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

- 精準檢測
- Precision Diagnosis
- 精準治療
- Precision Treatment
- 未來生物科技平臺
- Future Biotechnology Platform

2019
ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Liu Xiaolin *(Co-Chairman)*
Mr. Yao Michael Yi *(Co-Chairman)*
(appointed on 20 May 2019)
Mr. He Xun
Mr. Huang Song *(re-designated on 16 December 2019)*
Mr. Leung Pak Hou Anson
Mr. Wang Zheng

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit
Mr. Qian Hongji

AUDIT COMMITTEE
Mr. Yan Guoxiang *(Chairman)*
Dr. Ho Ivan Chun Kit
Mr. Qian Hongji

NOMINATION COMMITTEE
Mr. Liu Xiaolin *(Chairman)*
Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit

REMUNERATION COMMITTEE
Mr. Yan Guoxiang *(Chairman)*
Mr. Liu Xiaolin
Dr. Ho Ivan Chun Kit

COMPLIANCE OFFICER
Mr. Leung Pak Hou Anson

COMPANY SECRETARY
Ms. Wong Miu Shun, HKICPA

AUTHORISED REPRESENTATIVES
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Mr. Wang Zheng

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PRINCIPAL BANKERS
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Bank of China Limited
CMB Wing Lung Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited
Shanghai Commercial Bank Limited
Industrial and Commercial Bank of China
Nanyang Commercial Bank Limited
Ping An Bank Co., Ltd.

COMPANY WEBSITE
www.cbshhk.com

STOCK CODE
8037

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of China Biotech Services Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019 ("**2019 Year**") to the shareholders of the Company.

In the past year, thanks to shareholders' support, the Group's various development plans progressed smoothly, and our professional management team has grown larger and larger. I would like to express my heartfelt thanks. The Group has always been committed to moving forward steadily and strived to achieve growth in the Group's value.

In 2019, global economic growth slowed down overall, international trade frictions intensified, differences between major economies intensified, and Hong Kong's social unrest continually affected investors and consumers confidence, which all resulted in a turbulent business environment in China and Hong Kong. The health care industry is also affected to varying degrees. The Group is also working to overcome the adverse effects, adjusting its strategy and continuing to consolidate the market share of its medical testing and health care businesses in Hong Kong. At the same time, the focus will be placed on the development and application for registration of immune cell products, striving to achieve breakthroughs in product research and development milestones.

In 2019, the Group also made good progress with strengthening its management team. On 20 May 2019, we were honoured to be successful in inviting Mr. Yao Michael Yi, a former clinical medical evaluator of the gene and cellular therapy section of the U.S. Food and Drug Administration, to act as the Company's co-chairman and executive director to lead the clinical research and drug application work of the Group's immune cell division, which has made remarkable progress. Besides, Mr. Huang Song, deputy director of the National Institute of Biological Sciences in Beijing, has been redesignated as the Company's executive director and chief technical officer. This will raise the potential for technical cooperation and development in relation to the Group's cell therapy products and bring potential development opportunities for the Company. Both of them have many years of business and application experience in medical testing and research. The joining of the two industry leaders has also further enhanced the Group's cell therapy and precision medicine deployment.

ACCELERATED ADVANCEMENT IN CELL THERAPY INDUSTRY DEPLOYMENT

In 2019, the Group made continuous integration of its health care industry resources in full support of the research and development work of the Company's subsidiary, 上海隆耀生物科技有限公司 (in English, for identification purpose only, Shanghai Longyao Biotech Company Limited) ("**Shanghai Longyao**"). Its new CD20-targeted CAR-T, which has reached international advanced standards, has shown clear curative effects in human clinical trials. Shanghai Longyao has basically completed the investigator-initiated clinical trial work in relation to this product. It has begun its pre-investigational new drug application (Pre-IND) work and has submitted pre-IND application materials to China's Centre for Drug Evaluation. Meanwhile, Shanghai Longyao's CAR-T for solid tumours has also passed the ethical review of the relevant hospitals and human clinical research will begin soon. The Group will make every effort to build Shanghai Longyao into an international first-tier immune cell therapy company.

CHAIRMAN'S STATEMENT

HONG KONG'S BIOTECHNOLOGICAL PRECISION EXAMINATION AND TESTING INDUSTRY IS HOPEFUL OF CHANGE

On 9 January 2019 and 12 July 2019, the Group subscribed for a total of 1,638,216 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. In 2019, Central Laboratory and Pillar established a joint venture in Hong Kong, namely, Asia Molecular Diagnostics Laboratory Limited, which has been allowed to locate its development base in the Hong Kong Science Park. This time, international advanced technology originating from Harvard University is introduced to provide examination and testing products and services for cancer for Hong Kong. It is expected to change the embarrassing situation in the past where Hong Kong cases could only be sent to the United States of America for examination, reduce possible sample storage and transportation problems, avoid the problems of examination and testing accuracy and high logistic cost, and assist in Hong Kong's development in the field of precision examination and testing for cancer genes. It is also good news that residents of the Guangdong-Hong Kong-Macau Greater Bay Area will be able to use such medical services.

CONTINUOUSLY PERFECTING THE INDUSTRY DEPLOYMENT OF THE HEALTH MANAGEMENT SECTOR

On 31 October 2019, Gain Access Holdings Limited ("**Gain Access**"), a direct wholly-owned subsidiary of the Company, completed its acquisition ("**Fortstone Acquisition**") of 51% of the issued shares in Fortstone International (Hong Kong) Limited ("**Fortstone**"). Fortstone is engaged in the business of provision of insurance brokerage services. It is a professional insurance brokerage company licensed by the Professional Insurance Brokers Association and Insurance Authority. It provides insurance and financial planning services for high net worth clients in the Greater China region. Founded by experienced insurance actuaries and financial analysts with an average of over 17 years' industry experience, it represents the highest professional capability in the Hong Kong insurance brokerage market. It will play a key role in taking up the mainland customers that the Group's healthcare services serve. The Group considers the Fortstone Acquisition represents a unique opportunity to extend its products and services into the insurance industry. In order to enhance competitiveness, there is a trend of business combinations of health check business and insurance related business. The Fortstone Acquisition will provide synergistic effect to the Group's existing businesses by leveraging on its expertise, broadening its income source, enlarging its customer base, alongside with developing its existing businesses, and thus leading to a more comprehensive development of the Company's health check and healthcare related business.

The management of the Group is confident of the prospects of the biotechnology industry. The Group will seek to obtain clinical approval for cell therapy products as soon as possible and strive for the early launch of CAR-T products for tumour treatment. While serving cancer patients, the CAR-T products will also create more value for the Company. At the same time, the Company will continue to explore and identify better technologies and products internationally for cooperation and acquisition, and continuously enrich the Group's technology reserve and product lines in the field of cell therapy industry. The Company is committed to developing into a competitive company in the international cell therapy industry.

CHAIRMAN'S STATEMENT

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 for their dedicated efforts and contributions to the Group over the past year.

Liu Xiaolin
Co-Chairman and Executive Director

Hong Kong, 24 March 2020

FINANCIAL REVIEW

During the year ended 31 December 2019 (“**2019 Year**”), the principal activities of the Group are (i) provision of tumor immune cell therapy, immune cell storage and health management services in the People’s Republic of China (“**PRC**”); (ii) the manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (iii) provision of medical laboratory testing services and health check services in Hong Kong; (iv) provision of insurance brokerage services; and (v) trading of securities in Hong Kong.

Turnover

During the 2019 Year, the Group recorded a turnover of approximately HK$59,214,000, representing a decrease of approximately 15.77% as compared with that of approximately HK$70,304,000 for the year ended 31 December 2018 (the “**2018 Year**”). The overall decrease in the turnover was mainly due to the deconsolidation of the result from 貴州雙升製藥有限公司 (in English, for identification purpose only, Guizhou Shuang Sheng Pharmaceutical Co., Ltd.) (“**Shuang Sheng**”), as a result of the disposal of the entire issued share capital of Bloom Light International Limited in 2018. Also, the Group recorded a decrease in revenue from laboratory testing and health check services due to weak consumption sentiments and keen competition.

Provision of tumor immune cell therapy services

Upon the completion of the acquisition of approximately 67% of equity interest of 上海隆耀生物科技有限公司 (in English, for identification purpose only, Shanghai Longyao Biotech Company Limited) (“**Shanghai Longyao**”), the Group recorded a turnover of approximately HK$125,000 (2018 Year: HK$Nil) from the provision of tumor immune cell therapy services.

