Wang Zheng	√	√
Non-executive Director		
Mr. Huang Song	√	√
Independent non-executive Directors		
Mr. Yan Guoxiang	√	√
Dr. Ho Ivan Chun Kit	x	√
Mr. Ho Fung Shan Bob	x	√
Mr. Qian Hongji	x	√

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business.

Accordingly, the Board has prepared the financial statements of the Company on a going concern basis. The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, interim and quarterly reports, other inside information announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to include the information required to be disclosed pursuant to statutory requirements.

The above statements, which should be read in conjunction with the independent auditors' report set out from pages 59 to 63 of this annual report, are made with a view to distinguishing for shareholders how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the 2018 Year; the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are prudent and reasonable in accordance with applicable accounting standards.

The quarterly, interim and annual results and reports were published within the time limits as required under the GEM Listing Rules after the end of the relevant periods to provide stakeholders with transparent and timely financial information.

Risk Management and Internal Control

The management has the responsibility to maintain appropriate and effective risk management and internal control systems and the Board and the Audit Committee has responsibility to review and monitor the effectiveness of the Group's risk management and internal control system covering material controls, including financial, operational and compliance controls on an ongoing basis to ensure that the systems in place are adequate and effective and safeguard the interests of the Company's shareholders and the Group's assets. The Group adopts a risk management system which manages the risk associated with its business and operations.

The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organisations of the Treadway Commission COSO 2013 framework ("**COSO**"). The COSO enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the COSO are shown as follows:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

The Group's risk management and internal control system are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has conducted an annual review on whether there is a need for an internal audit department. During the 2018 Year, the Company engaged an independent professional firm as internal audit function which consisted of professional staff with relevant expertise (such as Certified Public Accountants), to conduct a review of the risk management and internal control systems for its business operations and processes of the Group by conducting interviews, walkthroughs and test of operating effectiveness annually. The review was done on a systematic basis based on the risk assessments of the operations and controls, and covered review of revenue, capital expenditure and operating expense cycles of the subsidiaries in Hong Kong for the 2018 Year. The review plan has been approved by the Board and the Audit Committee. The Board and the Audit Committee have also reviewed the resources, staff qualifications and experience, training programs and budget of the independent professional firm and considered they are adequate and sufficient. In addition, there is regular dialogue with the Group's internal and external auditors so that both are aware of the significant factors which may affect their respective scope of work.

The internal control review report for the 2018 Year, issued by the independent professional firm, listed out the findings of the weaknesses identified in 2018 Year in regard to the relevant cycles and procedures with recommendations proposed for the Company to further improve its internal control system. No significant deficiency was identified during the review. The result of the review has been reported to the Board and the Audit Committee and areas of improvement, if any, have been identified and appropriate measures have been put in place to manage the risks. The Board and the Audit Committee reviewed the risk management and internal control system in respect of the 2018 Year. Several areas have been considered during the reviews, which included but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment, (ii) the scope and quality of management's ongoing monitoring of risk management and internal control system. The Board and the Audit Committee considered the systems effective and adequate throughout the 2018 Year.

Auditor's remuneration
For the 2018 Year, the fee payable to RSM Hong Kong in respect of audit services amounted to HK$880,000 (2017 Year: HK$750,000) and there is no fee payable in respect of non-audit services.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS
The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investors.

During the 2018 Year, there was no change in the bye-laws of the Company. The Company updates its shareholders on its latest business developments and financial performance through its corporation communications such as annual reports, interim reports and quarterly reports, notices, announcements and circulars issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.cbshhk.com in a timely and consistent manner as required by the GEM Listing Rules. The Company's website provides a communication platform to the public and the shareholders.

The Company regards the annual general meeting ("**AGM**") and special general meeting ("**SGM**") as a platform to provide an important opportunity for direct communications between the Board and the shareholders.

Shareholders are encouraged to attend the AGM and other shareholders' meetings. The Company supports the CG Code principle to encourage shareholder's participation.

SHAREHOLDERS' RIGHTS
A. Procedures for Shareholders to Convene a Special General Meeting
According to the provision of bye-law 58 of the bye-laws of the Company, the shareholders of the Company 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 a SGM to be called by the Board for the transaction of any business specified in such requisition. The SGM shall be held within two (2) months after the deposit of such requisition. The requisition must be lodged with the Company's head office and principal place of business of Hong Kong.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) may convene such meeting in accordance with the provisions of the Companies Act 1981 of Bermuda.

B. Procedures for putting enquiries to the Board
Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at Suites 1904-05A, 19/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company Secretary is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Directors.

C. Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings
Shareholders may include a resolution to be considered at a special general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for the Shareholders to Convene a Special General Meeting".

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 25 March 2019 ("**Dividend Policy**") which shall take effect on 25 March 2019. The Dividend Policy allows the shareholders of the Company to participate in the Company's profits by provision of dividends whilst preserving the Company's liquidity to capture future growth opportunities.

According to the Dividend Policy, the Board shall consider the following factors, among others, before proposing and declaring dividends:

(i) the Group's operation and financial performance;

(ii) the Group's capital requirements and future funding needs;

(iii) the liquidity conditions of the Group;

(iv) the availability of reserves of the Company and each of the members of the Group;

(v) any restriction on payment of dividends;

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

(vii) any other factors that the Board may consider relevant.

The declaration of dividends by the Company is also subject to the compliance with applicable laws and regulations, including the laws of Bermuda, the GEM Listing Rules, bye-laws of the Company and any applicable laws, rules and regulations. The Dividend Policy will be reviewed from time to time by the Board and may adopt changes as appropriate at the relevant time. There can be no assurance that dividends will be paid in any particular amount for any given period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE

China Biotech Services Holdings Limited and its subsidiaries (thereafter "**Group**" or "**We**") are fully committed to environment protection, social responsibility and is equipped with the strictest corporate governance. In pursuant to the requirements of the Environmental, Social and Governance Reporting guide ("**Environmental, Social and Governance Guide**") in Appendix 20 of the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), we have prepared the *2018 Environmental Social and Governance* ("**ESG**") *Report* (thereafter "**ESG Report**"), covering business segments principally in (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the People's Republic of China (the "**PRC**") and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong.

The scope of this report will cover the Group's initiatives on introducing the concept of ESG to our employees and clients, putting them into practices to our daily operations since 2016 and disclosing results as a year-end summary over the 2018 year. It is also the intention of our management to provide an overview of the Group's direction in managing ESG related issues, driving for ESG initiatives throughout the Group, and communicating our ESG performance result with our stakeholders. This year, the Group has decided to include past year' environmental performance data for a direct comparison. Furthermore, this year's carbon emission reporting will expand into Scope 3 to account for carbon emission associated with paper waste disposal, electricity used for processing fresh water and sewage by government departments and business air travel by employees.

This shall allow the management to review current ESG policies in order to drive better ESG outcomes for the upcoming years.

BOUNDARY AND REPORTING PERIOD

The reporting boundary shall cover our operation activities throughout the Group, including the Hong Kong head office as well as the subsidiaries in Hong Kong and Guizhou namely 貴州雙升製藥有限公司 (in English, for identification purpose only, Guizhou Shuang Sheng Pharmaceutical Co., Ltd.). Nevertheless, the Guizhou subsidiary had been disposed since 31 December 2018. Taking this into account, data presented for the Guizhou subsidiary reflected its ESG performance on or before such date of disposal.

Our reporting period shall cover the date from **1 January 2018 to 31 December 2018** (the "**2018 Year**").

STAKEHOLDER ENGAGEMENT

The Company set out below its efforts to minimise the negative influence to the environment, to promote our employees' well-being and to contribute to the community.

To ensure the Group has covered and managed all ESG aspects of the operation, the Group has consulted both the internal and external stakeholders about its potential impacts, and to identify its related attributes for active management purpose. The Group understands and values relationship with stakeholders from all perspectives, and thus included a wide list of parties as consultation targets.

The below table presents key stakeholders of the Group as well as how the Group communicate with them through a variety of engagement channels during the year.

<table>
<tr><th>Internal Stakeholders</th><th>External Stakeholders</th></tr>
<tr><td>• The Board
• Management
• General Staff</td><td>• Shareholders
• Investors
• Customers
• Local community groups</td></tr>
<tr><td colspan="2">Engagement methods:
Meetings, interviews direct mail, staff performance appraisal interviews, internal publications, Annual General Meeting (“AGM”), special general meetings and announcements.</td></tr>
</table>

Table 1. Engaged Stakeholder list and methods

VALUABLE FEEDBACK

Stakeholders' feedback is valuable on its ESG approach and performance. For any suggestion or opinion, please send it to the Group through its communication channels.

ENVIRONMENT

The Group understands the importance of environmental protection, recognises the potential impacts that our operational activities may cause to the natural environment, and strive to minimise our impacts. While We aim to generate revenue for our shareholders, provide the high quality products and professional services to our customers, the Group established sets of **Environmental Policy**, ensuring the compliance with all applicable laws and regulatory requirements in both the PRC and Hong Kong. Our policies also set direction, and as a guideline for our employees, on best managing our environmental impacts to the local environment according to different activities throughout our operations, and these policies are listed as the followings:

- monitoring of compliance with all applicable environmental laws, standards and regulations;
- developing a culture of environmental protection among staff members;
- promoting public awareness of environmental sustainability issues through resources conversation in the context of operations;
- seeking continual improvement in the efficient use of energy and other natural resources; and
- employing the best practices as listed out in "**Green Measures for Offices**".

Due to the nature and the regional coverage of our business, it is important for us to identify and manage environmental impacts attributable to our operational activities to minimise these impacts where possible. Awareness programme on environmental protection is also promoted internally throughout our operation. We encourage the same to our clients and improve all together.

Air Emission

In Hong Kong and the Pearl River Delta, key air pollutants are: nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and respiratory suspended particles ("**RSP**", also known as Particulate Matter ("**PM**")). These pollutants tend to be generated by motor vehicles, marine vessels, power plants, and industrial and commercial processes locally. The Group owns private cars and their operations has emitted the concerned pollutants to the atmosphere, results as follows.

Pollutant	**Total Emissions (g)**
NO_x	4,225.9
SO_x	146.7
PM	311.1

Table 2 – Emissions data from vehicles

Other than vehicle emissions, the Group had not been involved in any combustion process, industrial, or heavy transportation activities that could lead to other direct emissions to the atmosphere.

Carbon Emission

The Group had Scope 1 and Scope 2 Greenhouse Gas ("**GHG**") (i.e. carbon) emission as a result of direct fuel consumption (Scope 1) by company vehicles as mentioned above, and indirect (Scope 2) emission through purchased electricity and steam.

This year, the Group is taking a further step to include Scope 3 carbon emissions in the areas of paper consumption, electricity usage for processing fresh water and sewage, and business air travel by employees.

The Group's overall carbon footprint has been calculated and reported as below.

	Unit (tonnes)
Scope 1	27.1
Scope 2	404.27
Total Emissions	431.4

Table 3 – Scope 1 and Scope 2 GHG emissions measured as CO2 equivalent in tonnes

In conclusion, the Group's carbon footprint was 431.3 tCO^2 in 2018.

Calculations were based on company utility data and the relevant emission factor provided by electricity providers. Reporting scope and methodology accords to Reporting Guidance on Environmental KPIs by the Stock Exchange.

* Scope 1 emissions has included the CO2 equivalent emissions of CH4 and N2O from company vehicles.

Noise and Water Discharge

The Group's manufacturing facility in Guizhou was under the regular supervision and monitor by the Qingjing City Environmental Monitoring Centre throughout the 2018 Year.

Water discharge and noise emission from the factory were regularly assessed to ensure the compliance with the local environmental regulations, and the Group conducted regular performance revision to meet or exceed the compliance requirements.

Waste Management

Hazardous Waste

The Group's operation in Hong Kong includes a laboratory testing facility and a clinical product packaging line, where operation activities inevitably contribute to the generation of clinical waste. A **Waste Management Policy** was developed to provide guidelines on the proper handling and management of generated clinical waste, and to ensure compliance with legal requirements of *Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and Waste Disposal (Clinical Waste) (General) Regulation*.

The Group places a strong emphasis on the industry-specific clinical waste matter and have formed strict policies addressing its management. We have our Management of Clinical Waste policy in place to ensure the proper disposal of such.

Furthermore, the Group had formed the laboratory safety committee to ensure the laboratories were being operated in accords to safety procedures. It is also the duty of the committee to manage clinical waste that includes and is not limited to the following:

- Segregate clinical waste from other waste streams and prevent clinical waste from entering the disposal chain of municipal solid waste
- Package and label clinical waste properly to enable easy identification, including information on the source of generation
- Provide safe and secure temporary storage area for clinical waste
- Collection of clinical waste by licensed clinical waste collectors
- Record keeping
- Staff safety training

To provide further details, leak-proof containers were utilised to contain laboratory waste, ensuring they were impermeable to moisture and prevented from tearing or bursting under normal handling. Containers would only be filled below the warning line indicating 70% and 80% of their maximum volume before sealing to avoid spillage. They would be stored in premises that were well-ventilated and used solely for the storage of clinical waste.

In regards to clinical waste disposal, the Group had hired clinical waste contractors to collect and dispose of clinical waste safely and legally before they are being sent to the landfill with other solid waste. In summary, and after careful investigation, the Group has no non-compliant activities in respect to our hazardous waste handling procedures.

The Group recognised its achievements for the past consecutive years and seek to maintain this clean record on hazardous waste handling.

Non-Hazardous Waste

For non-hazardous waste, the Group kept a close working relationship with employees to promote waste reduction. Measures such as paper recycling, and the appropriate use of recycled paper was encouraged in workplaces. In addition, the Group took the initiative further by driving for a paper-less working environment. Staff were encouraged to work and communicate through emails and e-format documents instead of hard copies.

The Group had generated 6,594kg of solid waste via its laboratory operations in Hong Kong in 2018.

Use of Resources

As an environmental friendly company, the Group is actively persuading the culture of "**Green Office**" and the smart consumption of natural resources, and particularly on energy and paper saving.

Measures such as adopting to an **Energy Conservation and Efficiency Policy** and practices in offices and the utilisation of green technologies, were successfully implemented throughout the year. Details can be found as below:

Energy Saving Measures

- Energy equipment with "**Energy Efficient Label**" is included as part of the procurement process selection criteria, and shall be adopted as far as possible;

- Good working space practices, such as setting the air conditioners to 25.5°C are encouraged for a comfortable working environment; and

- Good working practices on utilising electronic devices are adopted throughout working premises, as electronic appliances shall be switched off or set into energy saving mode when idle.

Paper Saving Measures

- E-documentation platform is promoted in our offices (i.e. email) to reduce paper waste;

- Marketing materials, such as greeting cards shall be sent by electronic means as much as possible; and

- The proper use of papers, such as double-sided printing or copying are encouraged whenever it is appropriate.

As a summary, and after a careful data consolidation and analysis, the Group reported a total of 656,491kWh of electricity and 3,652m^3 of water consumed in 2018. Energy intensity by electricity consumption was at 9.34kwh/HK$1,000 revenue generated, while water consumption intensity was at 0.052m^3/HK$1,000 revenue. In addition, the Group generated 6.6 tonnes of waste and 3,133m^3 of waste water in the same reporting period. The following charts compare the Group's use of resource with that of the previous year's.

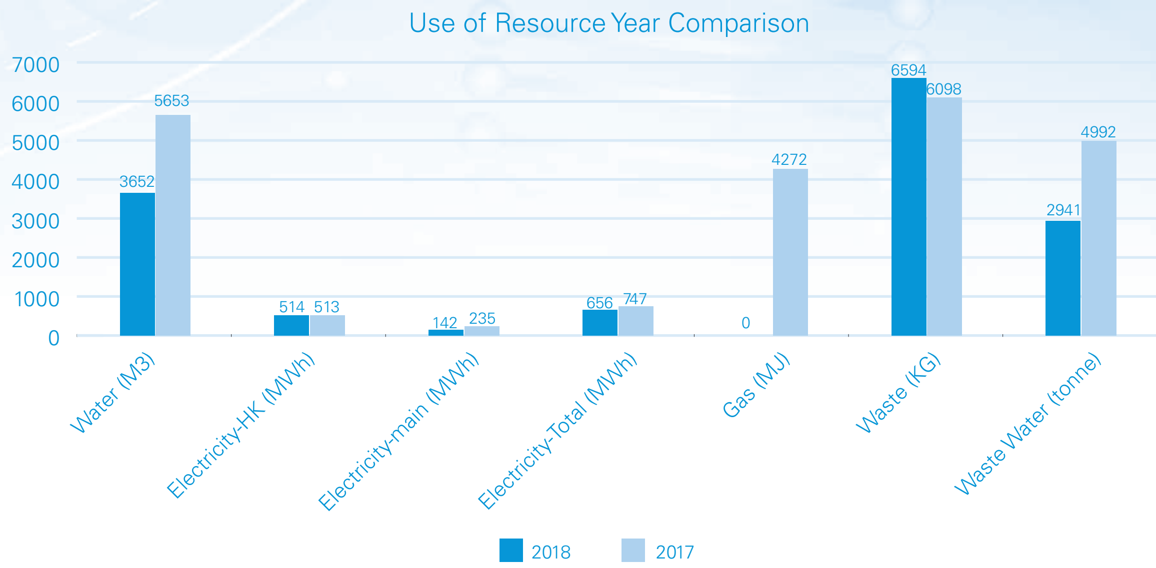

Chart 1 – Use of Resource Performance Comparison

Water Consumption: 35% Reduction

Sewage: 41% Reduction

Electricity: 12% Reduction

Gas: 100% Reduction

SOCIAL

The business of the Group spreads across several industrial sectors, involving a large number of great individuals working with us. Offering competitive compensation, while treating with equality and fairness, and complying with laws and regulations have always been one of the Group's guiding principles. The Group will monitor and improve in areas as needed, and will continue to grow sustainably and in a socially responsible manner.