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 2019 Year. The turnover of this segment decreased from approximately HK$9,732,000 for the 2018 Year to approximately HK$1,448,000 for the 2019 Year. The decrease of approximately HK$8,284,000 was mainly due to the deconsolidation of the result from Shuang Sheng, the then subsidiary disposed of in 2018. Also, the sales performance of the healthcare and skincare products business of the Group in Hong Kong has been affected significantly due to the keen competition in healthcare and skincare product market.

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 three health check centers, one medical testing central laboratory and one molecular laboratory. During the 2019 Year, diversified laboratory tests are available to fulfill various needs of customers, the turnover of this segment has decreased slightly from approximately HK$58,698,000 for the 2018 Year to approximately HK$53,551,000 for the 2019 Year, representing a decrease of approximately HK$5,147,000 or 8.77% compared with that for the 2018 Year. It has been affected by social activities and the economy environment in Hong Kong and 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.

Provision of insurance brokerage services

Having completed the acquisition of 51% issued shares in Fortstone International (Hong Kong) Limited (“**Fortstone**”), a company engaged in insurance brokerage services, on 31 October 2019, the Group has established a foothold in provision of insurance brokerage services and the total turnover of such business was approximately HK$2,402,000 during the 2019 Year (from the date of completion of acquisition of 51% issued shares in Fortstone to 31 December 2019) (2018 Year: HK$Nil).

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$16.5 million for the money lending business. The Group's loan portfolio comprises unsecured loans granted to individual customers; the loan receivables carry interest rate at 8% per annum and are repayable within one year. The money lending business recorded an interest income of approximately HK$1,688,000 for the 2019 Year (2018 Year: HK$1,604,000).

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

The Group 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$1,252,000 during the 2019 Year (2018 Year: HK$397,000). The amount represented unrealised fair value change in listed securities.

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 gross profit of approximately HK$22,373,000 for the 2019 Year, representing a decrease of approximately HK$5,711,000 when compared with that of approximately HK$28,084,000 in the 2018 Year. Also, the gross profit margin for the 2019 Year was approximately 37.78%, representing a decrease of approximately 2.17 percentage point when compared with the gross profit margin of approximately 39.95% for the 2018 Year. The decrease in gross profit margin was attributable to (i) decrease in turnover from both pharmaceutical and health related products segment and medical laboratory and health check services segment; and (ii) increase in raw material costs, staff costs and other direct costs in medical laboratory testing and health check services in Hong Kong.

Selling and distribution expenses

Selling and distribution expenses were approximately HK$12,379,000 for the 2019 Year (2018 Year: HK$16,966,000), representing a decrease of approximately HK$4,587,000 or 27.04% compared with such expenses for the 2018 Year. During 2018 Year, selling and distribution expenses of approximately HK$5,132,000 were contributed from Shuang Sheng, the then subsidiary disposed of in 2018 but no such expenses were recognised upon the disposal.

Administrative expenses

The administrative expenses mainly consisted of staff costs, share-based payment, legal and professional fees, rental expenses, research and development costs, amortisation of intangible assets and so on. The administrative expenses for the 2019 Year were approximately HK$94,111,000, representing an increase of approximately HK$15,123,000 or 19.15%, as compared with that of approximately HK$78,988,000 for the 2018 Year. The increase in administrative expenses was mainly attributable to increase in amortisation of intangible assets of approximately HK$6,532,000 upon acquisition of Shanghai Longyao, research and development costs of approximately HK$7,241,000, and legal and professional fee of approximately HK$1,316,000 for corporate activities.

Finance costs

During the 2019 Year, the Group's interest expenses amounted to approximately HK$1,692,000 (2018 Year: HK$3,472,000). The decrease in the finance costs was mainly attributable to lower level of other short-term borrowings as the working capital and repayment of bank borrowing in October 2018.

Impairment loss on goodwill and intangible assets

On 28 May 2015, the Company entered into a memorandum of understanding with Deep Value Financing Fund ("**Deep Value**") in relation to the proposed acquisition from Deep Value of a group of companies which are principally engaged in the provision of medical laboratory testing services and healthcare maintenance services in Hong Kong. Subsequently, on 18 September 2015, Central Laboratory (Holdings) Limited (formerly known as Fair Brilliant Group Limited) ("**Central Laboratory**"), an indirect non-wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Deep Value, pursuant to which Central Laboratory conditionally agreed to purchase, and Deep Value conditionally agreed to sell (i) 100% of the issued share capital of DVF Holdco (Cayman) Limited ("**DVF**") (together with its subsidiaries, collectively the "**DVF Group**"), and (ii) the aggregate amount of loan owed by a subsidiary of DVF to Deep Value, at a cash consideration of HK$103,000,000 ("**DVF Acquisition**"). The completion of the DVF Acquisition took place on 16 December 2015. Details of the DVF Acquisition were disclosed in the announcements of the Company dated 28 May 2015, 18 September 2015, 13 November 2015 and 16 December 2015 and the circular of the Company dated 25 November 2015.

The Directors assessed the recoverable amount arising from DVF Acquisition with reference to the valuations performed by an independent qualified professional valuer on goodwill, intangible assets, property, plant and equipment and right-of-use assets.

During the 2019 Year, due to China and US trade tensions and the social unrest and tough economy environment in Hong Kong, Hong Kong suffers from economic downturn. Also, the performance of medical laboratory and health check segment was affected by the keen competition in the medical laboratory testing services and health check services industry and sluggish consumption. As a result, the revenue of medical laboratory testing services and health check services has experienced less sales than the expectation of the Group. The performance of DVF Group did not meet the expectation set in the business plan and a net loss was recorded. As such, the business was considered an indication of impairment of the non-current assets, including goodwill, intangible assets, property, plant and equipment and right-of-use assets, attributable to the DVF Acquisition.

During the 2019 Year, the Group recorded an impairment loss on goodwill and intangible assets (including customer relationship and brand name) arising from the DVF Acquisition of approximately HK$264,000 (2018 Year: HK$Nil) and HK$28,838,000 (2018 Year: HK$Nil) respectively. As at 31 December 2019, the carrying amounts of goodwill and intangible assets arising from DVF Acquisition are HK$Nil and HK$13,374,000 respectively. No impairment loss was recognised for property, plant and equipment and right-of-use assets. The Directors, with reference to valuations performed by an independent qualified professional valuer, have determined that its fair value less cost of disposal is higher than its carrying amount.

Loss for the year

The Group recorded a loss of approximately HK$107,483,000 for the 2019 Year (2018 Year: HK$69,433,000). The net loss for the 2019 Year was mainly attributable to (i) decrease in gross profit of approximately HK$5,711,000; (ii) increase in administrative expenses of approximately HK$15,123,000; and (iii) impairment loss of goodwill and intangible assets of approximately HK$264,000 (2018 Year: HK$Nil) and HK$28,838,000 (2018 Year: HK$Nil) for the 2019 Year respectively. However, the net loss for the 2019 Year is partially set-off by (i) gain on remeasurement of pre-existing interest in an associate for step acquisition of approximately HK$8,096,000; and (ii) gain on fair value change on contingent consideration of approximately HK$8,038,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Acquisition of subsidiaries

Acquisition of approximately 67% of equity interest in Shanghai Longyao ("SHL Acquisition") involving issue of consideration shares and new subscription shares under the general mandate

On 22 July 2018, the Company and China Biology Services Group Limited ("**China Biology**") entered into a master agreement (the "**Master Agreement**") and a sale and purchase agreement (the "**HK SPA**") relating to 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**") 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**").

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 SHL 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 SHL Acquisition to 31 March 2019 and the adjustment of consideration of the PRC Equity Transfer and the payment mechanism.

Upon completion of both the HK SPA and the PRC Capital Increase and Equity Transfer Agreement on 29 March 2019, the Company, through China Biology, directly or indirectly own approximately 67% of the total registered capital in Shanghai Longyao and Shanghai Longyao became a non-wholly-owned subsidiary of the Company.