Employment

As a socially responsible company, the Group understands the success of any company depends largely on the factor of their **People**. The Group recognises the contribution and the success that they bring, and their works of excellence must be well compensated. The Group offers competitive remuneration and benefits scheme to retain and to procure best talents to match with our long-term organisational growth.

Remuneration Committee

The Remuneration Committee was set up to enable the Group to attract, retain, and activate talented employees that are essential to the success of the Group. The principal duties of the Remuneration Committee include: (a) making recommendations on the **Remuneration Policy** and structure of the Group, and determining the remuneration packages of all Directors and senior management to the Board for the Board's final determination pursuant and (b) establishing transparent procedures for developing such **Remuneration Policy** and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration pursuant.

The Group's management regularly reviews employees' remuneration packages, implements targeted performance assessment and makes adjustment according to the prevailing market and industry trends, inflation, and the performance from both the corporate and employee performance in the previous year. Remuneration package is also related to both the position value and employee performance, which will be assessed by targets and Key Performance Indicators that were assigned accordingly to their positions.

Health and Safety

The Group considers the safety of our employee as one of our greatest concerns. Our **Safety Manual** is carefully planned and developed to promote the awareness of operation safety, and to drive for the best practices in our premises. We strive to maintain a high occupational safety and health standard, and for providing a safe and comfortable working environment to our employees.

The Group strictly complies with *Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong)*, and no work-related injury lost day was recorded in 2018.

Hong Kong

The Group's **Safety Policy** has strict guideline on laboratory conduct to ensure a safe working environment. Procedure were developed on categorizing various types of hazardous materials into risks groups, and the proper management in the workspace (i.e. chemicals, regent, equipment, and etc). Measures thus are assigned according to their risk levels, and details can be found as below:

1 Strictly compliance to *ISO 15189:2012* and the Safety Manual, which specifies the basic rules for safety practices in the laboratory.

2 Laboratory Safety Committee is established supervising the laboratory safety performance, identifying safety issues, providing relevant safety procedures and arranging trainings to employees.

3 Safety checkup carried out for laboratory units and surrounding areas once every two years.

4 Provision of suitable protective equipment to employees when handling potentially hazardous materials.

Guizhou

The Group has maintained a consistent **Safety Policy** throughout the operation. All of our newly recruited employees will be assigned to their Safety Training according to respective departments and work nature. In addition, to maintain the safety standard are updated and properly delivered to employees, a 2-hours work related safety training are arranged on a bi-annual basis. Employees are encouraged to actively participate in our training sessions, and to voice out for issues that are identified throughout the operation.

In consistent with the Hong Kong operation, a comprehensive hazardous material and goods management system are put in place for the employees in Guizhou. The goal is to provide a guideline safeguarding employees, and to reduce their exposed operational risks. Details and procedures are listed as the below:

1	Procurement	Procurement quotas are assigned to all units and hazardous goods are only purchased according to actual needs.
2	Examination	Upon the entering of our warehouse, custodians are required to perform examination on the name, specification and batch number for all dangerous goods. Verification are closely performed, and especially on the packaging, seals and labels. Unqualified goods will be reported, and with reason clearly stated for rejection. Copies will be kept by 3 separate units namely the warehouse, sourcing unit and quality control unit for further revision purpose.
3	Storage & Management	Warehouse for dangerous goods is located at a safety distance to avoid for the risk of a fire break-out. Warehouse is a well-ventilated storage place, where temperature is constantly controlled below 30 Degrees Celsius at all times.
4	Distribution	Warehouse custodians are required to verify and to check the name, specification, batch number and label of the respective hazardous goods before distribution. The transportation of hazardous goods is handled carefully by specially appointed employee under the guidance and supervision of the respective warehouse custodian.

In 2018, the Group had no material non-compliance breach with relevant standards, laws, rules and regulations relating to providing a safe working environment and protecting employees from occupational hazards. In addition, no major accident was encountered during the operation in 2018.

Training and Developments

The Group views employees as one of its greatest assets. High-caliber talents that are professionally trained are vital to Our sustainable success. The Group encourages employees to learn continuously, not only to ensure they perform well at their jobs, but also for their personal growth and career development.

The Group's management has developed specific **Training Policy** for employees, and details are listed as the followings:

- Ensure that employees are supported and enabled to meet the changing demands of the Group and its service users so that the Group achieves its strategic objectives;

- Facilitate employee development and/or personal development through assisting them to broaden, deepen and thereby further enhance their existing skill base; and

- Provide a working environment, where continuous learning and development take place that help staff gaining on-job fulfilment, increase motivation and enhance staff retention.

Throughout 2018, the Group had arranged various types of training especially for the operations in PRC. A total of 244 hours of training were provided to all 18 employees. The percentage of employees trained is 40.9% with each employee receiving 13.6 hours of internal training provided by the Group. Most of the training in PRC focused on quality control, compliance and safety to ensure our staff members fully understand the required product and service quality.

For our office staff members in Hong Kong, they receive training on corporate governance and internal control. We also collaborate with external education institutes to provide courses on different subjects such as information technology, corporate governance and business accounting to employees. The courses are designed and structured to enhance and develop required skillsets for our office workers. The total training hours received by our Hong Kong employees is 24 hours.

For the newly-recruited employees are provided with orientation training, which covers topics such as:

- company's structure and mission;

- employee's contribution toward business success and objective; and

- company's guidelines, procedures and etc.

Equal Opportunities, Diversity and Anti-Discrimination

Employee Composition/Equal Opportunities

The Group's **Human Resource Policy and Procedures** are designed and implemented in compliance with applicable laws and requirements. Each regional or local management team maintains its HR policies, covering areas such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Being an equal employment opportunity employer, the Group hires and develops people with suitable qualifications, experience, skills, potential, performance and knowledge for a job specification. The Group does not discriminate against person regardless of sex, marital status, family status, pregnancy, disability, age, sexual orientation, race, color, descent, ethnic, nationality and religion.

The Group stipulated the terms in the employment contract about the working hours, rest and leave entitlement. The Group also instituted an eight-hour working day and five- day a week system.

In addition, the **Recruitment Policy** implemented in Guizhou specifies that the best candidates amongst current employees are considered first for open positions rather than external candidates.

Staff should observe the requirements of *Sex Discrimination Ordinance (Cap 480 of the laws of Hong Kong), Disability Discrimination Ordinance (Cap 487 of the laws of Hong Kong), Family Status Discrimination Ordinance (Cap 527 of the laws of Hong Kong) and Race Discrimination Ordinance (Cap 602 of the laws of Hong Kong)* and their respective related **Codes of Practice**. Staff who engages any act or conduct of discrimination, vilification, or sexual harassment will be subject to disciplinary proceedings.

Employees with workplace concern or queries should be referred to the Administration and Human Resources Department, and all cases will be thoroughly investigated and treated in the strictest confidence basis.

Labour Standard

The Group does not tolerate the involvement of forced and child labour in the operation, and strictly abides with laws and regulations relating to labour employment and contracts. It clearly stipulates in the recruitment that recruits should be at least 18 years of age, and employment of child labour is prohibited. Necessary measures are taken during the recruitment process, and background check will be conducted for every new employee and verified the details concerning the identity of such candidate.

In 2018 Year, the Group had no known material instances of non-compliance with relevant *employment and labour practice laws and regulations*.

Employee and Age Distribution

In this reporting period, the Group has 124 Full-time and 11 Part-time employees in Hong Kong; and 44 full-time employees in its PRC operations. As previously mentioned, due to company restructure, our PRC subsidiary had been disposed of in December 2018, resulting in a total of 1 employee remaining as at 31 December 2018. The regional and age distribution of employees is shown in the charts as below.

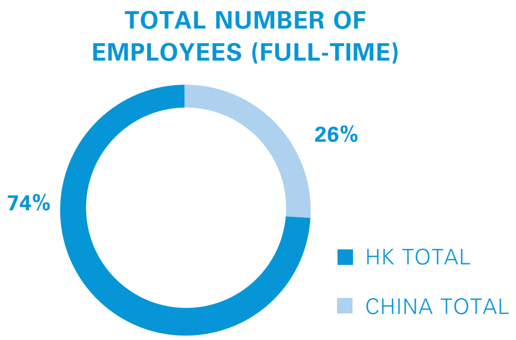

Chart 2 – Regional Distribution of Full-Time Employees

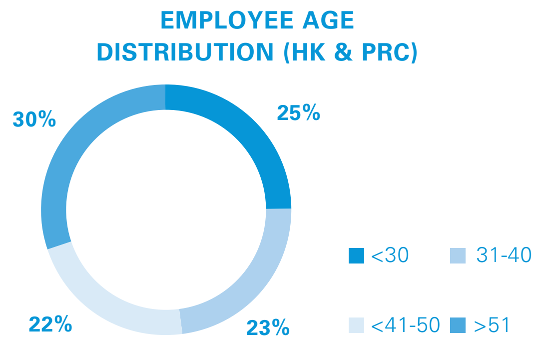

Chart 3 – Employee Age Distribution

Gender and Education Breakdown

The following charts feature the profile of our employees in both Hong Kong and Guizhou.

EMPLOYEE GENDER DISTRIBUTION (FULL-TIME)

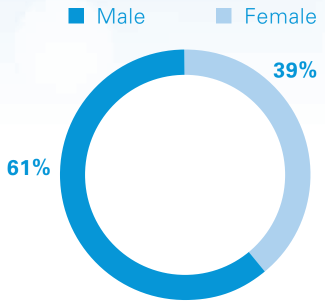

Chart 4 – Employee Gender Distribution

EMPLOYEE EDUCATION DISTRIBUTION (FULL-TIME)

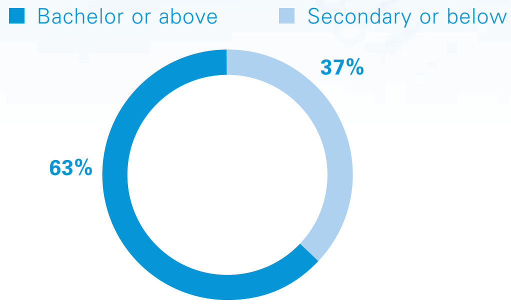

Chart 5 – Employee Education Level Distribution

For 2018, the turnover rate for our operations in Hong Kong was 36.3% whilst for Guizhou it was 2.27%.

Supplier Management

Hong Kong

The Group has strict policy on consumable procurement process, as quality managers are responsible for ensuring the quality of the products are up to the Group's requirement. Reagents and equipment will only be purchased from reliable vendors, which are ISO accredited, reputable, reliable in provision of safety services and the costs and responses to our requests, etc. Revision and re-evaluation are conducted annually, ensuring the performance and records of our approved suppliers are up to date and maintained properly. Immediate replacement shall also be raised to our suppliers should any consumables and reagents are found to be defected or are considered substandard upon the receipt of the shipment.

Guizhou

The supplier selection mechanism ensures raw materials used in products are of the highest quality, where suppliers have to meet respective quality standards, such as:

- obtaining legal production licenses;
- meeting the Group's standard in maintaining the manufacturing facilities and equipment;
- maintaining a high-quality assurance on production process; and
- ensuring a high-standard on product packaging and etc.

When preliminary approval is obtained from the Quality Assurance Supervisor by the procurement department, close examination and testing are carried out by the quality control department. Further examinations will be conducted by the Production Units ensuring samples provided by the potential suppliers are up to the industrial standards.

A supplier database was established to enable an effective supplier management and monitoring process. The following information are kept for the easy tracking purpose:

- the characteristics of the raw materials procured;
- license and quality evaluation reports are collected by the quality assurance; and
- production unit that were stored for three years after the termination of the supplier relationship.

The Quality Assurance department performs annual evaluation on suppliers, ensuring their performance are up to standard. Investigation will be carried out on cases where raw materials that are substandard or with quality problems. With regards to the occurrence of constant quality issues, written feedback will be provided to relevant suppliers for improvement purpose. Furthermore, in situations deemed necessary, the quality assurance would request for capability re-evaluation to ensure the quality of specific suppliers are still up to the Group's standard.

Quality Assurance

Hong Kong

Since 2007, the Group's medical laboratory and health check centres has obtained the ISO 15189 qualification. The Group strives to continue the effort in assuring the quality standard of our products are at the highest, as the performance on operational items, such as Quality Management System, Organisation and management are regularly checked. A comprehensive internal audit will be conducted annually for close monitoring and reporting purpose. Result shall be reviewed by the Laboratory Supervisor, and subsequently reported to the senior management regularly for continuous improvement.

Guizhou

The Guizhou operation conducts regular quality assurance meeting for information share and performance revision. Relevant departments and stakeholders will be invited, as cases of substandard materials and products, corrective actions and measures are reported for discussion purpose, and follow-up actions or recommendations will be provided for future improvement.

Data Protection

The Group has strictly complied with *Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong)* in Hong Kong and all other relevant data protection principles.

At the laboratories, the Group's **Confidentiality Policy** ensures examinee's personal information are carefully handled and stored properly. Examinee's personal particulars are only accessible to Authorized-Employees, and it shall not be released to any third-party companies unless a consent agreement is reached or upon the request from the doctor.

Furthermore, unless an authorisation was granted by the examinee or the request of the examinee's doctor, patient's reports shall not be released to any external party, including the examinee's relatives.

Anti-Corruption

The Group is strictly complying with all law requirements and fully committed in restricting any of illegal activities, including corruption, without exception. Staff are requested to understand, prohibit and work with us to safeguard the Group throughout their daily operation, and also prevent money laundering activities. To maintain transparency and promote integrity and accountability, the Group established the whistleblowing channels for reporting inappropriate conduct and other irregularities issue, which were against relevant internal policies and guidelines. In order to strengthen employee's understanding on the topic, regular internal trainings are organised, and with real-life cases and measures to avoid non-compliance activity that may incur. A working guideline on "Anti-Corruption Measures" was prepared by the Group, and it was publicly available and fully accessible to all of the employees.

During 2018 Year, the Group was unaware of any action that non-compliance with laws and regulations relating to corruption, bribery, extortion, fraud and money laundering.

COMMUNITY

As a socially responsible corporation, the Group understands the importance of our contribution to the local community development. One of the Group's visions is to generate profit for our shareholders, but also care, serve and give back to our community and those that are in needs. The Group actively seek for opportunities to participate in local charity events and community service activities, and further initiatives can be found in the next section.

Community Investment

The Group encourages employee's active participation in serving the local community, and we take the lead in making donations to various charity organisations. In 2018, our staff participated in charity events organised by **Volunteer Space** and participated in JOYPixels x VOLUNTEER SPACE EMOJIONE Walkathon. As a result, a total of 12 hours of voluntary participation time was contributed by the Group and our staff members.

Furthermore, the Group generously donated HKD1,000,000 to Shenzhen Zhenweining Charity Foundation in August 2018 in support of the organisation's charity functions.

The Group will continue its efforts in community services, encourage employees' participation in volunteering activities, and dedicate resources for further contributions in the future.

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "**2018 Year**").

PLACE OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS

The Company was incorporated and registered as an exempted company in Cayman Islands under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003 and duly continued in Bermuda as an exempted company under the laws of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The head office and the principal place of business of the Company in Hong Kong is Suites 1904-05A, 19/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to various risks, including some which are specific to the Group or the industries in which the Group operates. The Directors have established a policy to ensure that significant risks which may adversely affect the Group, are identified, reported, monitored, and managed on a continuous basis.

The Group has identified the following key risks that are considered to be significant to the Group, which may adversely and/or materially affect the Group's businesses, financial conditions, results of operations and growth prospects. Key risks relating to the Group's businesses and to the industries in which the Group operates are including but not limited to:

(a) Competition

The industries that the Group operate are highly competitive. Areas of competition include production costs, price competition, marketing campaign, customer services and distribution network. If the Group does not respond timely to cope with the market conditions, it would affect the consumer demand for the Group's products and services, the reputation of the Group and the Group's financial performance.

The Group has been consistently monitoring its competitors, markets and industries and will adjust its business strategy to adopt changes in business environment.

(b) Financial Risk

The Group is exposed to financial risks, including credit risk, interest rate risk and liquidity risk. The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder return and a sound capital position. Adjustments are made, when necessary, to maintain an optimal capital structure in light of changes in economic conditions.

(c) Technology

The Group is dependent on information technology systems and networks, including the internet and third-party hosted services for the Group's operation, including laboratory management, sales and distribution, ordering and purchases, inventory management and financial reporting. Any material disruption or slowdown of information technology systems, including a disruption or slowdown caused by failure to successfully upgrade the Group's systems, system failures, viruses or cyber-attacks could cause a loss of data or operation interruption. Therefore, the Group will continually monitor and implement, if necessary, relevant information technology systems and networks so as to keep up with the pace of technological progression. The Group has adequate back-up procedures and recovery strategies in place in order to reduce the level of severity of the breakdown of information technology systems.

(d) Macro-economic environment

The downturn of macro-economy has negative impact on the business environment. Health related and pharmaceutical products and services may not be considered as necessity for customers which may result in reduced demand and order for the Group's products from the customers or distributors.

The Group will closely monitor of any such changes of economic environment and adjust the product diversification plan and marketing strategies as well as overall business plan under different market conditions.

(e) Employees

The Group's success and ability to grow depends largely on its ability to attract, train, retain, and motivate highly skilled and qualified managerial, sales, marketing, administrative, operating, and technical personnel. The loss of key personnel could materially and adversely affect the Group's prospects and operations. The Group considered that staff turnover is not avoidable. The Group has adopted the successive plans of key management staff in order to tackle the potential loss of human knowledge and maintaining business continuity.

(f) Regulatory and operational compliance

The Group operates in markets and industries which require compliance with numerous regulations, including but not limited to, (i) the regulation in relation to the Food Manufacturing Practice for the production lines of the pharmaceutical products in the PRC under the China Food and Drug Administration; (ii) the Competition Ordinance (Chapter 619 of the laws of Hong Kong); (iii) Employment Ordinance (Chapter 57 of the laws of Hong Kong) in Hong Kong; (iv) Trade Descriptions Ordinance (Chapter 362 of the laws of Hong Kong) in Hong Kong; (v) Food Safety Ordinance (Chapter 612 of the laws of Hong Kong) in Hong Kong, and the applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the GEM Listing Rules also apply to the Group.

The failure to be responsive to changes to such regulations may adversely affect the Group's reputation, operations and financial performance. In order to mitigating the risk of non-compliance of the aforesaid regulations, the Group seeks to ensure compliance with these requirements through various measures such as implementing internal controls and approval procedures, conducting staff trainings and obtaining legal advices.

DIRECTORS' REPORT

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Genius Lead Limited ("**Genius Lead**"), a company incorporated in Samoa with limited liability and Genius Earn Limited ("**Genius Earn**"), a company incorporated in the British Virgin Islands with limited liability, respectively.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 23 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the 2018 Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 64 to 65. The state of affairs of the Group and the Company at that date are set out in the consolidated statement of financial position on page 66 and note 32 to the consolidated financial statements of this report respectively.

The Board does not recommend the payment of a dividend for 2018 Year (year ended 31 December 2017 ("**2017 Year**"): HK$Nil).

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the 2018 Year is set out in note 10 to the consolidated financial statements.

CHARITABLE DONATIONS

During the 2018 Year, the Group made charitable donations amounting to approximately HK$1,000,000 (2017 Year: HK$Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the 2018 Year, the percentages of turnover and purchases attributable to the Group's major customers and suppliers are set out below:

Turnover	
The largest customer	20.06%
Five largest customers in aggregate	35.45%
Purchases	
The largest supplier	23.40%
Five largest suppliers in aggregate	58.16%

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the 2018 Year are set out in note 31 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into by the Company during the year or subsisting at the end of the year are set out below:

(a) Acquisition of approximately 67% equity interest in Shanghai Longyao involving issue of consideration shares and incentive shares

On 22 July 2018, the Company and China Biology had entered into the Master Agreement and the HK SPA and China Biology had entered into the PRC Capital Increase and Equity Transfer Agreement in respect of, among others, the PRC Capital Increase and the PRC Equity Transfer. On 31 October 2018, the Company and China Biology entered into supplemental agreements to each of the Master Agreement, the PRC Capital Increase and Equity Transfer Agreement and the HK SPA in relation to, among others, extension of the long stop date of the Acquisition to 31 January 2019. On 31 January 2019, the Company and China Biology entered into further supplemental agreements to each of the Master Agreement, the PRC Capital Increase and Equity Transfer Agreement and the HK SPA in relation to, among others, further extension of the long stop date of the Acquisition to 31 March 2019 and the adjustment of consideration of PRC Equity Transfer and the payment mechanism.

Pursuant to the HK SPA, the total consideration for the sale and purchase the BVI Sale Share and the BVI Sale Debt in the sum of RMB47,430,000 (equivalent to approximately HK$55,018,800) shall be paid by China Biology by the Company's issue and allotment of 27,509,400 new ordinary Shares to Beike Biotech Holdings or its nominee at the issue price of HK$2.00 per Share.

Upon completion of the PRC Capital Increase on 23 January 2019 and the completion of the PRC Equity Transfer and the HK Share Transfer, the Company, through China Biology, will directly or indirectly own approximately 67% of the total registered capital in Shanghai Longyao and Shanghai Longyao will become a non-wholly-owned subsidiary of the Company.

Pursuant to the Master Agreement (as amended and supplemented by the supplemental agreements dated 31 October 2018 and 31 January 2019), subject to fulfillment of certain conditions precedent (including, among others, the completion of the Acquisition), in the event that Shanghai Longyao meets First Target Achievement, the Company shall allot and issue a total of 29,100,000 new ordinary Shares at an issue price of HK$2.00 per new share to Mr. Ye, Beike Biotech Holdings, Mr. Yang Xuanming and Mr. Wang Xin (being collectively, the Incentive Shares Allottees). In the event that Shanghai Longyao meets Second Target Achievement, the Company shall allot and issue another 29,100,000 new ordinary Shares at an issue price of HK$2.00 per new share to the Incentive Shares Allottees in aggregate. In the event that Shanghai Longyao meets the Second Target Achievement but not the First Target Achievement, the Company shall allot and issue a total of 58,200,000 new ordinary Shares (the aggregate nominal value of which is HK$5,820,000) at an issue price of HK$2.00 per new share to the Incentive Shares Allottees.

(b) Subscription of new shares under the general mandate

On 22 July 2018, the Company and Mr. Ye entered into the Subscription Agreement, pursuant to which the Company has agreed to issue and allot, and Mr. Ye has agreed to subscribe 5,800,000 new ordinary Shares at a subscription price of HK$2.00 per new Share. The aggregate nominal value of the said subscription shares is HK$580,000) On 31 October 2018 and 31 January 2019, the Company and Mr. Ye entered into supplemental agreements to the Subscription Agreement in relation to, among others, extensions of the long stop date to 31 January 2019 and 31 March 2019 respectively.

(c) Placing of new shares under general mandate

On 22 August 2018, the Company and UOB Kay Hian (Hong Kong) Limited ("**UOB**") and China Merchants Securities (HK) Co., Limited ("**CMS**") entered into a placing agreement, pursuant to which UOB and CMS conditionally agreed to procure, as placing agents of the Company, the placees to subscribe for up to 79,500,000 ordinary shares ("**Placing Shares**") at a price of HK$1.68 per Placing Share ("**Placing**"). The completion of the Placing took place on 6 September 2018.

The Directors were of the view that the Placing could strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The Placing also represented a good opportunity to broaden the shareholders' base and the capital base of the Company. The Directors considered that the Placing was in the interests of the Company and the shareholders as a whole.

(d) Share option scheme

The Company adopted a share option scheme on 29 May 2014 for the purpose of enabling the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group.

During the 2018 Year, options to subscribe for 27,380,000 shares and 3,000,000 shares were granted on 12 January 2018 and 4 October 2018 respectively. Up to the date of this report, options to subscribe for 3,000,000 shares have lapsed.

The details of the share option scheme of the Company are set out in note 38 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the 2018 Year are set out in the consolidated statement of changes in equity on page 67 and in note 32 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

For the 2018 Year, the Company's distributable reserves are set out in note 32 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the 2018 Year are set out in note 19 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD

Details of the Group's events after the reporting period are set out in note 44 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary on pages 148 to 149 of this report. This summary does not form part of the audited consolidated financial statements.

BUSINESS REVIEW

The business review, including (i) review of the business of the Group during the year; (ii) particulars of important events affecting the Group that have occurred since the end of the 2018 Year; (iii) key financial and business performance indicators; (iv) discussion on the Group's likely future business development; and (v) principal risks and uncertainties faced by the Group are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 5 to 13 of this report. These discussions form part of this report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporate citizen, the Group recognises the importance of good environmental stewardship. The Group implemented green policies to raise energy efficiency and minimise energy consumption. For details, please refer to the section headed "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" on pages 29 to 41 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with applicable laws and regulations and the risk of non-compliance with such requirements. The Group has implemented system and allocated staff resources to ensure ongoing compliance with applicable laws, rules and regulations. The Company and its subsidiaries operating in Hong Kong and the PRC are subject to requirements under various laws and regulations. For subsidiaries operating in Hong Kong, applicable laws and regulations include, among others, Trade Descriptions Ordinance (Cap. 362 of the laws of Hong Kong), Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong), the Competition Ordinance (Cap. 619 of the Laws of Hong Kong), Employment Ordinance (Cap. 57 of the laws of Hong Kong), and the applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, GEM Listing Rules apply to the Company. For subsidiaries operating in the PRC, applicable laws and regulations include, among others, Administrative Measures on Foreign Investments in Commercial Sector (外商投資商業領域管理辦法), Law on Environmental Impact Assessment of the PRC (中華人民共和國環境影響評價法), Law on Wholly Foreign Owned Enterprises of the PRC (中華人民共和國外資企業法) and Administrative Regulations on Company Registration of the PRC (中華人民共和國公司登記管理條例). During the 2018 Year and up to the date of this report, save as disclosed in this report, the Group has compiled with the relevant laws and regulations that have significant impact on the Group in Hong Kong and the PRC.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Company is committed to operating in a sustainable manner while balancing the interests of various stakeholders including the Group's employees, customers, suppliers and the community.

Employees

The Group recognises the value and importance of its employees and the Group has been devoting resources in staff training and review of their development.

Providing a work environment that is free from all forms of discrimination, the Group has devised an integrated human capital strategy to recruit, develop and motivate employees, making sure that employees are provided with competitive remuneration package, appropriate training and development opportunities and their performance goals are aligned with the Group's business objectives.

In the 2018 Year, there were no known reports of any incidence of discrimination by the employees. Management and staff at all levels are responsible to ensure all employees are working in compliance with the statutory requirements, arrange adequate resources to fulfil the safety requirements and carry out training and supervision.

Customers

The Group is committed to provide safe and high-quality products and services to its customers. A customer complaint handling mechanism is in place to receive, analyse and handle complaints and make recommendations on remedies with the aim of improving quality of the Group's services and products and maintaining established relationship with customers.

Suppliers

The Group has developed long-standing relationships with a number of suppliers. The Group selects the suppliers in a prudent manner and requires them to satisfy certain assessment criteria including track records, financial strength, reputation and ability to deliver the products on time and quality standards.

For approved suppliers, evaluations are carried out annually regarding their performance, and records are maintained. In case of any inferior or substandard raw materials received, suppliers are informed and requests regarding replacements are raised immediately.

Community

The Company will continue to contribute to the harmonious society through social contributions and participations in public service activities. For details, please refer to the section headed "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" on pages 29 to 41 of this annual report.

DIRECTORS' REPORT

DIRECTORS

The Directors during the 2018 Year and up to the date of this report were:

Executive Directors

Mr. Liu Xiaolin *(Chairman)*	
Mr. He Xun	*Appointed on 7 August 2018*
Mr. Leung Pak Hou Anson	
Mr. Wang Zheng	

Non-executive Director

Mr. Huang Song

Independent non-executive Directors

Mr. Yan Guoxiang	
Dr. Ho Ivan Chun Kit	*Appointed on 31 December 2018*
Mr. Ho Fung Shan Bob	*Resigned on 31 December 2018*
Mr. Qian Hongji	*Appointed on 2 March 2018*

The reason of resignation of Mr. Ho Fung Shan Bob is set out on page 17 of this report.

Pursuant to bye-law 83(2) of the bye-laws of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company after his appointment and shall be eligible for re-election. Mr. He Xun and Dr. Ho Ivan Chun Kit will hold office until the forthcoming annual general meeting ("**AGM**") and each of them, being eligible, will offer himself for re-election at the AGM.

In addition, pursuant to bye-law 84(1) of the bye-laws of the Company, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The retiring Directors shall be eligible for re-election. Mr. Liu Xiaolin and Mr. Wang Zheng will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 14 to 15 of this report.

DIRECTORS' SERVICE CONTRACTS

All of the Directors are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company's bye-laws and the GEM Listing Rules.

All Directors have entered into service contracts with the Company for a term of one year.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No Director had material interest, either directly or indirectly, in any transactions, arrangements and contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during or at the end of the 2018 Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the 2018 Year.

COMPETING INTERESTS

None of the Directors, nor their respective associates (as defined in the GEM Listing Rules) had any interest in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group during the 2018 Year.

EMOLUMENT POLICY

The emolument policy of the Directors and senior management of the Group is set up by the remuneration committee of the Board on the basis of their merits, qualifications and competences. The emoluments of the Directors are decided by the Board on the recommendation of the remuneration committee of the Board, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to Directors and eligible participants, details of the scheme are set out in note 38 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the Directors of the Company for the 2018 Year by bands is as follows:

Emoluments bands	Number of individuals
HK$Nil to HK$1,000,000	5
HK$1,000,001 to HK$1,500,000	0
HK$1,500,001 to HK$2,000,000	0
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	1
HK$3,000,001 to HK$3,500,000	1
HK$7,500,001 to HK$8,000,000	1

Further particulars in relation to Directors' remuneration and the five individuals with highest emoluments are set out in notes 14 and 15 to the consolidated financial statements.

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

As at 31 December 2018, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "**SFO**")) as recorded in the register required to the be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(i) Long position in shares of the Company

Name of Director	Capacity and nature of interest	No. of shares held	Approximate percentage *(Note a)*
Mr. Liu Xiaolin ("**Mr. Liu**")	Interest of a controlled corporation	529,500,546 *(Note b)*	56.61%
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	136,020,000 *(Note c)*	14.54%
Mr. He Xun ("**Mr. He**")	Beneficial owner	10,000,000 *(Note d)*	1.07%
	Total	675,520,546	72.22%

Notes:

(a) As at 31 December 2018, the total number of the issued shares of the Company was 935,346,750 ordinary shares of HK$0.10 each.

(b) Genius Lead Limited ("**Genius Lead**")is the registered and beneficial owner of these shares of the Company, and Genius Lead is wholly-owned by Genius Earn Limited ("**Genius Earn**"), which is in turn wholly-owned by Mr. Liu. As such, Mr. Liu is deemed to be interested in the shares of the Company held by Genius Lead.

(c) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Mr. Liu is deemed to be interested in the shares which Genius Lead is interested in the capacity of a concert party. Further, Mr. Liu also made a loan to Bright Joy Ventures Limited to buy the relevant shares as described in s317(1)(b) of the SFO.

On 11 March 2019, the concert party agreement expired and Mr. Liu was no longer deemed to be interested in the shares beneficially held by Mr. Yau Wing Yiu. Mr. Liu remains to be interested in 128,300,000 shares as the lender of the loan to Bright Joy Ventures Limited to buy the relevant shares.

(d) On 11 September 2018, Bright Joy Ventures Limited has granted call options to Mr. He who may request Bright Joy Ventures Limited to sell to 10,000,000 shares of the Company subject to the call option at an exercise price of HK$2.00 per share during the one-year period commencing from 12 March 2019 until 11 March 2020. Details were disclosed in the announcement of the Company dated 11 September 2018.

(ii) Short position in the shares of the Company

Name of Director	Capacity and nature of interest	No. of Shares held	Approximate percentage *(Note a)*
Mr. Liu	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	20,000,000 *(Note b)*	2.13%

Notes:

(a) As at 31 December 2018, the total number of issued shares of the Company was 935,346,750 ordinary shares of HK$0.10 each.

(b) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Mr. Liu is deemed to be interested in the shares which Genius Lead is interested in the capacity of a concert party. Further, Mr. Liu also made a loan to Bright Joy Ventures Limited to buy the relevant shares as described in s317(1)(b) of the SFO.

On 11 March 2019, the concert party agreement expired and Mr. Liu was no longer deemed to be interested in the shares beneficially held by Mr. Yau Wing Yiu. Mr. Liu remains to be interested in the short position for 20,000,000 shares for the call options (which will expire on 11 March 2020) granted by Bright Joy Ventures Limited pursuant to the agreement for sale and purchase dated 11 September 2018.

(iii) Long position in shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	No. of shares held in associated corporation	Approximate percentage
Mr. Liu	Genius Earn	Beneficial owner	1	100%

(iv) Long position in share options granted

Name of Directors	Nature of interest	Date of Grant	Exercisable period	Exercise price per share	Aggregate long position in the underlying shares	Approximately percentage *(Note a)*
Mr. Liu	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK$1.67	780,000	0.08%
Mr. Wang Zheng	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK$1.67	4,000,000	0.43%
Mr. Huang Song	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK$1.67	4,000,000	0.43%

Note:

(a) As at 31 December 2018, the total number of the issued shares of the Company was 935,346,750 ordinary shares of HK$0.10 each of the Company.

Save as disclosed above, as at 31 December 2018, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2018, the following person or entity (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

(i) Long position in shares and underlying shares

Name of shareholder	Capacity and nature of interest	No. of shares held	Approximate percentage *(Note a)*
Genius Earn *(Note b)*	Interest of a controlled corporation	665,520,546 *(Note c)*	71.15%
Genius Lead *(Note b)*	Beneficial owner	529,500,546	56.61%
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	136,020,000 *(Note d)*	14.54%
Bright Joy Ventures Limited	Beneficial owner	128,300,000	13.72%
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	529,500,546 *(Note e)*	56.61%
Yau Wing Yiu	Beneficial owner	7,720,000	0.82%
	Interest of a controlled corporation	128,300,000	13.72%
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	529,500,546 *(Note f)*	56.61%

Notes:

(a) As at 31 December 2018, the total number of the issued shares of the Company was 935,346,750 ordinary shares of HK$0.10 each of the Company.

(b) Genius Lead is wholly-owned by Genius Earn. As such, Genius Earn is deemed to be interested in the shares of the Company held by Genius Lead under the SFO.

(c) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Genius Earn is deemed to be interested in the shares which Genius Lead is interested in the capacity of a concert party.

On 11 March 2019, the concert party agreement expired and Genius Lead ceased to be interested in 136,020,000 shares held by Mr. Yau Wing Yiu and Bright Joy Ventures Limited. As such, Genius Earn is no longer deemed to be interested in 136,020,000 shares Genius Lead was interested in as a concert party.

(d) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Genius Lead is interested in the shares which Bright Joy Ventures Limited and Yau Wing Yiu is interested in the capacity of a concert party.

On 11 March 2019, the concert party agreement expired and Genius Lead ceased to be interested in 136,020,000 shares held by Mr. Yau Wing Yiu and Bright Joy Ventures Limited.

(e) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Bright Joy Ventures Limited is interested in the shares which Genius Lead and Yau Wing Yiu is interested in the capacity of a concert party. Further, Mr. Liu also made a loan to Bright Joy Ventures Limited to buy the relevant shares as described in s317(1)(b) of the SFO.

On 11 March 2019, the concert party agreement expired and Bright Joy Ventures Limited ceased to be interested in the shares beneficially held by Mr. Yau Wing Yiu. Bright Joy Ventures Limited, as borrower of loan from Mr. Liu to buy relevant shares, remains to be interested in 529,500,546 shares to which Mr. Liu is interested.