The maximum amount of the consideration is approximately RMB225,494,776 (equivalent to approximately HK$261,573,940), among which China Biology 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 SHL Acquisition, RMB26,455,114 (equivalent to approximately HK$30,687,932) and RMB1,264,834 (equivalent to approximately HK$1,467,207) has been 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, RMB10,000,000 (equivalent amount of HK$11,600,000) has been satisfied by the Group by setting off against the aggregate subscription price for 5,800,000 new Shares (being all the subscription shares) payable to the Company by Mr. Ye pursuant to the subscription agreement dated 22 July 2018 entered into between the Company and Mr. Ye and RMB47,430,000 (equivalent to approximately HK$55,018,800) has been settled by the Company by allotting and issuing new ordinary shares of the Company ("**Shares**") at the issue price of HK$2.00 per new Share to Beike International (HK) Limited ("**Beike Biotech Holdings**"). Completion of the PRC Capital Increase took place on 23 January 2019 and completion of the PRC Equity Transfer and the HK Share Transfer took place on 29 March 2019.

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 SHL Acquisition), in the event that Shanghai Longyao meets certain performance targets ("**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 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 Shares to the Incentive Shares Allottees at an issue price of HK$2.00 per new Share.

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 by Mr. Ye at the subscription price of HK$2.00 per subscription share (which represented a premium of approximately 22.0% over the closing price of HK$1.640 per share as quoted on the Stock Exchange on 22 July 2018) to, among others, broaden the shareholder and capital base of the Company to facilitate the future development of the Group. 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. The subscription shares have been allotted and issued to Mr. Ye under the general mandate and the total subscription price had been set off against part of the consideration payable to Mr. Ye for the SHL Acquisition set out above on 29 March 2019.

Details were disclosed in the announcements of the Company dated 22 July 2018, 8 August 2018, 31 October 2018, 31 January 2019 and 29 March 2019.

During the 2019 Year, Shanghai Longyao have completed the clinical research cooperation for cell therapy with 3 Class III Grade A hospitals in the PRC. Also, Shanghai Longyao has conducted an investigator initiated clinical research on its self-developed new generation of CD20-targeted autologous CAR-T together with Jiangsu Province Hospital and the Affiliated Hospital of Xuzhou Medical University. Details were disclosed in the announcement of the Company dated 31 October 2019.

Acquisition of 51% issued shares in Fortstone ("Fortstone Acquisition") involving issue of consideration shares under general mandate

On 3 June 2019, Gain Access, as purchaser, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Qiu Li and Ms. Geng Xiujuan, as vendors (the "**Vendors**") and Mr. Liu Haibo, as guarantor, pursuant to which Gain Access conditionally agreed to purchase, and the Vendors conditionally agreed to sell 51% issued shares of Fortstone at the consideration of HK$12,240,000 (subject to adjustment), among which, HK$3,060,000 was paid in cash to the Vendors and HK$3,060,000 was settled by issue and allotment of 1,530,000 Shares at the issue price of HK$2.00 per Share and the remaining balance of HK$6,120,000 shall be paid in cash subject to profit guarantee. Fortstone is engaged in the provision of insurance brokerage services. On 30 August 2019 and 30 September 2019, the parties entered into first and second supplemental agreements to extend the long stop date to 30 September 2019 and 31 October 2019 respectively. On 31 October 2019, the parties entered into third supplemental agreement, pursuant to which the parties agreed to reduce the total number of subscription shares from 100,000 new ordinary shares of Fortstone to 20,000 new ordinary shares of Fortstone and the total subscription price from HK$2,000,000 to HK$400,000. The completion of the Fortstone Acquisition took place on 31 October 2019. Details of the Fortstone Acquisition were disclosed in the announcements of the Company dated 3 June 2019, 30 August 2019, 30 September 2019 and 31 October 2019 and the circular of the Company dated 30 August 2019.

The Group considers the Fortstone Acquisition represents a unique opportunity to extend its products and services into insurance industry. In order to enhance competitiveness, there is a trend of business combinations of health check business and insurance related business. The Directors believe that the Fortstone Acquisition will provide synergistic effect to the Group's existing business by leveraging on its expertise, enlarging its customer base, broadening its income source, alongside with developing its existing businesses, and thus leading to a more comprehensive development in the Company's health check and healthcare related business.

Disposal of subsidiaries

Having taken into consideration that Dragon Leap Enterprises Limited and its subsidiaries (collectively, the "**Dragon Leap Group**") had been inactive in recent years, the Directors considered that the disposal of the Dragon Leap Group save administrative costs. The completion of the disposal of the Dragon Leap Group took place on 16 August 2019. For details, please refer to the disclosure made in note 41(c) to the audited consolidated financial statement.

Subscription of shares in Pillar Biosciences, Inc.

On 9 January 2019, Best Global Group Limited ("**Best Global**"), a wholly-owned subsidiary of the Company, and Pillar Biosciences, Inc. ("**Pillar**") entered into a share subscription agreement ("**Pillar Share Subscription Agreement**"), pursuant to which, Pillar agreed to issue and allot, and Best Global agreed to subscribe for, the subscription shares, being 819,108 series B preferred stock in Pillar at the consideration of US$2,499,999.53 (equivalent to approximately HK$19.6 million), and completion of the subscription took place on 24 January 2019. In addition to the initial subscription, Best Global has also agreed under the Pillar Share Subscription Agreement that conditional on the certification by the board of directors of Pillar of the occurrence of certain milestone, Best Global would subscribe for an additional 819,108 shares of series B preferred stock of Pillar. On 12 July 2019, Best Global further subscribed for 819,108 series B preferred stock in Pillar at the consideration of US$2,499,999.53 (equivalent to approximately HK$19.6 million) (the "**Milestone Pillar Subscription**"). The total subscription shares, being 1,638,216 series B preferred stock in Pillar, represent approximately 5.60% of the total issued stock of Pillar as at the date of completion of the Milestone Pillar Subscription. Pillar is a precision testing company for cancer based in Boston, Massachusetts, the United States of America with a wholly-owned subsidiary in Shanghai, China. They have created precise next-generation sequencing based testing products for cancer genes and quick software solutions to make cancer testing robust, streamlined and significantly more cost-effective. Their SLIMamp®- and PiVAT®-based products are intended to deliver primarily to high-throughput reference laboratories and clinical oncology laboratories. Details were disclosed in the announcements of the Company dated 9 January 2019 and 12 July 2019.

Lapse of the possible acquisition of 70% issued shares in China Precision Medical Technology Holdings Limited

On 12 April 2019, the Company entered into a non-legally binding memorandum of understanding with Victory Go Investment Limited, Yang Xiaonan and China Precision Medical Technology Holdings Limited in relation to the possible acquisition by a wholly-owned subsidiary of the Company of 70% issued shares in China Precision Medical Technology Holdings Limited. On 11 July 2019, the parties entered into a supplemental memorandum of understanding to extend the exclusively period to 11 August 2019. On 12 August 2019, Grande Fortune International Limited, a wholly-owned subsidiary of the Company, and the Company entered into a sale and purchase agreement with, among others, Victory Go Investment Limited and Yang Xiaonan to acquire 70% issued shares in China Precision Medical Technology Holdings Limited at a consideration of RMB70,000,000 (equivalent to approximately HK$77,700,000), to be settled by allotment of shares of the Company. However, the said acquisition has been terminated on 31 December 2019 since certain conditions precedent were not fulfilled on the long stop date. Details were disclosed in the announcements of the Company dated 12 April 2019, 11 July 2019, 12 August 2019 and 31 December 2019.

Lapse of the possible disposal of the entire issued share capital of Gain Yield Holdings Limited

On 27 June 2019, the Company entered into a non-legally binding letter of intent with China XinZheng Investment Consulting Company Limited ("**China XinZheng**") in relation to the possible disposal of the entire issued shares of Gain Yield Holdings Limited ("**Gain Yield**"), a wholly-owned subsidiary of the Company, Gain Yield holds 1,641,794 series B preferred shares in Broncus Holding Corporation ("**Broncus**"), which represents approximately 2.05% of the total issued share capital of Broncus. On 31 July 2019, the parties entered into a supplemental letter of intent to extend the exclusively period to 31 August 2019. On 30 August 2019, the Company, as vendor, entered into a sale and purchase agreement with China XinZheng, as purchaser, pursuant to which the Company conditionally agreed to sell as beneficial owner and China XinZheng conditionally agreed to purchase the entire issued share capital of Gain Yield, and the shareholder's loan at a cash consideration of US$5,400,000 (equivalent to approximately HK$42,390,000). However, the said disposal has lapsed on 30 September 2019. Details were disclosed in the announcements of the Company dated 27 June 2019, 31 July 2019, 30 August 2019 and 30 September 2019.