(f) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Mr. Yau Wing Yiu is interested in the shares which Genius Lead and Bright Joy Ventures Limited is interested in the capacity of a concert party.

On 11 March 2019, the concert party agreement expired and Mr. Yau Wing Yiu ceased to be interested in 529,500,546 shares to which Genius Lead is interested in the capacity as a concert party to the concert party agreement. Bright Joy Ventures Limited is wholly-owned by Mr. Yau Wing Yiu. As such, Mr. Yau Wing Yiu is deemed to be interested in the shares of the Company to which Bright Joy Ventures Limited is interested.

(ii) Short position in shares and underlying shares

Name of Director	Capacity and nature of interest	No. of Shares held	Approximate percentage *(Note a)*
Genius Earn	Interest of a controlled corporation	20,000,000 *(Note b)*	2.13%
Genius Lead	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	20,000,000 *(Note c)*	2.13%
Bright Joy Ventures Limited	Beneficial owner	20,000,000	2.13%
Yau Wing Yiu	Interest of a controlled corporation	20,000,000 *(Note d)*	2.13%

Notes:

(a) As at 31 December 2018, the total number of issued shares of the Company was 935,346,750 ordinary shares of HK$0.10 each.

(b) Genius Lead is wholly-owned by Genius Earn. As such, Genius Earn is deemed to be interested in the short position held by Genius Lead under the SFO.

(c) Pursuant to an agreement in respect of the sale and purchase of the Company's shares from Mr. Liu to Bright Joy Ventures Limited dated 11 September 2018, Bright Joy Ventures Limited, Mr. Yau Wing Yiu and Genius Lead further entered into a concert party agreement on 11 September 2018. As such, Genius Lead is deemed to be interested in the short positions which Bright Joy Ventures Limited is interested in the capacity of a concert party.

On 11 March 2019, the concert party agreement expired and Genius Lead ceased to be interested in the short positions held by Mr. Yau Wing Yiu and Bright Joy Ventures Limited.

(d) Bright Joy Ventures Limited is wholly-owned by Mr. Yau Wing Yiu. As such, Mr. Yau Wing Yiu is deemed to be interested in the short position held by Bright Joy Ventures Limited under the SFO.

Save as disclosed above, as at 31 December 2018, no other person or entity (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 29 May 2014, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Details and principal terms of the share option scheme is disclosed in note 38 to the consolidated financial statement of this report.

Details of movements in the Company's share options during the year ended 31 December 2018 are set out as follows:

			Number of Shares over which options are exercisable						
Name of Grantee	**Date of grant**	**Exercise price per Share** *(HK$)*	**Balance as at 1 January 2018**	**Granted during the 2018 Year**	**Exercised during the 2018 Year**	**Lapsed during the 2018 Year**	**Cancelled during the 2018 Year**	**Balance as at 31 December 2018**	**Exercise period**
Directors									
Mr. Liu	12 January 2018	1.67	–	780,000 *(Note 1)*	–	–	–	780,000	*Note 3*
Mr. Wang Zheng	12 January 2018	1.67	–	4,000,000 *(Note 1)*	–	–	–	4,000,000	*Note 3*
Mr. Huang Song	12 January 2018	1.67	–	4,000,000 *(Note 1)*	–	–	–	4,000,000	*Note 3*
Consultants and employees	12 January 2018	1.67	–	18,600,000 *(Note 1)*	–	–	–	18,600,000	*Note 4*
	4 October 2018	1.71	–	3,000,000 *(Note 2)*	–	–	–	3,000,000	*Note 5*
Total			–	30,380,000	–	–	–	30,380,000	

Notes:

1. The share options were granted on 12 January 2018. The closing price of the Shares on the date of grant was HK$1.67 per Share.

2. The share options were granted on 4 October 2018. The closing price of the Shares on the date of grant was HK$1.71 per Share.

3. The share options are exercisable to subscribe for (i) a maximum of one-third of the shares granted to each grantee in respect of the share options from 12 January 2019 to 11 January 2020; (ii) a maximum of another one-third of the shares granted to each grantee in respect of the share options from 12 January 2020 to 11 January 2021; and (iii) a maximum of the remaining one-third of the shares granted to each grantee in respect of the share options from 12 January 2021 to 11 January 2022.

4. Among the share options to subscribe for up to 18,600,000 shares of the Company, share options to subscribe for up to 15,600,000 Shares of are exercisable to subscribe for (i) a maximum of one-third of the shares granted to each grantee in respect of the share options from 12 January 2019 to 11 January 2020; (ii) a maximum of another one-third of the shares granted to each grantee in respect of the share options from 12 January 2020 to 11 January 2021; and (iii) a maximum of the remaining one-third of the shares granted to each grantee in respect of the share options from 12 January 2021 to 11 January 2022. The other share options to subscribe for up to 3,000,000 Shares are exercisable during the period of six (6) months commencing from 1 January 2021 and ending on 30 June 2021 subject to the fulfillment of certain financial performance targets by a subsidiary of the Group as set out in the offer letter.

5. The share options are exercisable to subscribe for (i) a maximum of one-third of the Shares granted to the grantee in respect of the share option from 4 October 2019 to 3 October 2020; (ii) a maximum of another one-third of the Shares granted to the grantee in respect of the share option from 4 October 2020 to 3 October 2021; and (iii) a maximum of the remaining one-third of the Shares granted to the grantee in respect of the share option from 4 October 2021 to 3 October 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2018 Year or at the end of the 2018 Year has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted to three Directors on 12 January 2018 and a call option granted by Bright Joy Ventures Limited to Mr. He, an executive Director, to buy 10,000,000 shares of the Company at an exercise price of HK$2.00 per share during the one-year period commencing from 12 March 2019 until 11 March 2020. Details are disclosed in the announcements dated 12 January 2018 and 11 September 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the 2018 Year, the Company repurchased 520,000 shares of the Company at HK$1.68 per share on the Stock Exchange pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 21 May 2018. The Company subsequently cancelled the repurchased shares on 5 November 2018.

Details of the repurchase are summarised as follows:

		Repurchased price per share		
Date of repurchase	**Number of shares**	**Highest**	**Lowest**	**Consideration**
		HK$	HK$	HK$
20 September 2018	60,000	1.68	1.68	100,800
21 September 2018	20,000	1.68	1.68	33,600
26 September 2018	60,000	1.68	1.68	100,800
27 September 2018	60,000	1.68	1.68	100,800
28 September 2018	80,000	1.68	1.68	134,400
2 October 2018	40,000	1.68	1.68	67,200
4 October 2018	20,000	1.68	1.68	33,600
5 October 2018	20,000	1.68	1.68	33,600
8 October 2018	80,000	1.68	1.68	134,400
9 October 2018	80,000	1.68	1.68	134,400
Total	520,000			873,600

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the 2018 Year. The Board believes that the Shares have been trading at a level which does not reflect the underlying value of the Company in September and October 2018. The Share Repurchases would enhance the net asset value per Share and are therefore beneficial to the shareholders of the Company.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the disposal of subsidiaries and acquisition of approximately 67% of equity interest of Shanghai Longyao as disclosed in the section headed "BUSINESS REVIEW" in "MANAGEMENT DISCUSSION AND ANALYSIS", the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2018 Year.

RELATED PARTY AND CONNECTED TRANSACTIONS

The Company had not entered into any connected transaction during the 2018 Year which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the 2018 Year are disclosed in note 43 to the consolidated financial statements.

Other than the related party transaction disclosed in note 43 to the consolidated financial statements, no transactions, arrangements, contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the reporting period or at any time during the 2018 Year.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" set out on pages 16 to 28 of this report.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes in operation for the 2018 Year are set out in note 16 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the independent non-executive Directors to be independent and meet the requirements set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

INDEMNITY PROVISIONS

Bye-law 164(1) of the Company's Bye-laws provides that the Directors or other officers of the Company shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty provided that the indemnity shall not be extended to any matter in respect of any fraud or dishonesty which may be attached to the relevant Director or officer of the Company.

INDEPENDENT AUDITOR

On 31 October 2016, Cheng & Cheng Limited, who acted as auditor of the Company, resigned and HLB Hodgson Impey Cheng Limited was appointed as auditor of the Company. The details of the change of auditor are set out in the Company's announcement dated 31 October 2016.

On 3 November 2017, HLB Hodgson Impey Cheng Limited, who acted as auditor of the Company, resigned and RSM Hong Kong was appointed as auditor of the Company. The details of the change of auditor are set out in the Company's announcement dated 3 November 2017.

Save for the above, there were no other changes of auditor of the Company in the past three years.

The consolidated financial statements of the Group for the 2018 Year have been audited by RSM Hong Kong, who will retire and be eligible to offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to reappoint auditor and to fix their remuneration.

On behalf of the Board

China Biotech Services Holdings Limited
Liu Xiaolin
Chairman

Hong Kong, 25 March 2019

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF CHINA BIOTECH SERVICES HOLDINGS LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Biotech Services Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 64 to 147 which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill, intangible assets and property, plant and equipment ("**PPE**") for the provision of medical laboratory testing services and health check services segment. Refer to Notes 19, 21 and 22 to the consolidated financial statements. At 31 December 2018, the Group has goodwill and intangible assets of approximately HK$264,000 and HK$43,436,000 respectively after impairment loss. The goodwill and intangible assets arose from the acquisition of DVF Holdco (Cayman) Limited and its subsidiaries in 2015. Goodwill and intangible assets with an infinite useful life are tested for impairment annually. PPE and intangible assets with finite useful life are tested for impairment when indicators of potential impairment are identified.	Our procedures included: – assessing management's identification of cash-generating units ("**CGUs**"), the amounts of goodwill, intangible assets and PPE allocated to each CGU and, with the assistance of our internal valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards; – evaluating the competence, capabilities and objectivity of the independent appraiser engaged by the Company to prepare discounted cash flow forecasts to help management assess the value-in-use of the relevant CGUs; – obtaining the independent valuation report from the independent appraiser engaged by management and comparing key inputs in the calculations, which include revenue growth rates, gross profit ratios and working capital assumptions, with the financial budget approved by the directors, available relevant external data and our own views based on our experience and knowledge of the industry in which the Group operates;

Key Audit Matter	How our audit addressed the Key Audit Matter
For goodwill, intangible assets with finite useful lives and PPE where indicators of impairment were identified, management assessed the recoverable amounts of the separately identifiable CGU to which the relevant assets were allocated based on value-in-use calculations using discounted cash flow forecasts. An independent appraiser was engaged by management to prepare the valuation report in order for management to assess the impairment. The preparation of discounted cash flow forecasts involves the exercise of significant management's judgement, in particular in forecasting revenue growth rates and in determining long-term growth rates, inflation rates and the discount rates applied.	– utilising our internal valuation specialists to assist us in evaluating the assumptions and judgements adopted in the discounted cash flow forecasts relating to inflation, the growth rate beyond the forecast period and the discount rates applied to derive the recoverable amount of the CGUs. This evaluation included researching public information relating to inflation and independently recalculating the discount rates applied with reference to those of other comparable companies in the same industries; – comparing the key assumptions adopted in cash flow forecasts prepared in the previous year with the current year's actual performance to assess the historical accuracy of management's forecasting process and considering whether any significant variances had been incorporated in the current year's cash flow forecasts; and – considering the disclosure in the consolidated financial statements in respect of management's impairment assessments.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the Company's 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Liu Eugene.

RSM Hong Kong
Certified Public Accountants
Hong Kong, 25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
Gross proceeds	8	**70,304**	216,850
Revenue	8	**70,304**	105,135
Cost of sales		**(42,220)**	(74,933)
Gross profit		**28,084**	30,202
Net loss on financial assets at fair value through profit or loss		**(397)**	(32,671)
Other income, gains/(losses)	9	**2,430**	667
Allowance for impairment loss on financial assets, net		**(3,724)**	(2,732)
Selling and distribution expenses		**(16,966)**	(16,807)
Administrative expenses		**(78,988)**	(51,944)
Loss from operations		**(69,561)**	(73,285)
Finance costs	11	**(3,472)**	(2,189)
Share of (loss)/profits of associates		**(460)**	6,642
Loss on disposal of asset held for sales		**–**	(493)
Gain on disposal of associates		**–**	8,066
Gain on disposal of subsidiaries	39	**4,249**	2,473
Impairment loss on available-for-sale financial assets		**–**	(4,049)
Impairment loss on goodwill	21	**–**	(1,478)
Impairment loss on intangible assets	22	**–**	(11,085)
Loss before tax		**(69,244)**	(75,398)
Income tax expense	12	**(189)**	(1,132)
Loss for the year	13	**(69,433)**	(76,530)
Loss for the year attributable to:			
Owners of the Company		**(64,250)**	(63,022)
Non-controlling interests		**(5,183)**	(13,508)
		(69,433)	(76,530)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
Loss for the year		**(69,433)**	(76,530)
Other comprehensive income after tax:			
Items that will not be reclassified to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income (FVTOCI)		**(2,432)**	–
		(2,432)	–
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**251**	1,215
Release of exchange differences upon disposal of assets held for sales		**–**	1,716
Release of exchange differences upon disposal of investments in associates		**–**	(184)
Release of exchange differences upon disposal of investments in subsidiaries	*39*	**1,870**	1,728
Share of exchange differences of investments in associates		**3**	596
		2,124	5,071
Other comprehensive income for the year, net of tax		**(308)**	5,071
Total comprehensive income for the year		**(69,741)**	(71,459)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(64,719)**	(58,386)
Non-controlling interests		**(5,022)**	(13,073)
		(69,741)	(71,459)
Loss per share	*18*		
Basic and diluted (cents)		**7.3**	7.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*19*	**22,954**	41,428
Prepaid land lease payments	*20*	**–**	8,175
Goodwill	*21*	**264**	264
Intangible assets	*22*	**43,436**	44,661
Investments in associates	*24*	**4,828**	5,285
Financial assets at FVTOCI	*25*	**48,297**	–
Available-for-sales financial assets	*25*	**–**	21,612
		119,779	121,425
Current assets			
Prepaid land lease payments	*20*	**–**	241
Inventories	*26*	**3,488**	6,579
Trade and other receivables	*27*	**32,830**	83,945
Loan and interest receivables	*28*	**24,186**	15,017
Held for trading securities	*29*	**2,569**	2,966
Income tax recoverable		**430**	46
Bank and cash balances	*30*	**154,479**	73,181
Total current assets		**217,982**	181,975
TOTAL ASSETS		**337,761**	303,400
EQUITY AND LIABILITIES			
Share capital	*31*	**93,535**	85,637
Other reserves	*33*	**230,542**	169,037
Equity attributable to owners of the Company		**324,077**	254,674
Non-controlling interests		**(5,162)**	(3,366)
Total equity		**318,915**	251,308
LIABILITIES			
Non-current liabilities			
Loan from a non-controlling shareholder of a subsidiary	*34*	**1,603**	4,759
Deferred tax liabilities	*35*	**1,406**	1,598
		3,009	6,357
Current liabilities			
Trade and other payables	*36*	**12,551**	18,444
Loan from a non-controlling shareholder of a subsidiary	*34*	**3,267**	–
Bank and other borrowings	*37*	**–**	26,784
Current tax liabilities		**19**	507
Total current liabilities		**15,837**	45,735
TOTAL EQUITY AND LIABILITIES		**337,761**	303,400

Approved by the Board of Directors on 25 March 2019 and are signed on its behalf by:

Liu Xiaolin	**Wang Zheng**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share-based payments reserve HK$'000 *(note 33b(i))*	Special reserve HK$'000 *(note 33b(ii))*	Other reserve HK$'000 *(Note 33b(iii))*	Financial assets at FVTOCI reserve HK$'000 *(Note 33b(iv))*	Foreign currency translation reserve HK$'000 *(Note 33b(v))*	Accumulated losses HK$'000	Sub-Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	78,837	279,068	–	212,948	4,163	–	(5,949)	(303,557)	265,510	9,707	275,217
Total comprehensive income for the year	–	–	–	–	–	–	1,376	(63,022)	(61,646)	(13,073)	(74,719)
Release of exchange difference upon disposal of assets held for sales	–	–	–	–	–	–	1,716	–	1,716	–	1,716
Release of exchange difference upon disposal of associates	–	–	–	–	–	–	(184)	–	(184)	–	(184)
Release of exchange differences upon disposal of investments in subsidiaries	–		–	–	–	–	1,728	–	1,728	–	1,728
Top-up share subscription *(note 31 (a))*	6,800	40,800	–	–	–	–	–	–	47,600	–	47,600
Less: Share issue expenses *(note 31 (a))*	–	(50)	–	–	–	–	–	–	(50)	–	(50)
Changes in equity for the year	6,800	40,750	–	–	–	–	4,636	(63,022)	(10,836)	(13,073)	(23,909)
At 31 December 2017	85,637	319,818	–	212,948	4,163	–	(1,313)	(366,579)	254,674	(3,366)	251,308
At 1 January 2018	**85,637**	**319,818**	**–**	**212,948**	**4,163**	**–**	**(1,313)**	**(366,579)**	**254,674**	**(3,366)**	**251,308**
Adjustments on initial application of HKFRS 9 *(note 3)*	**–**	**–**	**–**	**–**	**–**	**(7,970)**	**–**	**(1,386)**	**(9,356)**	**(569)**	**(9,925)**
Restated balance at 1 January 2018	**85,637**	**319,818**	**–**	**212,948**	**4,163**	**(7,970)**	**(1,313)**	**(367,965)**	**245,318**	**(3,935)**	**241,383**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(2,432)**	**93**	**(64,250)**	**(66,589)**	**(5,022)**	**(71,611)**
Release of exchange difference upon disposal of investments in subsidiaries *(note 39)*	**–**	**–**	**–**	**–**	**–**	**–**	**1,870**	**–**	**1,870**	**–**	**1,870**
Disposal of non-controlling interests *(note 39)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,795**	**3,795**
Share-based payments *(note 38)*	**–**	**–**	**12,258**	**–**	**–**	**–**	**–**	**–**	**12,258**	**–**	**12,258**
Share subscription under placing *(note 31(b))*	**7,950**	**125,610**	**–**	**–**	**–**	**–**	**–**	**–**	**133,560**	**–**	**133,560**
Less: Share issue expenses *(note 31(b))*	**–**	**(1,466)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,466)**	**–**	**(1,466)**
Repurchase of shares *(note 31(c))*	**(52)**	**(822)**	**–**	**–**	**–**	**–**	**–**	**–**	**(874)**	**–**	**(874)**
Changes in equity for the year	**7,898**	**123,322**	**12,258**	**–**	**–**	**(2,432)**	**1,963**	**(64,250)**	**78,759**	**(1,227)**	**77,532**
At 31 December 2018	**93,535**	**443,140**	**12,258**	**212,948**	**4,163**	**(10,402)**	**650**	**(432,215)**	**324,077**	**(5,162)**	**318,915**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(69,244)**	(75,398)
Adjustments for:			
Finance costs	*11*	**3,472**	2,189
Interest income	*9*	**(20)**	(144)
Share of loss/(profits) of associates		**460**	(6,642)
Gain on disposal of subsidiaries	*39*	**(4,249)**	(2,473)
Gain on disposal of associates		**–**	(8,066)
Loss on disposal of asset held for sales		**–**	493
Depreciation of property, plant and equipment	*19*	**7,021**	5,814
Amortisation of intangible assets	*22*	**1,225**	1,225
Amortisation of prepaid land lease payments	*20*	**239**	232
Gain on disposal of property, plant and equipment	*9*	**(1,735)**	(74)
Equity-settled share-based payments	*38*	**12,258**	–
Fair value losses on held for trading securities		**397**	32,671
(Reversal of write-down)/write down for inventories		**(182)**	1,191
Allowance for impairment loss on financial assets, net		**3,724**	2,732
Impairment loss on goodwill	*21*	**–**	1,478
Impairment loss on available-for-sale financial assets		**–**	4,049
Impairment loss on intangible assets	*22*	**–**	11,085
Written off on property, plant and equipment	*9*	**72**	–
Operating cash flows before working capital changes		**(46,562)**	(29,638)
Increase in inventories		**(528)**	(375)
Decrease/(increase) in trade and other receivables		**36,112**	(29,560)
Increase in loan and interest receivables		**(9,273)**	(15,017)
Net fund generated from held for trading securities		**–**	18,207
Increase/(decrease) in trade and other payables		**6,745**	(654)
Cash used in operations		**(13,506)**	(57,037)
Income taxes (paid)/refund		**(1,253)**	86
Net cash used in operating activities		**(14,759)**	(56,951)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of asset held for sales		–	10,000
Proceeds from disposal of associates		–	41,000
Proceeds from disposal of subsidiaries	*39*	2,078	204
Interest received		20	34
Proceed from disposal of financial assets at FVTOCI		2,195	–
Purchase of financial assets at FVTOCI		(39,282)	–
Purchase of available-for-sales financial assets		–	(5,040)
Proceeds from disposal of property, plant and equipment		4,950	74
Purchases of property, plant and equipment		(6,496)	(5,070)
Net cash (used in)/generated from investing activities		(36,535)	41,202
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(5,310)	(3,120)
Borrowings raised		10,087	8,083
Loan from a non-controlling shareholder of a subsidiary		–	1,650
Proceeds from share subscription under placing		132,094	47,550
Repurchase of shares		(874)	–
Interest paid		(3,361)	(2,090)
Net cash generated from financing activities		132,636	52,073
NET INCREASE IN CASH AND CASH EQUIVALENTS		81,342	36,324
Effect of foreign exchange rate changes		(44)	2,162
CASH AND CASH EQUIVALENTS AT 1 JANUARY		73,181	34,695
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		154,479	73,181
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	*30*	154,479	73,181

1. GENERAL INFORMATION

China Biotech Services Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") was incorporated registered as an exempted company in Cayman Islands under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. On 29 August 2013, the Company deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business in Hong Kong is Suites 1904-05A, 19/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 23 to the consolidated financial statements.

In the opinion of the directors of the Company, Genius Lead Limited, a company incorporated in Samoa with limited liability, is the immediate holding company, Genius Earn Limited, a company incorporated in the British Virgin Islands with limited liability, is the ultimate holding company and Mr. Liu Xiaolin ("**Mr. Liu**") is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTOCI or fair value through profit or loss ("**FVTPL**"), and
- those to be measured at amortised cost.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – *Continued*

(a) Application of new and revised HKFRSs – *Continued*

HKFRS 9 Financial instruments – *Continued*

(a) Classification – Continued

The classification depends on the Group'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 other comprehensive income. 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 FVTOCI.

(b) Measurement

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

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL 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.

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 three 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 other 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 gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

– FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – *Continued*

(a) Application of new and revised HKFRSs – *Continued*

HKFRS 9 Financial instruments – *Continued*

(b) Measurement – Continued

– FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. 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 HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summaries the impact on the Group's opening retained earnings as at 1 January 2018:

	Note	HK$'000
Increase in impairment losses for:		
– Loan and interest receivables	*(a)*	70
– Trade receivables	*(b)*	1,885
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018		1,955
Attributable to:		
owners of the Company		1,386
non-controlling interest		569
		1,955

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – *Continued*

(a) Application of new and revised HKFRSs – *Continued*

HKFRS 9 Financial instruments – *Continued*

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	*Note*	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39	Remeasurement amount under HKFRS 9	Carrying amount under HKFRS 9
				HK$'000	HK$'000	HK$'000
Loan and interest receivables	*(a)*	Loan and receivables	Amortised cost	15,017	(70)	14,947
Trade and other receivables	*(b)*	Loan and receivables	Amortised cost	83,945	(1,885)	82,060
Equity investments	*(c)*	Available-for- Sale financial assets	Financial assets at FVTOCI	21,612	(7,970)	13,642
Equity investments	*(d)*	Held for trading securities	Financial assets at FVTPL	2,966	–	2,966

The impact of these changes on the Group's equity is as follows:

	Note	Effect on FVTOCI reserve HK$'000
Opening balance – HKAS 39		–
Fair value change on financial assets at FVTOCI	*(c)*	7,970
Total impact		7,970
Opening balance – HKFRS 9		7,970

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – *Continued*

(a) Application of new and revised HKFRSs – *Continued*

HKFRS 9 Financial instruments – *Continued*

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 January 2018.

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 January 2018 results in an additional impairment allowance as follows:

	Note	**Trade receivables** HK$'000	**Loan and interest receivables** HK$'000
Impairment allowance at 31 December 2017 under HKAS 39		7,580	–
Additional impairment recognised at 1 January 2018 on:			
– Loan and interest receivables	*(a)*	–	70
– Trade receivables	*(b)*	1,885	–
Impairment allowance at 1 January 2018 under HKFRS 9		9,465	70

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss. As a result, the Group reclassified impairment losses amounting to HK$2,732,000, recognised under HKAS 39, from "administrative expenses" to "impairment loss on trade and other receivables" in the statement of profit or loss for the year ended 31 December 2017.

Note:

(a) Loan and interest receivables that were previously classified as loan receivables are now classified as financial assets at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An increase of HK$70,000 in the allowance for impairment was recognised in opening retaining earnings at 1 January 2018 on transition to HKFRS 9.

(b) Trade and other receivables, loan and interest receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of HK$1,885,000 in the allowance for impairment of the trade receivables was recognised in opening retained earnings at 1 January 2018 on transition to HKFRS 9.

(c) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. Under HKAS 39 they were classified as available-for-sale financial assets and measured at cost less impairment loss. The Group elected to present in other comprehensive income changes in the fair value of these investments because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of approximately HK$21,612,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI and fair value loss of approximately HK$7,970,000 were recognised to the financial assets at FVTOCI reserve on 1 January 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(d) Equity securities – held for trading securities are required to be held as financial assets at FVTPL as under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – *Continued*

(a) Application of new and revised HKFRSs – *Continued*

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

Revenue from the sales of health related and pharmaceutical products is 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 customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location. A 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.

Revenue from medical laboratory testing services and health check services is recognised at a point of time when the test services and health check services are completed.

Bank interest income is recognised on a time-proportion basis using the effective interest method.

The adoption of HKFRS 15 does not have a significant impact on the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – *Continued*

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property and warehouse leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – *Continued*

(b) New and revised HKFRSs in issue but not yet effective – *Continued*

HKFRS 16 Leases – *Continued*

As disclosed in note 42, the Group's future minimum lease payments under non-cancellable operating leases for its office properties and warehouse amounted to approximately HK$10,279,000 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS 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 5.

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(a) Consolidation

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

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

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

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

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(b) Business combination and goodwill

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

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

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

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

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's presentation and functional currency. Other than those subsidiaries established in the People's Republic of China ("**PRC**") whose functional currency of the principal operating subsidiaries of the Group is Renminbi ("**RMB**"), the functional currency of other subsidiaries is HK$. The directors consider that choosing HK$ as the presentation currency best suits the needs of the shareholders and investors.

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

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

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

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

(iii) Translation on consolidation

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

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

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

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(e) Property, plant and equipment

Property, plant and equipment, including buildings and held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Leasehold Improvements	Over the shorter of the lease term or 3-5 years
Land and buildings	Over the shorter of the lease term or 20 years
Motor vehicles	3-10 years
Furniture, fixtures and office equipments	1-10 years
Plant and machinery	3-20 years

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

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

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

(f) Leases

The Group as lessee

(i) Operating leases

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

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(g) Intangible assets

(i) Internally-generated intangible assets – Research and development expenditure

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

– The technical feasibility of completing the intangible asset so that it will be available for use or sale;

– Management intends to complete the intangible asset and use or sell it.

– There is ability to use or sell the intangible asset;

– It can be demonstrated how the intangible asset will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;

– The expenditure attributable to the intangible asset during its development can be reliably measured.

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

(ii) Intangible assets acquired in a business combination – Pharmaceutical licenses, brand name and customer relationship

Pharmaceutical licenses and brand name with indefinite useful lives are not amortised. The customer relationship has finite useful lives and is amortised on a straight-line basis over 10 years.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(h) Inventories

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

(i) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(j) Financial assets – *Continued*

Policy prior to 1 January 2018

Investments in securities held for trading were classified as held for trading securities. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, loan and interests receivables, bank balances and cash are classified in this category.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired, the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(k) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

(m) Financial liabilities and equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(n) Borrowings

Bank and other borrowings, and loan from a non-controlling shareholder of a subsidiary are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Bank and other 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.

(o) Trade and other payables

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

(p) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sales of health related and pharmaceutical products is recognised when control of the products has transferred, being when the products are delivered to the customers, no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location. A 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.

Revenue from medical laboratory testing services and health check services is recognised at a point of time when the test services and health check services is completed.

Net gains/losses on held for trading securities and those securities held for trading, include realised gains/losses which are recognised on the transaction dates when the relevant contract notes are exchanged; and unrealized fair value gains/losses which are recognised in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(q) Revenue recognition – *Continued*

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Bank interest income is recognised on a time-proportion basis using the effective interest method.

Policy prior to 1 January 2018

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of health related and pharmaceutical products is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue from medical laboratory testing services and health check services is recognised as services are rendered.

Net gains/losses on held for trading securities and those securities held for trading, include realised gains/losses which are recognised on the transaction dates when the relevant contract notes are exchanged; and unrealised fair value gains/losses which are recognised in the period in which they arise.

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

Bank interest income is recognised on a time-proportion basis using the effective interest method.

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

(r) Employee benefits

(i) Employee leave entitlements

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

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

The Group operates various post-employment schemes, including defined contribution pension plans.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(r) Employee benefits – *Continued*

(ii) Pension obligations

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

(iii) Termination benefits

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

(s) Share-based payments

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

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

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

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

(t) Borrowing costs

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(u) Government grants

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

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

(v) Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(w) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(x) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(x) Impairment of financial assets – *Continued*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(x) Impairment of financial assets – *Continued*

Significant increase in credit risk – *Continued*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is generally more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(x) Impairment of financial assets – *Continued*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(x) Impairment of financial assets – *Continued*

***Measurement and recognition of ECL** – Continued*

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Policy prior to 1 January 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(y) Provisions and contingent liabilities

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

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

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 31 December 2018 was approximately HK$22,954,000 (2017: HK$41,428,000).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty – *Continued*

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK$264,000 (2017: HK$264,000) after an impairment loss of approximately HK$Nil (2017: HK$1,478,000) was recognised during the year. Details of the impairment loss calculation are provided in note 21 to the consolidated financial statements.

(c) Allowance for impairment of trade receivables and loan and interest receivables

Prior to the adoption of HKFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2017, the carrying amount of trade receivables and loan and interest receivables is approximately HK$19,248,000 and HK$15,017,000 respectively (net of allowance for doubtful debts of HK$7,580,000 and HK$Nil respectively).

Since the adoption of HKFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables and loan and interest receivables based on the credit risk of loan and interest receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of trade receivables and loan and interest receivables is approximately HK$13,636,000 and approximately HK$24,186,000 respectively (net of accumulated allowance for impairment loss of HK$823,000 and HK$104,000 respectively).

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 31 December 2018 (2017: HK$1,191,000).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty – *Continued*

(e) Financial assets at FVTPL/Financial assets at FVTOCI

In the absence of quoted market prices in an active market, the Group has engaged an independent valuer to estimate the fair value of the Group's financial assets at FVTPL and financial assets at FVTOCI as at 31 December 2018.

The held for trading securities as at 31 December 2018 was approximately HK$2,569,000 (2017: HK$2,966,000).

The financial assets at FVTOCI as at 31 December 2018 was approximately HK$48,297,000 (2017 Available-for-sales financial assets stated at cost less accumulated impairment losses: HK$21,612,000).

(f) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year ended 31 December 2018, approximately HK$189,000 (2017: HK$1,132,000) of income tax was charged to profit or loss based on the estimated profit.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on listed equity securities quoted on the Stock Exchange.

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 5% higher/lower (2017: 5% higher/lower):

- loss after tax for the year ended 31 December 2018 would decrease/increase by approximately HK$106,000 (2017: decrease/increase by HK$124,000). This is mainly due to the changes in fair value of held for trading securities.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and loan and interest receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, as at 31 December 2018:

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	*	11,655	**
1 to 30 days past due	*	600	**
31 to 60 days past due	*	335	**
61 to 90 days past due	*	168	**
More than 90 days past due	48.4%	1,701	823
		14,459	823

* Amount less than 0.01%
** Amount less than HK$1,000

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Trade receivables – *Continued*

Prior to 1 January 2018

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivables of HK$7,580,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 HK$'000
Neither past due nor impaired	13,202
Less than 90 days	2,161
91 to 275 days	2,191
Over 275 days	1,694
	6,046

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 **HK$'000**	2017 HK$'000
At 31 December under HKAS 39	**7,580**	4,711
Impact on initial application of HKFRS 9 *(note 3)*	**1,885**	–
Adjusted balance at 1 January	**9,465**	4,711
Allowance of impairment losses recognised for the year	**188**	2,732
Amounts written off during the year	**–**	(301)
Exchange difference	**(443)**	438
Disposal of subsidiaries	**(8,387)**	–
At 31 December	**823**	7,580

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Trade receivables – *Continued*

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2018:

– origination of new trade receivables net of those settled resulted in an increase in loss allowance of HK$823,000; and

– increase in days past due over 90 days resulted in an increase in loss allowance of HK$823,000.

Financial assets at FVTOCI and amortised cost

Financial assets at amortised cost include loan and interest receivables (previously loan and interest receivables).

The loss allowance for loan and interest receivables as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing allowance as at 31 December 2018 as follows:

	Loan and interest receivables HK$'000
At 31 December 2017 under HKAS 39	–
Impact on initial application of HKFRS 9 *(note 3)*	70
Adjusted balance at 1 January 2018	70
Impairment losses recognised for the year	34
At 31 December 2018	104

The Group has concentration of credit risk as 26% (2017: 20%) and 52% (2017: 49%) of the total trade receivables was due from the Group's largest trade receivables and the five largest trade receivables respectively.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

6. FINANCIAL RISK MANAGEMENT

(d) Liquidity risk

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

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total discounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2018					
Trade and other payables	**12,443**	**–**	**–**	**12,443**	**12,443**
Loan from a non-controlling shareholder of a subsidiary	**3,298**	**1,650**	**–**	**4,948**	**4,870**
	15,741	**1,650**	**–**	**17,391**	**17,313**
At 31 December 2017					
Trade and other payables	18,360	–	–	18,360	18,360
Bank and other borrowings	26,784	–	–	26,784	26,784
Loan from a non-controlling shareholder of a subsidiary	–	3,298	1,650	4,948	4,759
	45,144	3,298	1,650	50,092	49,903

Bank borrowing with a repayment on demand clause is included in the "on demand or within 1 year" time band in the above maturity analysis. Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that such bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement. All of the bank borrowings have repaid and all of the other borrowings (note 37) have released upon disposal of subsidiaries during the year ended 31 December 2018.

(e) Interest rate risk

The Group's cash flow interest rate risk primarily relates to its cash held in securities trading accounts with stock brokers and bank borrowing.