Grant of share options

On 20 August 2019, the Company has granted to eligible participants certain options to subscribe for up to a total of 25,420,000 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 20 August 2019.

Repurchase of shares

During the 2019 Year, the Company repurchased 380,000 shares of the Company ranged from HK$1.30 to HK$1.38 per share on the Stock Exchange pursuant to the general mandate to repurchase 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 15 May 2019. The Company subsequently cancelled the 380,000 repurchased shares on 27 September 2019.

OUTLOOK

The economic outlook for the coming year will continue to be sluggish with the uncertain geopolitical and macroeconomic environment challenges including the ongoing trade conflict between the US and China, Brexit, the social unrest in Hong Kong and noval coronavirus outbreak.

The healthcare industry is also affected to varying degrees. The Group will continue to overcome the adverse effects, adjusting its strategy and continuing to consolidate the market share of its medical testing and healthcare businesses in Hong Kong. At the same time, the focus will be placed on the development and application for registration of immune cell products, striving to achieve breakthroughs in product research and development milestones.

CAR-T technology is considered to be the most promising tumour treatment method. According to the expectation of Coherent Market Insights, its market size will grow exponentially between 2019 and 2028, with a compound annual growth rate as high as 46.1%. CAR-T companies in the market will benefit from the rapid growth of the industry alike.

The management of the Group is confident of the prospects of the biotechnology industry. The Group will seek to obtain clinical approval for cell therapy products as soon as possible and strive for the early launch of CAR-T products for tumour treatment. While serving cancer patients, the CAR-T products will also create more value for the Company. At the same time, the Company will continue to explore and identify better technologies and products internationally for cooperation and acquisition, and continuously enrich the Group's technology reserve and product lines in the field of cell therapy industry. The Company is committed to developing into a competitive company in the international cell therapy industry.

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 2019, the Group held cash and bank balances of approximately HK$45,518,000 (2018: HK$154,479,000), all were principally denominated in Renminbi and Hong Kong dollars. The decrease in cash and bank balances of approximately HK$108,961,000 is mainly utilised for (i) acquisition of Shanghai Longyao of approximately HK$90,280,000 and (ii) subscription of shares in Pillar of approximately HK$39,208,000.

As at 31 December 2019, the Group had a loan from controlling shareholder of approximately HK$20,000,000 (2018: HK$Nil) which is unsecured and carried a fixed interest rate of 6% per annum and is repayable within one year.

As at 31 December 2019, the Group had unsecured other borrowing of approximately RMB3,500,000 (equivalent to approximately HK$3,911,000) (31 December 2018: HK$Nil), which carried a fixed interest rate of 8% per annum and is repayable within one year.

The increase in the other borrowings were mainly due to a loan from controlling shareholder during the 2019 Year. It was utilised for Milestone Pillar Subscription.

As at 31 December 2019, total assets of the Group were approximately HK$416,584,000 (2018: HK$337,761,000), whereas total liabilities were approximately HK$103,221,000 (2018: HK$18,846,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 24.78% (2018: 5.58%). Current ratio (defined as total current assets divided by total current liabilities) was 1.61 times (2018: 13.76 times).

Forstone, an indirect non-wholly owned subsidiary of the Company, acquired on 31 October 2019, is a holder of insurance broker licence under the Insurance Ordinance. As an insurance brokerage company, Forstone is subject to capital and net assets requirement under the Insurance Ordinance. Fortstone shall maintain a minimum net assets value and a minimum paid up share capital of HK$100,000 at all times. Fortstone oversees its compliance with the capital and net assets requirement by monitoring Fortstone liquid asset and ranking liabilities at all times to ensure they are well above the minimum required level (i.e. HK$100,000). As at 31 December 2019, Fortstone has complied with the capital and net assets requirement during the 2019 Year.

Capital Structure

As at 31 December 2019, the total issued share capital of the Company was HK$96,980,615 (2018: HK$93,534,675) divided into 969,806,150 (2018: 935,346,750) ordinary shares of HK$0.10 each.

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 up to 79,500,000 new Shares (the "**Placing 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 were 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 were 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$78,680,000 for acquisition of Shanghai Longyao; (ii) HK$19,638,000 for subscription of shares in Pillar; and (iii) HK$33,682,000 for general working capital of the Group. The net proceeds was fully utilised.

SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

The details of the investments in associates and financial assets at fair value through other comprehensive income have been disclosed in notes 24 and 25 of the audited consolidated financial statements respectively. During the 2019 Year, an investment of US$4,999,999.06 (equivalent to approximately HK$39,208,000) was made for financial assets at fair value through other comprehensive income through subscription of new shares of Pillar. Pillar is a precision testing company for cancer based in Boston, Massachusetts, the United States of America with a wholly-owned subsidiary in Shanghai, the PRC.

As at 31 December 2019, the Group's financial assets at fair value through profit or loss amounted to approximately HK$82,622,000 (31 December 2018: HK$48,297,000) including three (31 December 2018: two) investments in unlisted equity securities. It mainly consisted of approximately HK$38,880,000 in Pillar (which represented 12.41% of the net asset of the Group as at 31 December 2019) and an investment of HK$39,307,000 in Broncus (which represented 12.54% of the net asset of the Group as at 31 December 2019), a company mainly engaged in the development and manufacturing of navigation, diagnostic and therapeutic technologies to treat patients with lung disease.

(i) Investment in Pillar

As at 31 December 2019, the Group held approximately 5.21% of Pillar or 1,638,216 series B preferred stock in Pillar. Based on the latest unaudited consolidated financial statements of Pillar for the year ended 31 December 2019, it recorded an unaudited consolidated loss of approximately HK$13.9 million. During the 2019 Year, no dividend was received by the Group from Pillar and the Group recorded a fair value loss through other comprehensive income of approximately HK$328,000 for its investment in Pillar. The Group believes that the investment in Pillar will create synergies with the Group's medical laboratory testing services and heath check services.

(ii) Investment in Broncus

As at 31 December 2019, the Group held approximately 2.05% or 1,641,794 series B preferred stock in Broncus. Based on the latest unaudited consolidated financial statements of Broncus for the year ended 31 December 2019, it recorded an unaudited consolidated loss of approximately HK$17.3 million. During the 2019 Year, no dividend was received by the Group from Broncus and no fair value change through other comprehensive income was recognised for its investment in Broncus. The investment in Broncus enables the Group to strategically lay out in precision diagnosis, and to enter into the field of precision treatment. Other than bringing investment return to the Group, the Group will also explore collaborative opportunity with Broncus.

Save as disclosed above, 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 2019.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the acquisition and disposal of subsidiaries 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 2019 Year.

LEASE COMMITMENTS

Details of lease commitments are stated in note 44 to the consolidated financial statements.

CAPITAL COMMITMENTS

Details of capital commitments are stated in note 43 to the consolidated financial statements.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019 and 2018, the Group had no charges.

CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group has no contingent liabilities.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2019 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 affecting interest rates and foreign exchange rate fluctuations as appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 143 (2018: 125) full time employees which were located in the PRC and Hong Kong. Total staff costs for the 2019 Year was approximately HK$48,739,000 (2018 Year: HK$52,323,000).

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 2019 Year were approximately HK$1,597,000 (2018 Year: HK$1,737,000).

EVENT AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 46 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

Executive Directors

Mr. Liu Xiaolin ("Mr. Liu"), aged 49, 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. Liu is the sole director of Genius Lead Limited (which beneficially owns 529,500,546 shares in the Company) and its holding company, Genius Earn Limited.