At 31 December 2018, if interest rates had been 100 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$633,000 (2017: HK$217,000) higher, arising mainly as a result of lower interest income on its bank and cash balance, cash held in securities trading accounts with stock brokers. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$633,000 (2017: HK$217,000) lower, arising mainly as a result of higher interest income on its bank and cash balance, cash held in securities trading accounts with stock brokers.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(f) Categories of financial instruments at 31 December

	2018 HK$'000	2017 HK$'000
Financial assets:		
Financial assets at FVTPL:		
– Held for trading securities	2,569	2,966
Financial assets at amortised costs (including cash and cash equivalents)	206,968	–
Loans and receivables (including cash and cash equivalents)	–	165,602
Available-for-sale financial assets	–	21,612
Financial assets at FVTOCI:		
– Equity instrument	48,297	–
Financial liabilities:		
Financial liabilities at amortised cost	17,313	49,903

(g) Fair values

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

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

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

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

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

7. FAIR VALUE MEASUREMENTS – *Continued*

(a) Disclosures of level in fair value hierarchy at 31 December 2018:

	Fair value measurements using: Level 3 HK$'000
Description	
Recurring fair value measurements:	
Financial assets	
Financial assets at FVTPL:	
Listed securities in Hong Kong	**2,569**
Financial assets at FVTOCI:	
Unlisted Equity Securities	**48,297**
Total	**50,866**

(b) Reconciliation of assets measured at fair value based on level 3:

	Held for trading securities HK$'000	Financial assets at FVTOCI – unlisted equity securities HK$'000
Description		
At 1 January 2018	–	21,612
Effect of adoption of HKFRS 9	–	(7,970)
At 1 January 2018 under HKFRS 9	–	13,642
Transfer from level 2	2,966	–
Fair value losses recognised in other comprehensive income	–	(2,432)
Fair value losses recognised in profit or loss	(397)	–
Purchase	–	39,282
Disposal	–	(2,195)
At 31 December 2018	2,569	48,297

During the year, held for trading securities amounting to HK$2,569,000 (2017: HK$2,966,000) were transferred from measurement based on level 2 to level 3 as a result of lack of similar transactions in the market.

7. FAIR VALUE MEASUREMENTS – *Continued*

(c) Disclosures of level in fair value hierarchy at 31 December 2017:

	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Total 2017 HK$'000
Description			
Recurring fair value measurements:			
Financial assets			
Held for trading securities			
Listed securities in Hong Kong	–	2,966	2,966
Total	–	2,966	2,966

(d) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2018 and 2017:

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

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

Level 2 fair value measurements			**Fair value**			
			2018 HK$'000		2017 HK$'000	
Description	**Valuation technique**	**Inputs**	**Assets**	**Liabilities**	Assets	Liabilities
Held for trading securities	Market approach	Share transaction	–	–	2,966	–

7. FAIR VALUE MEASUREMENTS – *Continued*

(d) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2018 and 2017: – *Continued*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2018 HK$'000 Assets	Fair value 2018 HK$'000 Liabilities
Private equity investments classified as financial assets at FVTOCI (2017: Private equity investments classified as available-for-sale financial assets)	Discounted cash flows	Weighted average cost of capital	15%–20%	Decrease	**48,297**	–
		Growth rate	3%	Increase		
		Pre-tax discount rate	17%–25%	Decrease		
		Discount for lack of marketability	20%–30%	Decrease		
Held for trading securities *(note)*	Market approach	Discount for lack of marketability	15%	Decrease	**2,569**	–
		Volatility	35%	Increase		

Note:

During the year, the valuation techniques changes from market approach – share transaction method in 2017 to market approach Monte Carlo Simulation method in 2018.

8. REVENUE

Disaggregation of revenue from contracts with customers by major products or services line for the year is as follow:

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Manufacture and sale of health related and pharmaceutical products	**9,732**	43,720
Provision of medical laboratory testing services and health check services	**58,968**	61,379
Money lending business	**1,604**	16
Provision of research and development services	**–**	20
	70,304	105,135
Gross proceeds from trading of securities *(note)*	**–**	111,715
Gross proceeds	**70,304**	216,850

Note:

The gross proceeds from trading of securities were recorded in "net loss on financial assets at fair value through profit or loss" after setting off the relevant cost.

8. REVENUE – *Continued*

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical regions:

For the year ended 31 December	Manufacture and sale of health related and pharmaceutical products		Provision of medical laboratory testing services and health check services		Securities		Money lending business		Provision of research and development services		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Primary geographical markets												
– Hong Kong	**1,166**	6,440	**58,968**	61,379	**–**	111,715	**1,604**	16	**–**	–	**61,738**	179,550
– PRC except Hong Kong	**8,566**	8,264	**–**	–	**–**	–	**–**	–	**–**	20	**8,566**	8,284
– Malaysia	**–**	10,467	**–**	–	**–**	–	**–**	–	**–**	–	**–**	10,467
– Singapore	**–**	13,515	**–**	–	**–**	–	**–**	–	**–**	–	**–**	13,515
– Germany	**–**	4,657	**–**	–	**–**	–	**–**	–	**–**	–	**–**	4,657
– India	**–**	377	**–**	–	**–**	–	**–**	–	**–**	–	**–**	377
Segment revenue	**9,732**	43,720	**58,968**	61,379	**–**	111,715	**1,604**	16	**–**	20	**70,304**	216,850
Timing of revenue recognition												
Products transferred at a point in time	**9,732**	43,720	**58,968**	61,379	**–**	111,715	**1,604**	16	**–**	20	**70,304**	216,850

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

9. OTHER INCOME, GAINS/(LOSSES)

	2018 HK$'000	2017 HK$'000
Interest income	**20**	144
Government grants *(note)*	**553**	104
Gain on disposal of property, plant and equipment	**1,735**	74
Net foreign exchange gain/(loss)	**22**	(9)
Loss on written off on property, plant and equipment	**(72)**	–
Others	**172**	354
	2,430	667

Note:

During the year ended 31 December 2018, a special government funding of approximately RMB466,000 (equivalent to approximately HK$553,000) (2017: RMB90,000 or equivalent to approximately HK$104,000) received by a subsidiary of the Company in the PRC for research and development.

10. SEGMENT INFORMATION

The Group has four operating segments as follows:

Pharmaceutical products	–	manufacture, research and development, sale and distribution of health related and pharmaceutical products
Medical and health related services	–	provision of medical laboratory testing services and health check services
Securities	–	trading of securities
Others	–	provision of research and development services, money lending business

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group's other operating segments include provision of research and development services and money lending business. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the 'others' column.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include other income, other gains and losses, unallocated administrative expenses, share of (loss)/profits of associates, gain on disposal of subsidiaries, finance costs and income tax expense. Segment assets do not include the unallocated bank and cash balances, interests in associates, current and deferred tax assets. Segment liabilities do not include borrowings, current and deferred tax liabilities. Segment non-current assets do not include financial instruments, deferred tax assets and post-employment benefit assets.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

10. SEGMENT INFORMATION – *Continued*

Information about operating segment profit or loss, assets and liabilities:

	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2018					
Revenue from external customers *(note)*	9,732	58,968	–	1,604	70,304
Segment (loss)/profit	(8,128)	(5,436)	(7,881)	889	(20,556)
Other income, gain/(loss)					2,430
Finance costs					(3,472)
Share of loss of associates					(460)
Gain on disposal of subsidiaries					4,249
Unallocated corporate expenses					(51,435)
Loss before tax					(69,244)
Income tax expense					(189)
Loss for the year					(69,433)
As at 31 December 2018					
Segment assets	1,380	82,091	12,469	26,104	122,044
Unallocated corporate assets					215,717
Total assets					337,761
Segment liabilities	120	10,974	2,281	516	13,891
Unallocated corporate liabilities					4,955
Total liabilities					18,846

10. SEGMENT INFORMATION – *Continued*

Information about operating segment profit or loss, assets and liabilities: – *Continued*

	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2017					
Revenue from external customers *(note)*	43,720	61,379	111,715	36	216,850
Segment loss	(27,956)	(475)	(37,346)	(804)	(66,581)
Other income, gain/(loss)					667
Finance costs					(2,189)
Share of profits of associates					6,642
Loss on disposal of assets held for sales					(493)
Gain on disposal of associates					8,066
Gain on disposal of subsidiaries					2,473
Unallocated corporate expenses					(23,983)
Loss before tax					(75,398)
Income tax expense					(1,132)
Loss for the year					(76,530)
As at 31 December 2017					
Segment assets	35,732	88,406	33,674	17,038	174,850
Unallocated corporate assets					128,550
Total assets					303,400
Segment liabilities	10,956	12,794	95	104	23,949
Unallocated corporate liabilities					28,143
Total liabilities					52,092

10. SEGMENT INFORMATION – *Continued*

Information about operating segment profit or loss, assets and liabilities: – *Continued*

Note:

Reconciliation of total segment revenue to the Group's revenue:

	2018 HK$'000	2017 HK$'000
Gross proceeds	70,304	216,850
Less: Gross proceeds from trading of securities	–	(111,715)
Revenue	70,304	105,135

Other segment information

Other segment information for the year ended 31 December 2018:

	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	2,792	1,523	30	2,151	6,496
Amortisation of prepaid land lease payments	239	–	–	–	239
Amortisation of intangible assets	–	1,225	–	–	1,225
Depreciation of property, plant and equipment	1,419	3,922	16	1,664	7,021
Write-down of property, plant and equipment	–	72	–	–	72
Gain on disposal of property, plant and equipment	–	–	–	(1,735)	(1,735)
Share of loss of associates	–	–	–	460	460
Allowance for impairment loss on financial assets, net	136	52	–	3,536	3,724
(Reversal of write-down)/write-down of inventories	(293)	111	–	–	(182)

10. SEGMENT INFORMATION – *Continued*

Other segment information – *Continued*

Other segment information for the year ended 31 December 2017

	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	2,162	1,042	15	1,851	5,070
Amortisation of prepaid land lease payments	232	–	–	–	232
Amortisation of intangible assets	–	1,225	–	–	1,225
Depreciation of property, plant and equipment	1,060	4,086	4	664	5,814
Gain on disposal of property, plant and equipment	–	–	–	(74)	(74)
Share of profit of associates	–	–	–	(6,642)	(6,642)
Impairment loss on goodwill	1,478	–	–	–	1,478
Impairment loss on intangible assets	11,085	–	–	–	11,085
Allowance of doubtful debts	2,732	–	–	–	2,732
Impairment loss on available-for-sale financial assets	–	–	–	4,049	4,049
Write-down of inventories	894	297	–	–	1,191

10. SEGMENT INFORMATION – *Continued*

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Hong Kong	**61,738**	67,835	**65,209**	71,616
PRC except Hong Kong	**8,566**	8,284	**6,273**	28,197
Malaysia	**–**	10,467	**–**	–
Singapore	**–**	13,515	**–**	–
Germany	**–**	4,657	**–**	–
India	**–**	377	**–**	–
	70,304	105,135	**71,482**	99,813

Revenue from major customers:

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2018 HK$'000	2017 HK$'000
Manufacture and sale of health related and pharmaceutical products segment		
Customer A	**NA**[1]	13,515
Provision of medical and health related services segment		
Customer B	**14,100**	13,612

[1] The revenue contributed from customer A was not over 10% for the year ended 31 December 2018.

11. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interest on bank borrowing	**63**	105
Interest on other borrowings	**3,298**	2,539
Imputed interest on loan from a non-controlling shareholder of a subsidiary	**111**	99
Total borrowing costs	**3,472**	2,743
Amount capitalised	**–**	(554)
	3,472	2,189

The weighted average capitalisation rate on funds borrowed is at a rate of 1% per month for 2017.

12. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2018 **HK$'000**	2017 HK$'000
Current tax		
Hong Kong Profits Tax	**501**	1,321
Over-provision in prior years	**(120)**	(1)
	381	1,320
Deferred tax *(note 35)*	**(192)**	(188)
	189	1,132

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2018.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2017: 25%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

12. INCOME TAX EXPENSE – *Continued*

The reconciliation between the income tax expense and the product of loss before tax multiplied by the respective applicable tax rate is as follows:

	2018 HK$'000	2017 HK$'000
Loss before tax	**(69,244)**	(75,398)
Tax at the respective applicable tax rates	**(5,241)**	(12,339)
Tax effect of income that is not taxable	**(624)**	(1)
Tax effect of expenses that are not deductible	**401**	4,431
Tax effect of share of loss/(profits) of associates	**76**	(1,096)
Tax effect of temporary differences not recognised	**153**	441
Tax effect of tax losses not recognised	**5,868**	9,749
Tax effect of utilisation of tax losses not previously recognised	**(182)**	(52)
Over-provision in prior years	**(120)**	(1)
Tax concession	**(142)**	–
Income tax expense	**189**	1,132

13. LOSS FOR THE YEAR

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

	2018 HK$'000	2017 HK$'000
Amortisation of intangible assets	**1,225**	1,225
Amortisation of prepaid land lease payments	**239**	232
Depreciation of property, plant and equipment	**7,021**	5,814
Gain on disposal of property, plant and equipment	**(1,735)**	(74)
Operating lease charges		
– Office premises and warehouses	**8,025**	5,888
Staff costs		
– Salaries, bonuses and allowances	**45,741**	36,595
– Equity-settled share-based payments	**4,845**	–
– Retirement benefits scheme contributions	**1,737**	1,723
	52,323	38,318
Auditor's remuneration	**880**	750
Cost of inventories sold	**16,657**	48,769
(Reversal of write-down)/write-down on inventories (included in cost of sales)	**(182)**	1,191
Allowance for impairment loss on financial assets, net	**3,724**	2,732
Impairment loss on goodwill	**–**	1,478
Impairment loss on available-for-sale financial assets	**–**	4,049
Impairment loss on intangible assets	**–**	11,085
Written off on property, plant and equipment	**72**	–

14. EMPLOYEE BENEFITS EXPENSE

	2018 **HK$'000**	2017 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**45,741**	36,595
Equity-settled share-based payments	**4,845**	–
Retirement benefit scheme contributions *(note 16)*	**1,737**	1,723
	52,323	38,318

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2017: two) directors whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining two (2017: three) individuals are set out below:

	2018 **HK$'000**	2017 HK$'000
Salaries, bonuses and allowances	**4,500**	2,921
Equity-settled share-based payments	**351**	–
Retirement benefit scheme contributions	**73**	104
	4,924	3,025

The emoluments fell within the following band:

	Number of individuals	
	2018	2017
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	–
	2	3

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2018, the remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Share-based payments HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors						
Mr. Liu *(note a)*	3,000	2,350	2,143	402	18	7,913
Mr. Leung Pak Hou Anson	–	1,201	2,209	–	18	3,428
Mr. Wang Zheng *(note a)*	720	–	60	2,046	–	2,826
Mr. He Xun *(note b)*	192	–	–	–	–	192
Non-executive Director						
Mr. Huang Song *(note c)*	240	–	–	2,046	–	2,286
Independent Non-executive Directors						
Mr. Ho Fung Shan Bob *(note d)*	120	–	–	–	–	120
Mr. Yan Guoxiang *(note a)*	120	–	–	–	–	120
Mr. Qian Hongji *(note e)*	199	–	–	–	–	199
Dr. Ho Ivan Chun Kit *(note f)*	–	–	–	–	–	–
	4,591	3,551	4,412	4,494	36	17,084

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments – *Continued*

For the year ended 31 December 2017, the remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors					
Mr. Liu *(note a)*	1,202	–	–	5	1,207
Mr. Leung Pak Hou Anson	–	1,049	2,087	18	3,154
Mr. Wang Zheng *(note a)*	288	–	–	–	288
Mr. Chan Ka Chung *(note g)*	–	–	–	–	–
Mr. Cheung Wai Kwan *(note g)*	56	–	–	–	56
Ms. Chen Miaoping *(note g)*	120	–	–	–	120
Non-executive Directors					
Mr. Huang Song *(note c)*	71	–	–	–	71
Mr. Gao Yongping *(note h)*	114	–	–	–	114
Independent Non-executive Directors					
Mr. Ho Fung Shan Bob *(note d)*	120	–	–	–	120
Mr. Yuen Chun Fai *(note i)*	79	–	–	–	79
Mr. Leung Ka Fai *(note i)*	112	–	–	–	112
Mr. Yan Guoxiang *(note a)*	48	–	–	–	48
	2,210	1,049	2,087	23	5,369

15. BENEFITS AND INTERESTS OF DIRECTORS – *Continued*

(a) Directors' emoluments – *Continued*

Notes:

(a) Mr. Liu and Mr. Wang Zheng were appointed as executive directors on 7 August 2017. Mr. Liu was appointed as the chairman of the Company on 28 August 2017. Mr. Yan Guoxiang was appointed as an independent non-executive director on 7 August 2017.

(b) Mr. He Xun was appointed as an executive director on 7 August 2018.

(c) Mr. Huang Song was appointed as a non-executive director on 15 September 2017.

(d) Mr. Ho Fung Shan Bob resigned as an independent non-executive director on 31 December 2018.

(e) Mr. Qian Hongji was appointed as an independent non-executive director on 2 March 2018.

(f) Dr. Ho Ivan Chun Kit was appointed as an independent non-executive director on 31 December 2018.

(g) Ms. Chen Miaoping, Mr. Chan Ka Chung and Mr. Cheung Wai Kwan resigned as an executive director on 30 April 2017, 28 August 2017 and 28 August 2017 respectively.

(h) Mr. Gao Yongping was appointed on 18 April 2017 and resigned as a non-executive director on 9 October 2017.

(i) Mr. Yuen Chun Fai and Mr. Leung Ka Fai resigned as an independent non-executive director on 28 August 2017 and 5 December 2017 respectively.

None of the directors waived or agreed to waive any emoluments paid by the Group and no incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the years ended 31 December 2018 and 2017.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the directors of the Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. RETIREMENT BENEFIT SCHEMES

Provident fund benefits are offered to certain fulltime employees through a registered scheme under Occupational Retirement Scheme Ordinance ("**ORSO**"). The ORSO scheme is administered by trustees, which are independent, with assets held separately from those of the Group. Under the ORSO scheme, the Group contributes 5% of monthly salaries of employees.

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong (other than those who are cover under ORSO scheme). The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

17. DIVIDENDS

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

18. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	2018 HK$'000	2017 HK$'000
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	(64,250)	(63,022)

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	881,719	801,222

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same.

The effect of all potential ordinary shares are anti-dilutive for the year ended 31 December 2018 due to loss making for the year ended 31 December 2018.

The computation of the diluted loss per share does not assume the exercise of the Company's outstanding share options.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Land and buildings HK$'000	Motor vehicles HK$'000	Furniture, fixtures and office equipments HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2017	8,550	23,840	3,344	6,032	21,151	1,765	64,682
Additions	674	–	615	1,717	361	1,703	5,070
Written off	–	–	–	(48)	(380)	–	(428)
Disposals	–	–	(1,439)	–	–	–	(1,439)
Disposal of subsidiaries	–	–	(1,438)	(477)	(9)	–	(1,924)
Exchange differences	29	364	47	145	608	194	1,387
At 31 December 2017 and 1 January 2018	9,253	24,204	1,129	7,369	21,731	3,662	67,348
Additions	2,888	–	–	728	496	2,384	6,496
Transfer	–	5,636	–	–	–	(5,636)	–
Written off	(2,243)	–	–	(186)	(540)	–	(2,969)
Disposals	–	(3,655)	–	–	–	–	(3,655)
Disposal of subsidiaries	(398)	(10,477)	(488)	(2,031)	(7,824)	–	(21,218)
Exchange differences	(21)	(497)	(26)	(111)	(468)	(52)	(1,175)
At 31 December 2018	**9,479**	**15,211**	**615**	**5,769**	**13,395**	**358**	**44,827**
Accumulated depreciation							
At 1 January 2017	3,982	1,582	2,860	3,511	11,326	–	23,261
Charge for the year	2,022	824	89	889	1,990	–	5,814
Written off	–	–	–	(48)	(380)	–	(428)
Disposals	–	–	(1,439)	–	–	–	(1,439)
Disposal of subsidiaries	–	–	(1,295)	(402)	(6)	–	(1,703)
Exchange differences	1	85	23	54	252	–	415
At 31 December 2017 and 1 January 2018	6,005	2,491	238	4,004	13,182	–	25,920
Charge for the year	2,706	1,114	234	1,075	1,892	–	7,021
Written off	(2,221)	–	–	(160)	(516)	–	(2,897)
Disposals	–	(440)	–	–	–	–	(440)
Disposal of subsidiaries	(80)	(1,796)	(303)	(956)	(4,216)	–	(7,351)
Exchange differences	(4)	(90)	(15)	(52)	(219)	–	(380)
At 31 December 2018	**6,406**	**1,279**	**154**	**3,911**	**10,123**	**–**	**21,873**
Carrying amount							
At 31 December 2018	**3,073**	**13,932**	**461**	**1,858**	**3,272**	**358**	**22,954**
At 31 December 2017	3,248	21,713	891	3,365	8,549	3,662	41,428

At 31 December 2018, none of the land and buildings (2017: HK$14,223,000) pledged as security for the Group's bank borrowing (note 37).

20. PREPAID LAND LEASE PAYMENTS

The Group's interests in prepaid land lease payments represent prepaid operating lease payments located in the PRC and their net book value are analysed as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**8,416**	8,066
Amortisation for the year	**(239)**	(232)
Exchange differences	**(413)**	582
Disposal of subsidiaries	**(7,764)**	–
At 31 December	**–**	8,416
Current portion	**–**	(241)
Non-current portion	**–**	8,175

The prepaid land lease payments are amortised over the period of rights of 38 years (2017: 38 years).

21. GOODWILL

	2018 HK$'000	2017 HK$'000
Cost		
At 1 January	**30,932**	33,444
Disposal of subsidiaries	**(2,478)**	(2,512)
At 31 December	**28,454**	30,932
Accumulated impairment		
At 1 January	**30,668**	31,702
Impairment loss recognised in the year	**–**	1,478
Disposal of subsidiaries	**(2,478)**	(2,512)
At 31 December	**28,190**	30,668
Carrying amount		
At 31 December	**264**	264

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

	2018 HK$'000	2017 HK$'000
Manufacture and sale of health related and pharmaceutical products business (Chinese medicine product business) – Guizhou Shuang Sheng Pharmaceutical Co., Ltd ("**Shuang Sheng**") acquired in 2014 ("**CGU A**")	**–**	–
Provision of medical laboratory testing services and health check services: – DVF Holdco (Cayman) Limited ("**DVF**") acquired in 2015 ("**CGU B**")	**264**	264
	264	264

21. GOODWILL – *Continued*

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

As at 31 December 2017, before impairment testing, goodwill of approximately HK$1,478,000 was allocated to CGU A. Since Shuang Sheng has experienced slow progress in achieving the original business plan and projected financial results in the financial year ended 31 December 2017, the management considered was an impairment indicator of the non-current assets attributable to CGU A, and has revised its cash flow forecasts for CGU A. The carrying amount of CGU A has been reduced to its recoverable amount of approximately HK$28,194,000 and an impairment loss of approximately HK$1,478,000 on goodwill and approximately RMB9,600,000 (equivalent to HK$11,085,000) on intangible assets were recognised for the year ended 31 December 2017 respectively. The growth rate and discount rate used by the Group to prepare the cashflow forecast from CGU A is 3% and 19% respectively.

For the year ended 31 December 2018, all goodwill from CGU A derecognised upon the disposal of Bloom Light Group (the holding company of Shuang Sheng) on 31 December 2018 (note 39(a)).

For CGU B, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2017: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from CGU B is 21% (2017: 17%).

The performance of DVF in the financial year ended 31 December 2018 met the business plan, the recoverable amount of CGU B exceeded its carrying amount, the directors considered no impairment indicator of the non-current assets attributable to CGU B.

22. INTANGIBLE ASSETS

	Customer relationship HK$'000	Brand name HK$'000	Pharmaceutical licences HK$'000	Research and development expenditures HK$'000	Total HK$'000
Cost					
At 1 January 2017	12,247	34,915	10,724	421	58,307
Disposal of subsidiaries	–	–	–	(421)	(421)
Exchange differences	–	–	786	–	786
At 31 December 2017 and 1 January 2018	12,247	34,915	11,510	–	58,672
Disposal of subsidiaries	–	–	(11,510)	–	(11,510)
At 31 December 2018	**12,247**	**34,915**	**–**	**–**	**47,162**
Accumulated amortisation and impairment losses					
At 1 January 2017	1,276	–	–	421	1,697
Amortisation for the year	1,225	–	–	–	1,225
Disposal of subsidiaries	–	–	–	(421)	(421)
Impairment loss for the year	–	–	11,085	–	11,085
Exchange differences	–	–	425	–	425
At 31 December 2017 and 1 January 2018	2,501	–	11,510	–	14,011
Amortisation for the year	1,225	–	–	–	1,225
Disposal of subsidiaries	–	–	(11,510)	–	(11,510)
At 31 December 2018	**3,726**	**–**	**–**	**–**	**3,726**
Carrying amount					
At 31 December 2018	**8,521**	**34,915**	**–**	**–**	**43,436**
At 31 December 2017	9,746	34,915	–	–	44,661

The average remaining amortisation period of the customer relationship is 7 years (2017: 8 years). For brand name and pharmaceutical licenses, it carries infinite useful life.

The assets are used in the Group's pharmaceutical licences are attributed to CGU A. Pharmaceutical licences of approximately RMB9,600,000 (equivalent to HK$11,085,000) was recognised at the date of completion. Since Shuang Sheng has experienced slow progress in achieving the original business plan and projected financial results in the financial year ended 31 December 2017, the management considered was an impairment indicator of the non-current assets attributable to CGU A, and the review led to the recognition of an impairment loss of approximately RMB9,600,000 (equivalent to HK$11,085,000) for pharmaceutical licences that have been recognised in profit or loss (referred to note 21 to the consolidated financial statements).

Shuang Sheng was being disposed as the subsidiary of Bloom Light Group on 31 December 2018 (note 39(a)). All of the carrying amount of pharmaceutical licences was derecognised as at 31 December 2018.

Customer relationship and brand name are attributed to CGU B (referred to note 21 to the consolidated financial statements), have no impairment indicator of the non-current assets attributable to CGU B for the year ended 31 December 2018. The directors assessed the recoverable amount of CGU B exceeded its carry amount.

23. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation	Principal country of operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
				Direct	Indirect	
Angel Rise International Limited	British Virgin Islands ("**BVI**")	Hong Kong	Ordinary shares US$1	–	100%	Investment holding
Keyun Limited	BVI	Hong Kong	Ordinary shares US$1	–	100%	Investment holding
Gain Yield Holdings Limited	Samoa	Hong Kong	Ordinary shares US$1	100%	–	Investment holding
Asia Molecular Diagnostics Limited	Hong Kong	Hong Kong	Ordinary shares HK$1,000	–	97%	Provision of medical diagnostic services
China Biology Services Group Limited	Hong Kong	Hong Kong	Ordinary shares HK$1	–	100%	Investment holding
Ferran Finance Limited	Hong Kong	Hong Kong	Ordinary shares HK$1	–	100%	Provision of money lending in Hong Kong
Healthy International Limited	Hong Kong	Hong Kong	Ordinary shares HK$10,000	–	100%	Marketing and sale of health supplements, slimming pills and beauty products and trading of pharmaceutical intermediates
PHC Medical Diagnostic Centre Limited	Hong Kong	Hong Kong	Ordinary shares HK$198,000	–	97%	Provision of medical laboratory testing services and health check services

23. INVESTMENTS IN SUBSIDIARIES – *Continued*

Name	Place of incorporation	Principal country of operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
				Direct	Indirect	
Precision Health Care Services Limited (previously known as "Premier MediCare Services Limited")	Hong Kong	Hong Kong	Ordinary shares HK$500,002	–	97%	Provision of health check services
ProGene Molecular Diagnostic Center Limited	Hong Kong	Hong Kong	Ordinary shares HK$70	–	78%	Provision of molecular diagnostic test and genetic investigations
Silver Wisdom Development Limited	Hong Kong	Hong Kong	Ordinary shares HK$1	–	100%	Investment holding
T. F. Industries Limited	Hong Kong	Hong Kong	Ordinary shares HK$1	–	97%	Property investment
Town Health Choice Limited	Hong Kong	Hong Kong	Ordinary shares HK$1	–	100%	Sale of health supplements, traditional Chinese medicines, slimming pills and beauty products
Ultra Leap Holdings Limited	Hong Kong	Hong Kong	Ordinary shares HK$1	–	100%	Trading of securities
Victory Medical Laboratory Limited	Hong Kong	Hong Kong	Ordinary shares HK$1,000	–	97%	Provision of medical laboratory testing services and health check services

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

24. INVESTMENTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Unlisted investments:		
Share of net assets	**925**	1,382
Goodwill	**3,903**	3,903
	4,828	5,285

Details of the Group's associates at 31 December 2018 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			2018	2017	
New Health Elite International Limited ("**New Health**")	British Virgin Islands ("**BVI**")	Ordinary shares US$100	**22.62%**	22.62%	Investment holding of subsidiaries which are principally engaged in provision of health management and well-being services

The following table shows, in aggregate, the Group's share of the amounts of the individually immaterial associate of New Health that are accounted for using the equity method.

	2018 HK$'000	2017 HK$'000
At 31 December:		
Carrying amounts of interests	**4,828**	5,285
Year ended 31 December:		
Loss for the year	**(3,623)**	(1,989)
Other comprehensive income	**1,602**	(336)
Total comprehensive income	**(2,021)**	(2,325)

As at 31 December 2018, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to approximately HK$3,963,000 (2017: HK$1,145,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. FINANCIAL ASSETS AT FVTOCI (2017: AVAILABLE-FOR-SALES FINANCIAL ASSETS)

	2018 HK$'000	2017 HK$'000
Unlisted equity securities, at cost	–	28,856
Unlisted equity securities at fair value	48,297	–
Less: Impairment loss	–	(7,244)
	48,297	21,612
Analysed as:		
Current assets	–	–
Non-current assets	48,297	21,612
	48,297	21,612

Financial assets at FVTOCI (2017: Available-for-sale financial assets) are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	8,990	21,612
US$	39,307	–
	48,297	21,612

26. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	–	1,183
Work in progress	–	378
Finished goods	3,488	5,018
	3,488	6,579

27. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	14,459	26,828
Allowance for doubtful debts	(823)	(7,580)
	13,636	19,248
Rental and other deposits	4,293	4,026
Other receivables	1,395	4,117
Prepayments	4,526	6,541
Sales proceeds on disposal of associates	3,347	20,000
Cash held in securities trading accounts with stock brokers	9,135	30,013
Allowance for doubtful debts of other receivables	(3,502)	–
	19,194	64,697
Total trade and other receivables	32,830	83,945

The Group generally allows an average credit period of 90 days (2017: 90 days) for its pharmaceutical products customers and its laboratory testing and health check services customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2018 HK$'000	2017 HK$'000
0 to 90 days	11,655	13,202
91 to 180 days	1,102	2,161
181 to 365 days	834	2,191
Over 365 days	45	1,694
	13,636	19,248

As at 31 December 2018, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK$823,000 (2017: HK$7,580,000).

27. TRADE AND OTHER RECEIVABLES – *Continued*

Reconciliation of allowance for impairment loss:

	2018 HK$'000	2017 HK$'000
At 1 January	**7,580**	4,711
Effect of adoption of HKFRS 9	**1,885**	–
At 1 January under HKFRS 9 (restated)	**9,465**	4,711
Allowance for the year	**188**	2,732
Amounts written off	**–**	(301)
Disposal of a subsidiary	**(8,387)**	–
Exchange differences	**(443)**	438
At 31 December	**823**	7,580

As of 31 December 2018, trade receivables of approximately HK$1,981,000 (2017: HK$6,046,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables past due but not impaired is as follows:

	2018 HK$'000	2017 HK$'000
Less than 90 days	**1,102**	2,161
91 to 275 days	**834**	2,191
Over 275 days	**45**	1,694
	1,981	6,046

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	**13,636**	16,357
RMB	**–**	2,891
Total	**13,636**	19,248

28. LOAN AND INTEREST RECEIVABLES

The maturity profile of loan and interest receivables at the reporting date is analysed by the remaining periods to their contractual maturity dates as follows:

	2018 HK$'000	2017 HK$'000
Loan and interest receivables	24,290	15,017
Allowance for impairment loss	(104)	–
	24,186	15,017
Less: non-current portion	–	–
Current portion	24,186	15,017

Reconciliation of allowance for impairment loss:

	2018 HK$'000	2017 HK$'000
At 1 January	–	–
Effect of adoption of HKFRS 9	70	–
At 1 January under HKFRS 9 (restated)	70	–
Allowance for the year	34	–
At 31 December	104	–

As at 31 December 2018, none of loan and interest receivables was past due but not impaired (2017: Nil). As at 31 December 2018, the amount related to a third party customer for whom there were no recent history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment on individual loan is necessary for this balance as there has not been a significant change in credit quality. Accordingly, this balance is still considered to be fully recoverable.

The carrying amounts of loan and interest receivables are denominated in HK$.

All loan and interest receivables carried a fixed rate of 8% per annum, unsecured and are repayable with fixed terms agreed with the customers. An amount of HK$6,200,000 was guaranteed by corporate guarantee.

29. HELD FOR TRADING SECURITIES

	2018 **HK$'000**	2017 HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**2,569**	2,966
Analysed as:		
Current assets	**2,569**	2,966
Non-current assets	**–**	–
	2,569	2,966

The carrying amounts of the above financial assets are classified as follows:

	2018 **HK$'000**	2017 HK$'000
Held for trading	**2,569**	2,966

The carrying amount of the above financial assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The market for the listed securities as at 31 December 2018 and 2017 is not active (i.e. the listed securities has suspended trading at the year ended), the fair value was reference to the valuation performed by an independent professional qualified valuer. As at 31 December 2018, the valuation technique included the use of Monte Carlo Simulation method by market approach (2017: guideline transaction method by market approach).

30. BANK AND CASH BALANCES

As at 31 December 2018, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$401,000 (2017: HK$222,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

31. SHARE CAPITAL

	Note	**2018** Number of shares '000	**2018** HK$'000	2017 Number of shares '000	2017 HK$'000
Authorised:					
At 31 December		**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:					
At 1 January		**856,367**	**85,637**	788,367	78,837
Top-up share subscription	(a)	**–**	**–**	68,000	6,800
Share issued under placing	(b)	**79,500**	**7,950**	–	–
Share repurchased and cancelled	(c)	**(520)**	**(52)**	–	–
At 31 December		**935,347**	**93,535**	856,367	85,637

Notes:

(a) On 12 October 2017, the Company entered into the top-up subscription agreements in respect of the issue and allotment of an aggregate of 68,000,000 ordinary shares of HK$0.70 to Mr. Liu, the executive director of the Company. The subscription was completed on 24 October 2017 and the premium on the issue of shares, amounting to approximately HK$40,800,000 was credited to the Company's share premium account. The net proceeds after deduction of expenses from the top-up share subscription were approximately HK$40,750,000. Details of the 2017 top-up share subscription are disclosed in the announcement of the Company dated 24 October 2017.

(b) On 22 August 2018, the Company and UOB Kay Hian (Hong Kong) Limited and China Merchants Securities (HK) Co., Limited entered into a placing agreement, 79,500,000 ordinary shares ("**Placing Shares**") at a price of HK$1.68 per Placing Share. The net proceeds after deduction of expenses were approximately HK$132,000,000. Details of the placing are disclosed in the announcements of the Company dated 22 August 2018 and 6 September 2018.

(c) During September and October 2018, the Company purchased 520,000 shares of the Company for a total consideration of HK$874,000 in the open market on the Stock Exchange and cancelled on 5 November 2018 pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt comprises bank and other borrowings and loan from non-controlling shareholder of a subsidiary. Total equity comprises all components of equity (i.e. share capital, non-controlling interest and other reserves).

31. SHARE CAPITAL – *Continued*

As at 31 December 2018, bank and cash equivalents amounted to approximately HK$154,479,000 (2017: HK$73,181,000), which exceed total debt of approximately HK$149,609,000 (2017: HK$41,638,000). Accordingly, there was no net debt at 31 December 2018 and 2017 and calculation of debt-to-equity ratio at 31 December 2018 and 2017 is not meaningful.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2018, 28.9% (2017: 27.2%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2018 and 2017.