Mr. Yao Michael Yi ("Mr. Yao"), aged 61, has been appointed as a co-chairman and executive director since 20 May 2019. He was a senior medical evaluator of the gene and cellular therapy section of U.S. Food and Drug Administration (the "**FDA**") from October 2004 to December 2017 and have taken part in the drafting and editing work of the FDA's Guidance for Industry for gene and cellular therapies. Mr. Yao was presented the Outstanding Career Service Award by the FDA in 2017 for his outstanding achievements in the realm of gene and cellular therapy. Mr. Yao received his medical Bachelor's degree in China Medical University, the People's Republic of China in 1983 and completed the program of physical medicine and rehabilitation in Medical College of Wisconsin in 2002. Mr. Yao has been involved in a variety of academic activities in teaching and training programs of regulatory science, tumor immunology therapy and gene therapy. Professionally, Mr. Yao is a member of each of the American Medical Association, the American Society of Neuroscience, the American Academy of Microbiology, the American College of Rheumatology and the American Pain Society. Mr. Yao was also the chief executive officer of Bioceltech Therapeutics (Beijing), Ltd. from October 2018 to May 2019.

Mr. He Xun ("Mr. He"), aged 55, 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. Huang Song ("Mr. Huang"), aged 38, has been appointed as a non-executive Director since 15 September 2017 and re-designated as an executive Director on 16 December 2019. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Leung Pak Hou Anson ("Mr. Leung"), aged 53, 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 37, 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 (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.

Independent non-executive Directors

Mr. Yan Guoxiang ("Mr. Yan"), aged 53, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Dr. Ho Ivan Chun Kit ("Dr. Ho"), aged 43, 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 44, 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).

Pursuant to the Rule 18.44(2) of the GEM Listing Rules, the board of Directors ("**Board**") is pleased to present the corporate governance report for the year ended 31 December 2019 ("**2019 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 2019 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.6.7 of the CG Code as disclosed below.

Under code provision A.6.7 of the CG Code, non-executive Director(s) 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 then non-executive Director) and Dr. Ho Ivan Chun Kit (being an independent 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 15 May 2019.

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 2019 Year.

BOARD OF DIRECTORS

Composition

As at 31 December 2019, the Board comprises six executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Liu Xiaolin *(Co-Chairman)*
Mr. Yao Michael Yi *(Co-Chairman) (appointed on 20 May 2019)*
Mr. He Xun
Mr. Huang Song *(re-designated on 16 December 2019)*
Mr. Leung Pak Hou Anson
Mr. Wang Zheng

Independent non-executive Directors

Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit
Mr. Qian Hongji

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.

There is no resignation of Directors during the 2019 Year.

There is no relationship among members of the Board and the biographical details of the Directors 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 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 17 to page 19 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 2019 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		20/20	N/A	3/3	2/2	1/1
Mr. Yao Michael Yi	*1*	13/14	N/A	N/A	N/A	N/A
Mr. He Xun		20/20	N/A	N/A	N/A	1/1
Mr. Huang Song	*2*	18/20	N/A	N/A	N/A	0/1
Mr. Leung Pak Hou Anson		20/20	N/A	N/A	N/A	1/1
Mr. Wang Zheng		20/20	N/A	N/A	N/A	1/1
Independent non-executive Directors						
Mr. Yan Guoxiang		20/20	5/5	3/3	2/2	1/1
Dr. Ho Ivan Chun Kit		18/20	4/5	3/3	2/2	0/1
Mr. Qian Hongji		18/20	5/5	N/A	N/A	0/1

Notes:

(1) Mr. Yao Michael Yi was appointed as a co-chairman and an executive Director with effect from 20 May 2019.

(2) Mr. Huang Song was re-designated as an executive Director with effect from 16 December 2019.

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 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.

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 2019 were set out below:

Audit Committee

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 2019 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 judgements 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 that 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 2019 Year, the Audit Committee had five meetings and 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

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 co-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 the remuneration packages of all Directors and senior management to the Board for the Board's final determination; 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 three meetings during the 2019 Year to perform the above mentioned principal duties.

The following is a summary of work performed by the Remuneration Committee during the 2019 Year:

(a) reviewing and recommending the policy and structure of the remuneration of the Directors to the Board;

(b) assessing individual performance of the Directors;

(c) reviewing specific remuneration packages of the Directors with reference to the Board's corporate goals and objectives as well as individual performances; and

(d) reviewing and making recommendations to the Board on the appointment letters of each Directors.

Details of the Directors' remuneration and five individuals with highest emoluments are set out in notes 15 and 14 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

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 co-chairman of the Company, Mr. Liu Xiaolin (Chairman of the Nomination Committee).

The Nomination Committee leads the process and makes recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of the business development and requirements of the Company. In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the criteria of nomination and appointment of the directors as sets out in the director nomination policy of the Company, which include but not limited to the character and integrity; skills and expertise; professional and educational backgrounds; potential time commitment for the board and/or committee responsibilities; and the elements of the board diversity policy of the Company and so on. If the nomination process yields one or more desirable candidates, the Nomination Committee will rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee will then make recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed by the Board in accordance with the bye-laws of the Company and the GEM Listing Rules.

In case of re-appointments of members of the Board at general meetings of the Company, the Nomination Committee will review the overall contribution and service to the Company of the retiring Director and his/her level of participation and performance on the Board, as well as whether the retiring Director continues to meet the nomination and appointment criteria as set out in the director nomination policy of the Company, prior to making recommendations to the Board for its consideration and recommendations to the shareholders of the Company.

The following is a summary of the work performed by the Nomination Committee during the 2019 Year:

(a) reviewing and evaluating the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy;

(b) reviewing and recommending the re-appointment of the retiring Directors at the annual general meeting of the Company held on 15 May 2019;

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

(d) reviewing and recommending the appointment letters of each Directors.

The principal duties of the Nomination Committee include:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company corporate strategy;

(b) identifying individuals suitably qualified to become Board members and selecting or 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 2019 Year, two meetings were held by the Nomination Committee to, among other things, 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 co-held by Mr. Liu Xiaolin and Mr. Yao Michael Yi. 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 2019 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 is 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 2019 Year.

CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director should be provided with necessary induction and information to ensure that he 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 2019 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 2019 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 2019 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	v	v
Mr. Yao Michael Yi	v	v
Mr. He Xun	v	v
Mr. Huang Song	v	v
Mr. Leung Pak Hou Anson	x	v
Mr. Wang Zheng	v	v
Independent non-executive Directors		
Mr. Yan Guoxiang	v	v
Dr. Ho Ivan Chun Kit	x	v
Mr. Qian Hongji	x	v

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 68 to 76 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 2019 Year; the Directors considered the Group has applied appropriate accounting policies consistently, made judgements 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 have responsibility to review and monitor the effectiveness of the Group's risk management and internal control systems 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 2019 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 (i) review of corporate governance of the Company and purchase cycle of the subsidiaries in Hong Kong for the 2019 Year; and (ii) follow-up review of deficiencies identified in the 2018 Year, which are revenue, capital expenditure and operating expense cycles of the subsidiaries in Hong Kong. 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 2019 Year, issued by the independent professional firm, listed out the findings of the weaknesses identified in the 2019 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 2019 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, and (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 2019 Year.

Auditor's remuneration

For the 2019 Year, the fee payable to RSM Hong Kong in respect of audit services amounted to HK$980,000 (2018 Year: HK$880,000) and the fee payable to RSM Hong Kong in respect of non-audit services, which included the reporting accountant for major transactions, amounted to approximately HK$1,100,000 (2018 Year: HK$Nil).

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 2019 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 took effect on 25 March 2019. The Dividend Policy allows the shareholders ("**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 environmental 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 *2019 Environmental Social and Governance* ("**ESG**") *Report* (thereafter "**ESG Report**"), covering business segments principally in (i) provision of tumor immune cell therapy, immune cell storage and health management services in the People's Republic of China (the "**PRC**"); (ii) manufacture, research and development, sale and distribution of health related and pharmaceutical products in PRC and Hong Kong; (iii) provision of medical laboratory testing services and health check services in Hong Kong; (iv) provision of insurance brokerage services; and (v) 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 2019 year. It is also the intention of our management to provide an overview of the Group's strategy in managing ESG-related issues, driving for ESG initiatives throughout the Group, and communicating our ESG performance with our stakeholders. This year, the Group has continued to include environmental performance data from previous years to better illustrate our trends in ESG performance. Similarly, this year's carbon emission reporting continues to account for carbon emission associated with paper waste disposal, electricity used for processing fresh water and sewage by government services and business air travel by employees.

The contents presented in this report should allow various stakeholders, including Company management to review and refine the Group's 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 group's subsidiaries operating in Hong Kong and Shanghai, namely 上海隆耀生物科技有限公司(in English, for identification purpose only, Shanghai Longyao Biotech Company Limited) ("**Shanghai Longyao**").