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2018 **HK$'000**	2017 HK$'000
Non-current assets		
Investments in subsidiaries	**1,168**	1,180
Property, plant and equipment	**2,757**	2,182
	3,925	3,362
Current assets		
Prepayments and other receivables	**10,620**	32,415
Amount due from subsidiaries	**218,411**	170,621
Bank and cash balances	**65,700**	39,361
	294,731	242,397
Current liabilities		
Accruals and other payables	**4,444**	1,012
Amount due to a subsidiary	**796**	803
	5,240	1,815
Net current assets	**289,491**	240,582
NET ASSETS	**293,416**	243,944
Capital and reserves		
Share capital	**93,535**	85,637
Reserves	**199,881**	158,307
TOTAL EQUITY	**293,416**	243,944

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY – *Continued*

(b) Reserve movement of the Company

	Share premium HK$'000	Share-based payments reserve HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	279,068	–	212,948	(304,409)	187,607
Total comprehensive income for the year	–	–	–	(70,050)	(70,050)
Top-up share subscription	40,800	–	–	–	40,800
Less: Share issue expense	(50)	–	–	–	(50)
At 31 December 2017 and 1 January 2018	319,818	–	212,948	(374,459)	158,307
Total comprehensive income for the year	**–**	**–**	**–**	**(94,006)**	**(94,006)**
Share-based payments	**–**	**12,258**	**–**	**–**	**12,258**
Share subscription under placing	**125,610**	**–**	**–**	**–**	**125,610**
Less: Share issue expense	**(1,466)**	**–**	**–**	**–**	**(1,466)**
Shares repurchased and cancelled	**(822)**	**–**	**–**	**–**	**(822)**
At 31 December 2018	**443,140**	**12,258**	**212,948**	**(468,465)**	**199,881**

As at 31 December 2018, the aggregate amount of reserves of the Company available for distribution to owners of the Company was approximately HK$199,881,000 (2017: HK$158,307,000). The distributable reserves which include the Company's share premium, special reserve and accumulated losses, under the Companies Act 1981 of Bermuda, are distributable to owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company is still able to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

33. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share-based payments reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(s) to the consolidated financial statements.

(ii) Special reserve

Special reserve of (i) approximately HK$22,443,000 represents the difference between the paid-up capital and share premium of the subsidiary acquired and the nominal value of the Company's shares issued for the acquisition at the time of the Group reorganisation on 26 May 2004, which was transferred to accumulated losses upon disposal of subsidiaries during the year ended 31 December 2016; and (ii) approximately HK$212,948,000 was recorded after setting off the capital reduction and the cancellation of the share premium with the accumulated losses as at the date of the change of the domicile and the capital reorganisation of the Company which became effective on 28 August 2013 and 19 September 2013 respectively.

(iii) Other reserves

Other reserves arose from the deemed disposal of partial interests in subsidiaries through issue and allotment of new shares by the then subsidiaries to certain independent third parties.

(iv) Financial assets at FTVOCI reserve(2017: Available-for-sale financial assets) reserve

The financial assets at FVTOCI (2017: Available-for-sale financial assets) reserve comprises the cumulative net change in the fair value of financial assets at FTVOCI (2017: Available-for-sale financial assets) held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(j) to the consolidated financial statements.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

34. LOAN FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	2018 **HK$'000**	2017 HK$'000
Non-current portion	**1,603**	4,759
Current portion	**3,267**	–
Loan from a non-controlling shareholder	**4,870**	4,759

The Group received an interest free loan of HK$3,298,000 and HK$1,650,000 from a non-controlling shareholder of a subsidiary on 1 May 2016 and 1 May 2017 respectively. The loan will be fully repayable before 31 March 2020. Using prevailing market interest rates for an equivalent loan of 2.3%, the fair value of the loan was estimated at approximately HK$4,870,000 (2017: HK$4,759,000) on initial recognition.

35. DEFERRED TAX

The following are the deferred tax liabilities recognised by the Group.

	Accelerated tax depreciation HK$'000
At 1 January 2017	1,786
Credit to profit or loss for the year *(note 12)*	(188)
At 31 December 2017 and 1 January 2018	1,598
Credit to profit or loss for the year *(note 12)*	(192)
At 31 December 2018	1,406

At the end of the reporting period the Group has unused tax losses of approximately HK$137,718,000 (2017: HK$150,371,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. For the year ended 2018, included in unrecognised tax losses are losses of approximately HK$405,000 that will expire in 2023. Other tax losses may be carried forward indefinitely.

36. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**2,151**	5,057
Accruals	**8,903**	4,469
Receipt in advance	**108**	84
Other payables	**1,389**	8,834
	12,551	18,444

The ageing analysis of trade payables based on the date of invoice date, is as follows:

	2018 HK$'000	2017 HK$'000
0 to 90 days	**2,142**	2,186
91 to 180 days	**–**	23
181 to 365 days	**9**	75
Over 365 days	**–**	2,773
	2,151	5,057

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	**2,151**	2,079
RMB	**–**	2,978
Total	**2,151**	5,057

37. BANK AND OTHER BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank borrowing – secured	–	4,005
Other borrowings – unsecured	–	22,779
	–	26,784
The borrowings are repayable as follows:		
Within one year	–	23,864
Portion of bank borrowing that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	–	2,920
	–	26,784
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(26,784)
Amount due for settlement after 12 months	–	–

The bank borrowing was fully repaid on 5 October 2018 and all of the other borrowings have released upon disposal of a subsidiary (note 39(a)) during the year ended 31 December 2018.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	HK$ HK$'000	**RMB HK$'000**	**Total HK$'000**
2018			
Bank borrowing – secured	**–**	**–**	**–**
Other borrowings – unsecured	**–**	**–**	**–**
	–	**–**	**–**

	HK$ HK$'000	RMB HK$'000	Total HK$'000
2017			
Bank borrowing – secured	4,005	–	4,005
Other borrowings – unsecured	–	22,779	22,779
	4,005	22,779	26,784

37. BANK AND OTHER BORROWINGS – *Continued*

The average interest rates at 31 December were as follows:

	2018	2017
Bank borrowing – secured	**N/A**	2.3% per annum
Other borrowings – unsecured	**N/A**	1% per month/ 12% per annum

Bank borrowing of approximately HK$Nil (2017: HK$4,005,000) is arranged at HK$ best lending rate minus 2.7% per annum, thus exposing the Group to cash flow interest rate risk. Other borrowings are arranged at fixed interest rates.

Bank borrowing of approximately HK$Nil (2017: HK$4,005,000) is secured by a charge over the Group's land and buildings (note 19).

38. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 29 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

38. SHARE-BASED PAYMENTS – *Continued*

Equity-settled share option scheme – *Continued*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK$	Number of share options
Directors and Consultants:				
12 January 2018	12 January 2018 to 11 January 2019	12 January 2019 to 11 January 2020	1.67	8,060,000
12 January 2018	12 January 2018 to 11 January 2020	12 January 2020 to 11 January 2021	1.67	8,060,000
12 January 2018	12 January 2018 to 11 January 2021	12 January 2021 to 11 January 2022	1.67	8,260,000
Employee:				
12 January 2018	12 January 2018 to 31 December 2020	1 January 2021 to 30 June 2021	1.67	3,000,000
4 October 2018	4 October 2018 to 3 October 2019	4 October 2019 to 3 October 2020	1.71	1,000,000
4 October 2018	4 October 2018 to 3 October 2020	4 October 2020 to 3 October 2021	1.71	1,000,000
4 October 2018	4 October 2018 to 3 October 2021	4 October 2021 to 3 October 2022	1.71	1,000,000
				30,380,000

If the options remain unexercised after a period of 4 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

38. SHARE-BASED PAYMENTS – *Continued*

Equity-settled share option scheme – *Continued*

Details of the movement of share options during the year are as follows:

	2018		2017	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**–**	**–**	–	–
Granted during the year	**30,380,000**	**1.67**	–	–
Lapsed during the year	**–**	**–**	–	–
Outstanding at the end of the year	**30,380,000**	**1.67**	–	–
Exercisable at the end of the year	**30,380,000**	**1.67**	–	–

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.67. The options outstanding at the end of the year have a weighted average remaining contractual life of 3.1 years (2017: Nil) and the exercise prices range from HK$1.67 to HK$1.71 (2017: Nil). In 2018, options were granted on 12 January 2018 and 4 October 2018. The estimated fair values of the options granted on those dates are HK$25,507,000 and HK$2,586,000 respectively.

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

	12 January 2018	**4 October 2018**
Weighted average share price	1.67	1.71
Weighted average exercise price	1.67	1.71
Expected volatility	84.72% – 92.79%	70.28% – 83.06%
Expected life	4 years	4 years
Risk free rate	1.78% – 2.06%	2.74% – 2.95%
Expected dividend yield	Nil	Nil

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

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

The Group recognised the total expense of approximately HK$12,258,000 for the year ended 31 December 2018 (2017: HK$Ni) in relation to the share options granted by the Company.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of Bloom Light Group

On 30 November 2018, Dynasty Well Limited, a direct wholly-owned subsidiary of the Company, disposed of its entire equity interests in Bloom Light International Limited and its subsidiaries (collectively referred to as "**Bloom Light Group**") at a cash consideration of HK$2,200,000. The completion of the disposal of Bloom Light Group took place on 31 December 2018.

Net liability at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	**13,867**
Prepaid land lease payments	**7,764**
Inventories	**3,801**
Trade and other receivables	**9,428**
Bank and cash balances	**122**
Trade and other payables	**(12,638)**
Other borrowings	**(30,058)**
Net liability disposed of	**(7,714)**
Release of foreign currency translation reserve	**1,870**
Release of non-controlling interests	**3,795**
Gain on disposal of the Bloom Light Group	**4,249**
Total consideration satisfied by cash	**2,200**
Net cash inflow arising on disposal:	
Cash consideration received	**2,200**
Cash and cash equivalents disposed of	**(122)**
	2,078

(b) Disposal of Jet Rich Group

On 30 March 2017, Luxury Sun Holdings Limited, an indirect wholly-owned subsidiary of the Company, disposed of its entire equity interests in Jet Rich Investment Limited and its subsidiary (collectively referred to as "**Jet Rich Group**") at a cash consideration of HK$12,700,000.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	221
Deposits, prepayments and other receivables	663
Bank and cash balances	12,528
Accruals and other payables	(4,839)
Net assets disposed of	8,573
Release of foreign currency translation reserve	1,728
Gain on disposal of the Jet Rich Group	2,399
Total consideration- satisfied by cash	12,700
Net cash inflow arising on disposal:	
Cash consideration received	12,700
Cash and cash equivalents disposed of	(12,528)
	172

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(c) Disposal of V-Express

On 1 June 2017, Icy Snow Limited, a direct wholly-owned subsidiary of the Company, disposed of its entire equity interests in V-Express Pharmaceutical Limited ("**V-Express**") at a cash consideration of HK$50,000.

Net liabilities at the date of disposal were as follows:

	HK$'000
Bank and cash balances	18
Accruals and other payables	(42)
Net liabilities disposed of	(24)
Gain on disposal of V-Express	74
Total consideration- satisfied by cash	50
Net cash inflow arising on disposal:	
Cash consideration received	50
Cash and cash equivalents disposed of	(18)
	32

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2018 HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange difference HK$'000	Disposal of a subsidiary HK$'000	31 December 2018 HK$'000
Bank and other borrowings *(Note 37)*	26,784	4,777	3,361	(4,864)	(30,058)	–
Loan from non-controlling shareholder of a subsidiary *(Note 34)*	4,759	–	111	–	–	4,870
	31,543	4,777	3,472	(4,864)	(30,058)	4,870

	1 January 2017 HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange difference HK$'000	31 December 2017 HK$'000
Bank and other borrowings *(Note 37)*	18,854	4,963	2,090	877	26,784
Loan from non-controlling shareholder of a subsidiary *(Note 34)*	3,120	1,650	(11)	–	4,759
	21,974	6,613	2,079	877	31,543

40. CONTINGENT LIABILITIES

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

41. CAPITAL COMMITMENTS

Capital commitments authorised for at the end of the reporting period but not yet contracted are as follows:

	2018 HK$'000	2017 HK$'000
Capital contribution to:		
WFOE in Guizhou province, the PRC	**25,438**	25,438
WFOE in Guangdong province, the PRC	**9,481**	–
	34,919	25,438

On 29 September 2013, the Group has established an indirect wholly-owned wholly foreign-owned enterprise ("**WFOE**") in Guizhou Province, the PRC, pursuant to the cooperation agreement dated 28 June 2013 entered into with 貴州紅花崗經濟開發區委員會 (in English, for identification purpose, Guizhou Hong Hua Gang District Economic Development District Management Committee) in relation to the cooperation for the investment and construction of a pharmaceutical factory in Hong Hua Gang Economic Development District, Guizhou Province, the PRC. The registered capital of the WFOE is RMB30,000,000 and the Group has paid the registered capital of RMB10,000,000. The remaining capital commitment was RMB20,000,000 (equivalent to approximately HK$25,438,000).

On 19 January 2018, the Group has established another WFOE in Guangdong Province, the PRC, pursuant to the cooperation agreement dated 6 November 2017 entered into with 中國(廣東)自由貿易試驗區深圳前海蛇口片區管理委員會 (in English, China (Guangdong) Pilot Free Trade Zone Qianhai & Shekou Area of Shenzhen Management Committee) in related to cooperation for provision of biotech services. The registered capital of the WFOE is RMB10,000,000 and the Group has paid the registered capital of RMB1,742,000. The remaining capital commitment was RMB8,258,000 (equivalent to approximately HK$9,481,000).

42. LEASE COMMITMENTS

The Group as lessee

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**8,947**	8,007
In the second to fifth years inclusive	**1,332**	6,759
	10,279	14,766

Operating lease payments represent rentals payable by the Group for certain of its offices, warehouses and staff quarters. Leases are negotiated and rentals are fixed for a term ranging from one to three years (2017: one to eight years) and do not include contingent rentals.

43. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management during the year was as follows:

	2018 **HK$'000**	2017 HK$'000
Short-term benefits	**17,055**	5,346
Equity-settled share-based payments	**4,845**	–
Retirement benefits scheme contributions	**109**	23
	22,009	5,369

44. EVENTS AFTER THE REPORTING PERIOD

(a) On 9 January 2019, Best Global Group Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company, agreed to subscribe for 819,108 series B preferred stock of Pillar Biosciences, Inc., at a total consideration of US$2,499,999.53 (equivalent to approximately HK$19.6 million) which will be settled in cash. Details of the share subscription were disclosed in the announcement of the Company dated 9 January 2019.

(b) On 31 January 2019, China Biology, a company incorporated in Hong Kong with limited liability and indirect wholly-owned subsidiary of the Company, entered into a second supplemental agreement with 深圳市北辰生物技術有限公司 (the "**Vendor**"), a company incorporated in the PRC with limited liability and Shanghai Longyao, a company incorporated in the PRC with limited liability, that China Biology and the Vendor have agreed to adjust the consideration for the acquisition. Details of the consideration were disclosed in the announcements of the Company dated 22 July 2018, 8 August 2018, 31 October 2018 and 31 January 2019.

45. COMPARATIVE FIGURES

The group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

FIVE YEAR FINANCIAL SUMMARY

Results

	For the ended 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	140,385	119,386	109,828	105,135	**70,304**
Cost of sales	(87,448)	(87,072)	(71,918)	(74,933)	**(42,220)**
Gross profit	52,937	32,314	37,910	30,202	**28,084**
Net loss on financial assets at fair value through profit or loss	(36,916)	(9,094)	(25,679)	(32,671)	**(397)**
Other income and gains/(losses)	1,126	(6,186)	36,064	667	**2,430**
Selling and distribution expenses	(31,582)	(27,608)	(24,742)	(16,807)	**(16,966)**
Administrative expenses	(48,995)	(45,067)	(54,056)	(54,676)	**(82,712)**
Loss from operations	(63,430)	(55,641)	(30,503)	(73,285)	**(69,561)**
Finance costs	(4,433)	(3,118)	(2,583)	(2,189)	**(3,472)**
(Loss)/gain on disposal of subsidiaries	–	–	(217)	2,473	**4,249**
Loss on disposal of assets held for sale	–	(986)	–	(493)	**–**
Loss on deemed disposal of partial interest in a joint venture	(5,892)	–	–	–	**–**
Gain on disposal of associates	–	–	–	8,066	**–**
Share of profits/(loss) of associates	–	1,055	8,648	6,642	**(460)**
Share of (loss)/profit of a joint venture	83	(8,445)	(4,043)	–	**–**
Impairment loss on available-for-sale financial assets	–	–	(3,195)	(4,049)	**–**
Impairment loss on goodwill	(8,240)	(1,000)	(27,669)	(1,478)	**–**
Impairment loss on intangible assets	(421)	–	–	(11,085)	**–**
Loss before tax	(82,333)	(68,135)	(59,562)	(75,398)	**(69,244)**
Income tax (expense)/credit	(613)	375	(530)	(1,132)	**(189)**
Loss for the year	(82,946)	(67,760)	(60,092)	(76,530)	**(69,433)**
Loss for the year attributable to:					
Owners of the Company	(82,929)	(62,269)	(50,151)	(63,022)	**(64,250)**
Non-controlling interests	(17)	(5,491)	(9,941)	(13,508)	**(5,183)**
Loss for the year	(82,946)	(67,760)	(60,092)	(76,530)	**(69,433)**

FIVE YEAR FINANCIAL SUMMARY

Assets and liabilities

	As at 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	327,016	478,018	322,956	303,400	**337,761**
Total liabilities	(129,103)	(135,280)	(47,739)	(52,092)	**(18,846)**
Total equity	197,913	342,738	275,217	251,308	**318,915**
Non-controlling interests	(28,643)	(21,680)	(9,707)	3,366	**5,162**
Equity attributable to owners of the Company	169,270	321,058	265,510	254,674	**324,077**