Our reporting period shall cover the dates from **1 January 2019** to **31 December 2019** (the "**2019 Year**").

STAKEHOLDER ENGAGEMENT

The Group is dedicated to minimise the negative influence to the environment, to promote our employees' well-being and to contribute to the community.

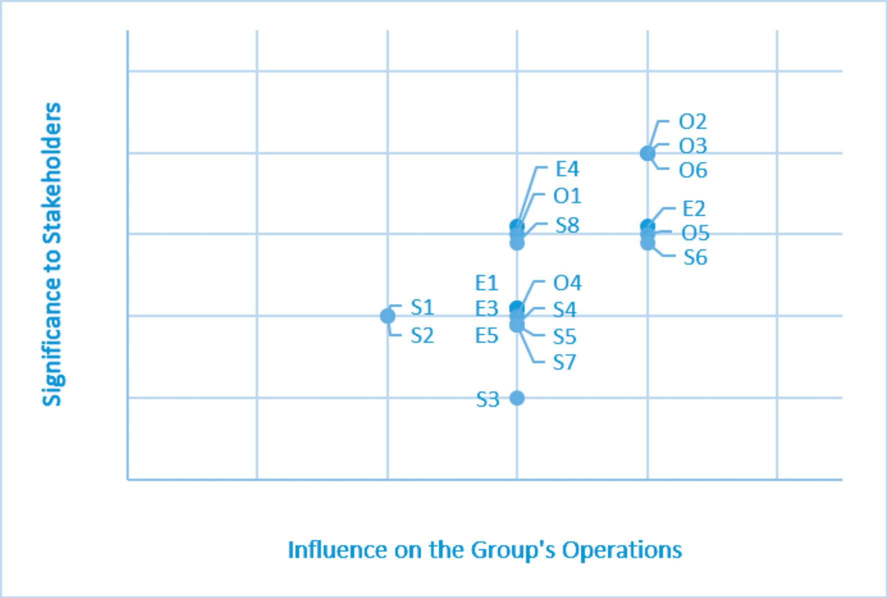
To ensure that the Group has adequately addressed the various aspects of ESG associated with its operation, it has consulted both internal and external stakeholders about its potential impacts. The Group understands the importance of maintaining good relationship with stakeholders of different backgrounds, and thus included a wide list of parties as consultation targets.

The below table presents key stakeholders of the Group as well as the methods of communication adopted by the Group to communicate with them through a variety of engagement channels during the year.

Stakeholder Type	Stakeholders	Expectations and Concerns	Engagement Channels
Internal Stakeholders	Employees	• Staff salary and benefits • Health and safety of working environment • Training and career development	• Training • Performance review and interviews • Internal announcements and publications • Suggestion box
	Shareholders	• Corporate governance • Business compliance • Return on investment	• Press releases and announcements • Annual meeting • Annual, interim and quarterly reports • Company website
	Customers	• Customer rights protection • Quality and safety of products and services	• After-sales services • Customer feedback through forms, email and hotline
External Stakeholders	Suppliers	• Fair procurement process • Quality of goods • Timely payment for supplied goods/services	• Site visit • Supplier feedback forms
	Government and Regulatory Authorities	• Compliance with laws and regulations • Sustainable development	• Supervision on compliance with local laws and regulations • Routine reports to regulatory authorities
	Community	• Community involvement • Protection of local environment	• Community activities • Subsidies and Charitable donations

MATERIALITY ASSESSMENT

The Group performed a materiality assessment of various ESG topics to identify and evaluate the concerns and interests of the Group's internal and external stakeholders, such as customers, investors, employees, suppliers and the government. The findings of the assessment are presented in a materiality matrix, as shown below:



Legend					
E1	Energy Management	O1	Customer Satisfaction	S1	Anti-discrimination
E2	Environmental Compliance	O2	Product Quality Management	S2	Child Labour and Forced Labour Management
E3	Greenhouse Gas Management	O3	Product Sales and Labelling	S3	Community Relations
E4	Waste Management	O4	Raw Materials Management	S4	Diversity and Equal Opportunity
E5	Wastewater Management	O5	Supplier Management	S5	Employee Communication
		O6	Anti-Corruption	S6	Occupational Safety and Health
				S7	Talent Management
				S8	Training and Development

ENVIRONMENT

The Group understands the importance of environmental protection, recognises and strives to minimise the potential environmental impacts associated with our operational activities. While we aim to generate revenue for our shareholders, as well as providing high quality products and professional services to our customers, the Group established sets of **Environmental Policy** to ensure compliance with all applicable laws and regulatory requirements in both the PRC and Hong Kong. Our policies also set the direction, and as a guideline for our employees, on best managing our environment impacts to the local environment according to different activities throughout our operations. The key features of our environmental policies include:

- 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 resource conservation 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 operations. We encourage our clients to work together with us to continuously improve our environmental performance.

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 adoption of green technologies in our operations, 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 and energy-efficient working environment; and
- Energy-conservation practices on utilising electronic devices are adopted throughout the working premises, including that 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.

Resource	Annual Consumption		Consumption Intensity/per HKD1000 revenue	
	2019	2018	**2019**	2018
Electricity	**681,363 kWh**	656,491 kWh	**11.51 kWh**	9.34 kWh
Water	**1,272 m^3**	3,652 m^3	**0.21 m^3**	0.052 m^3

Air Emission

In Hong Kong and the Pearl River Delta, key air pollutants from human activity include: nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and respiratory suspended particles ("**RSP**", also known as Particulate Matter ("**PM**")). The primary sources of these atmospheric air pollutants include emissions from motor vehicles, marine vessels, power plants as well as local industrial and commercial processes. The Group operates private cars as part of its operations and the associated air emissions have been identified and evaluated. Air emissions are evaluated based on statistics associated with fossil fuel consumption and vehicle usage. The amount of air emissions produced by the Group during the reporting period included 5.1 kg of NO_x, 0.16 kg of SO_x, and 0.38 kg of particulate matter (4.2 kg, 0.15 kg and 0.31 kg respectively in 2018).

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

Greenhouse Gas Emissions

The Group recognises that greenhouse gas (GHG) emissions is an important metric for environmental performance, hence it is one of our long term goals to reduce the amount of greenhouse gas emissions associated with our operations. The Group's main source of greenhouse gas emissions originate from its electricity consumption.

The Group estimated its greenhouse gas emissions for the Reporting Period through the use of data associated with electricity and fossil fuel consumption. To convert energy consumption figures into equivalent greenhouse gas emissions, emission factors obtained from utility invoices, along with reputable third-party references (including electricity & gas consumption data and associated carbon intensity factors), were used in the calculation. In addition to the quantity of carbon dioxide (CO_2) emissions, greenhouse gas emission calculations also consider the global warming contribution associated with other emitted substances, including methane (CH_4) and nitrous oxide (N^2O), whose impacts are expressed in equivalent quantities of carbon dioxide (CO_{2e}) to determine the cumulative environmental impact of Group's operations with respect to global warming.

For this reporting period, the Group has started to collect indirect greenhouse gas emission data from sources other than electricity generation, also referred to as Scope 3 emissions. This includes emissions associated with fresh water processing and business air travel.

During the reporting period, no violations were recorded with respect to relevant environmental laws and regulations. The total greenhouse gas emissions associated with the Group's operations during the reporting period was estimated to be 2,837 tCO_{2e}.

Greenhouse Gas Emissions

WASTE MANAGEMENT

Hazardous Waste

The Group's operation in Hong Kong includes a laboratory testing facility and a clinical product packaging line, involving operation activities which inevitably contribute to the generation of clinical waste. A Waste Management Policy was developed to provide guidance 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 (Chapter 354O of the Laws of Hong Kong).*

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 proper disposal of such clinical wastes.

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 and contaminating the disposal chain of municipal solid waste
- Package and label clinical waste properly to enable easy identification, including information on the source of generation to ensure proper handling
- Provide safe and secure temporary storage area for clinical waste
- Collection of clinical waste by licensed clinical waste collectors for disposal
- Record keeping
- Staff safety training for handling of clinical waste

Leak-proof containers were utilised to contain laboratory waste, ensuring they were impermeable to moisture and prevented from tearing or rupture 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. Containers awaiting disposal are stored in well-ventilated areas within the premise, 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. In summary, and after careful investigation, the Group has no non-compliant activities in respect to our hazardous waste and its handling procedures. During 2019, the Group generated a total of 1.4 tonnes of hazardous waste (2018: 6.6 tonne).

The Group recognised its achievements for the past consecutive years and seeks 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 towards a paper-less working environment. Staff were encouraged to work and communicate through emails and e-format documents instead of paper copies. During the reporting period, the total paper consumption was about 4 tonnes. In addition, the Group consumed and disposed 9,000 masks, 128,800 gloves and 70 bags of cotton balls from its laboratory operations.

Waste	**Annual Production**	
	2019	2018
Hazardous Waste (from laboratories)	**1.4 tonnes**	6.6 tonnes
Non-Hazardous Waste	**2.4 tonnes**	–
Wastewater	**1,030m^3**	3,133 m^3

Summary

The consolidated data with respect to key performance indicators (KPIs) regarding emissions and resource consumption associated with the Group during the reporting period is summarised below:

Environmental KPIs			
Category	**Unit**	**2019**	2018
Energy Consumption			
Total Energy Consumption	GJ	**2,837**	2,708
Petrol Consumption	GJ (L)	**384 (11,112)**	345 (9,979)
Electricity Consumption	GJ (kWh)	**2,453 (681,363)**	2,363 (656,491)
Total Consumption Intensity	GJ/1000 HKD revenue	**0.048**	0.039
Greenhouse Gas Emissions			
Total Greenhouse Gas (GHG) Emissions	t CO_{2e}	**541**	431
Scope 1 - Direct Emissions	t CO_{2e}	**30**	27
Carbon Dioxide (CO_2) Emissions	t	**26**	–
Methane (CH_4) Emissions	kg	**3**	–
Nitrous Oxide (N_2O) Emissions	kg	**12**	–
Scope 2 – Energy Indirect Emissions	t CO_{2e}	**467**	404
Scope 3 - Other Indirect Emissions	t CO_{2e}	**43.7**	–
Fresh Water Processing	t CO_{2e}	**1.2**	–
Paper Waste Disposed at Landfills	t CO_{2e}	**19.3**	–
Employee Business Travel	t CO_{2e}	**23.2**	–
Total Greenhouse Gas (GHG) Emissions Intensity	t CO_{2e}/1000 HKD revenue	**0.009**	0.01
Air Emissions			
Nitrogen Oxides (NO_x) Emissions	kg	**5.1**	4.2
Sulphur Oxides (SO_x) Emissions	kg	**0.16**	0.15
Particulate Matter Emissions	kg	**0.38**	0.31
Waste Management			
Total Hazardous Waste Produced	t	**6.8**	6.6
Total Non-Hazardous Waste Produced	t	**2.4**	–
Total Hazardous Waste Intensity	kg/1000 HKD revenue	**0.1148**	0.0939
Total Non-Hazardous Waste Intensity	kg/1000 HKD revenue	**0.0405**	–
Total Wastewater Generation	m^3	**1,030**	3,133

Environmental KPIs			
Category	**Unit**	**2019**	2018
Use of Resources			
Total Water Consumption	m^3	**1,272**	3,652
Total Water Consumption Intensity	m^3/1000 HKD revenue	**0.021**	0.052

* Collection of Scope 3 emission data commenced in the 2019 Year

SOCIAL

The business of the Group spreads across several industrial sectors, involving a large number of great individuals working with us. Offering our staff with competitive compensation, while treating them with equality and fairness, and complying with laws and regulations have always been part of the Group's guidance 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 that the success of all companies depends largely on the quality of their **People**. The Group recognises the contribution from its capable workforce and the success that they bring, and therefore their works of excellence must be well-compensated. The Group offers competitive remuneration and benefits schemes to its staff 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 motivate 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 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.

The Group's management regularly reviews remuneration packages of employees, implements targeted performance assessment and makes necessary adjustments according to the prevailing market and industry trends, inflation and 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 according to their positions.

Health and Safety

The Group considers the safety of our employees as one of our greatest concerns. Our **Safety Manual** is carefully developed to promote the awareness of operation safety, and to drive for the best practices in our premises. We strive to maintain a high levels of occupational safety and health standard, and to provide 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 injuries nor lost days were recorded during the reporting period.

Hong Kong

The Group's **Safety Policy** has strict guidelines on laboratory conduct to ensure a safe working environment. Procedures were developed on classification of various types of hazardous materials into specific risk groups, along with proper management in the workspace (i.e. chemicals, regent, equipment, etc.). Appropriate handling measures are assigned to each family of substances according to their risk levels, and details can be found as below:

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

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

3. Thorough safety check-up carried out for laboratory units and surrounding areas once every two years.

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

Shanghai

The Group recently acquired Shanghai Longyao, which also operates in compliance to our safety culture, and has developed a comprehensive procedure for handling of biological wastes, as detailed below:

1. Biological wastes are segregated into respective categories prior to collection, including infectious wastes, pathological wastes, medical waste and chemical waste. Containers used for hazardous waste must be carefully examined for any potential damages or leakages prior to use, to minimise the occurrence of personnel exposure.

2. Wastes potentially containing high-risk agents such as bacterial cultures and toxic venoms should be adequately sterilised by autoclave or by chemical treatment at the production source prior to collection.

3. To reduce the risks of overfilling, containers for collecting medical wastes and sharps are only used up to 75% of their overall volume.

4. Temporary storages of medical waste are set to allow short-term placement of potentially hazardous substances prior to subsequent disposal by authorised agencies. Holding in temporary storages are limited to 2 days maximum, with the storage designed to protect against leakages, and from extreme temperatures/humidity.

In 2019, 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 2019.

Training and Developments

The Group views employees as one of its greatest assets. High-caliber talents equipped with professional training are vital to sustain our 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, including:

- Ensure that employees are supported and equipped with necessary knowledge and skillset to meet the changing demands of the Group and its service users so that the Group achieves its strategic objectives;
- Facilitate employee development and 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 2019, the Group had arranged various types of training especially for the operations in PRC. A total of 116 hours of training were provided to 10 employees. The training featured topics such as clinical trials, immunotherapy, production processes and quality management.

For our office staff members in Hong Kong, training was provided on topics related to latest market trends. Where possible, we also collaborate with external education institutes to provide internal training courses to employees on different subjects such as information technology, corporate governance and business accounting. The courses are tailored specifically to the needs of our operations and are structured to enhance and develop the required skillsets for our office workers. The total number of training hours received by our Hong Kong employees is 7.5 hours.

Newly-recruited employees of the Group are provided with orientation training, which covers topics such as:

- company's structure and mission;
- employee's contribution toward business success and objectives; and
- company's guidelines and procedures, etc..

Equal Opportunities, Diversity and Anti-Discrimination

Employees 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 is responsible for maintaining 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 and color, descent, ethnic, nationality and religion.

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 Code 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.

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 working week system.

Labour Standard

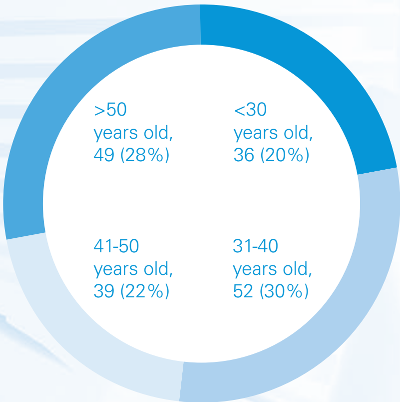
The Group does not tolerate the involvement of forced and child labour in its operations, and strictly abides with laws and regulations relating to labour employment and contracts. The Group's employment policy clearly stipulates that recruits should be at least 18 years of age, and employment of child labour is prohibited. Necessary measures are taken during the recruitment process to verify the age of job applicants, and background checks will be conducted for every new employee for confirming the details concerning the identity of candidates.

During the reporting period, the Group had no known material instances of non-compliance with relevant employment and labour practices laws and regulations.

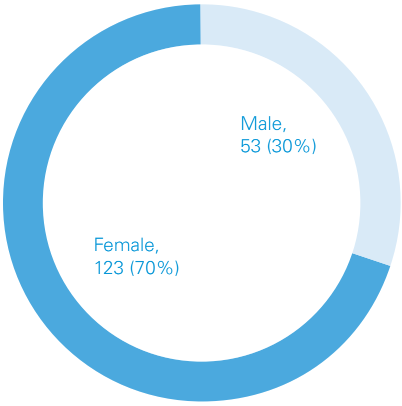
Employee Demographics

In this reporting period, the Group has 121 full-time and 32 part-time employees in Hong Kong; and 22 full-time employees and 1 part-time employee in its PRC operations. During the reporting period, the overall turnover rate across the Group was 29%.

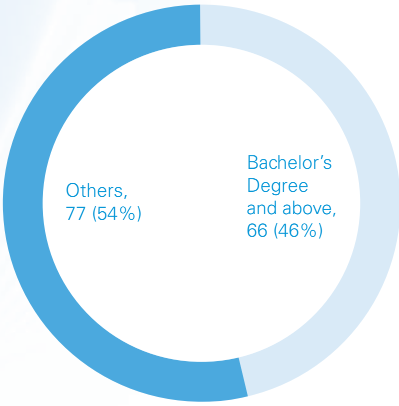
Age Distribution



Gender Distribution



Education Level Distribution of Full-Time Employees



Supplier Management

Hong Kong

The Group has strict policy on procurement process of supplies consumed during operations. Quality Managers are assigned to be 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, cost-effective and responsive to our requests, etc.. Revision and re-evaluation of our list of suppliers are conducted annually to ensure that our evaluation of our approved suppliers remains up to date. Should any consumables or reagents is found to be defective or is considered substandard, replacement of the defective products will be requested to our supplier, and such incidents may be recorded in our supplier evaluation system for subsequent consideration.

Shanghai

In line with the supplier management standards set by the Group, Shanghai Longyao adopts an assessment matrix to evaluate the suitability of its suppliers, covering the following aspects:

- Supplier Survey
- Product Quality Agreement
- Storage Conditions
- Product Quality Standards
- Analysis of product quality
- Certification (including licenses and registration documents)
- GMP certificate

Where required, on-site assessment/reassessment of suppliers will be performed to thoroughly evaluate the supplier. An on-site assessment team will be assembled, featuring specialists in various disciplines, including quality management, production, materials, packaging, manufacturing equipment and laboratory systems.

Quality Assurance

Hong Kong

The Group strives to continue its efforts in assuring the highest quality standards of its products. To achieve this, the performance of our operational items, such as our Quality Management System, Organisation and management are regularly assessed. A comprehensive internal audit is conducted annually for close monitoring, and findings will be documented in a formal report format for record purpose. Furthermore, the results of the audit shall be reviewed by the Laboratory Supervisor, and subsequently reported to the senior management regularly for continuous improvement.

Shanghai

A "Procedure of Quality Risk Management" has been developed for the purpose of quality assurance and control of potential risk factors that may negatively impact product quality. A systematic risk assessment is adopted to identify potential causes of product quality risk, estimate their occurrence likelihood and severity of such incidents. For each identified potential risk factor, existing safeguards are identified and evaluated to see whether the residual risk is considered acceptable. Where required, risk mitigation measures will be proposed for consideration by management.

Additionally, a number of common assessment tools for risk management has been employed, including Failure Modes, Effect and Criticality Analysis (FMECA), Fault Tree Analysis (FTA) and Hazard & Operability (HAZOP) Studies. Used in tandem, the assessments provide the management with opportunities to minimise quality risk and develop strategies for continuous 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 within the industry.

At the laboratories, the Group's **Confidentiality Policy** ensures that the personal information of examinees is carefully handled and stored properly. Stored personal particulars are only accessible to authorised 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 authorisation was granted by the examinee or the request of the examinee's doctor, patient reports shall not be released to any external party, including the examinee's family members.

Anti-Corruption

The Group is strictly complying with all legal requirements against corruption, and is fully committed to restricting all forms of illegal activities, including corruption, without exception. Staff are requested to understand and work with us to safeguard the Group throughout their daily operation, to prohibit and prevent money laundering activities. To maintain transparency and promote integrity and accountability, the Group established whistleblowing channels for reporting inappropriate conducts and other suspicious irregular activities which are identified to be against relevant internal policies and guidelines. In order to strengthen our employees' understanding on the topic of anti-corruption, regular internal trainings are organised, which feature case studies and recommended measures to avoid situations which may be associated with non-compliance activities. A working guideline on "Anti-Corruption Measures" has been prepared by the Group, and made available for full access to all of its employees.

During 2019, the Group was unaware of any action that non-compliance with laws and regulations relating to corruption, bribery, extortion, fraud and money laundering.

COMMUNITY

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 the 2019 Year, the Group generously donated RMB300,000 (equivalent to approximately HK$329,000) to Nanjing Medical University Education Development Fund in support of the development of education in Nanjing Medical University.

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

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019 ("**2019 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 Good 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); (vi) Insurance Ordinance (Chapter 41 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, 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.

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 2019 Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 77 to 78. 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 79 and note 32(a) to the consolidated financial statements of this report respectively.

The Board does not recommend the payment of a dividend for 2019 Year (year ended 31 December 2018 ("**2018 Year**"): HK$Nil).

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the 2019 Year is set out in note 10 to the consolidated financial statements.

CHARITABLE DONATIONS

During the 2019 Year, the Group made charitable donations amounting to approximately HK$329,000 (2018 Year: HK$1,000,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the 2019 Year, the percentages of turnover and purchases attributable to the Group's major customers and suppliers are set out below:

Turnover	
The largest customer	21.38%
Five largest customers in aggregate	39.46%
Purchases	
The largest supplier	27.38%
Five largest suppliers in aggregate	62.81%

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 2019 Year are set out in note 32 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, a wholly-owned subsidiary of the Company, 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 SHL 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 SHL Acquisition to 31 March 2019 and the adjustment of consideration of the PRC Equity Transfer and the payment mechanism.

Pursuant to the HK SPA, the total consideration for the sale and purchase of the BVI Sale Share and the BVI Sale Debt in the sum of RMB47,430,000 (equivalent to approximately HK$55,018,800) has been settled by the Company's issue and allotment of 27,509,400 new Shares to Beike Biotech Holdings 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 on 29 March 2019, the Company, through China Biology, directly or indirectly own approximately 67% of the total registered capital in Shanghai Longyao and Shanghai Longyao became 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 SHL 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 (which represented a premium of approximately 22.0% over the closing price of HK$1.640 per share as quoted on the Stock Exchange on 22 July 2018) to, among others, broaden the shareholder and capital base of the Company to facilitate the future development of the Group. 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) 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 2019 Year, 25,420,000 share options were granted on 20 August 2019.

The details of the share option scheme of the Company are set out in note 40 to the consolidated financial statements.

(d) Acquisition of 51% issued shares of Fortstone involving issue of consideration shares

On 3 June 2019, Gain Access, as purchaser, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Qiu Li and Ms. Geng Xiujuan, as vendors (that is, the Vendors) and Mr. Liu Haibo, as guarantor, pursuant to which Gain Access conditionally agreed to purchase, and the Vendors conditionally agreed to sell 51% issued shares of Fortstone at the consideration of HK$12,240,000 (subject to adjustment), among which, HK$3,060,000 was paid in cash to the Vendors and HK$3,060,000 was settled by issue and allotment of 1,530,000 ordinary shares of the Company at the issue price of HK$2.00 per Share and the remaining balance of HK$6,120,000 shall be paid in cash subject to profit guarantee (that is, the Fortstone Acquisition). Fortstone is engaged in the provision of insurance brokerage services. On 30 August 2019 and 30 September 2019, the parties entered into first and second supplemental agreements to extend the long stop date to 30 September 2019 and 31 October 2019 respectively. On 31 October 2019, the parties entered into third supplemental agreement, pursuant to which, the parties agreed to reduce the total number of subscription shares from 100,000 new ordinary shares of Fortstone to 20,000 new ordinary shares of Fortstone and the total subscription price from HK$2,000,000 to HK$400,000. The completion of the Fortstone Acquisition took place on 31 October 2019. Details of the Fortstone Acquisition were disclosed in the announcements of the Company dated 3 June 2019, 30 August 2019, 30 September 2019 and 31 October 2019 and the circular of the Company dated 30 August 2019.

RESERVES

Details of the movements in the reserves of the Group and the Company during the 2019 Year are set out in the consolidated statement of changes in equity on page 80 and in note 32(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

For the 2019 Year, the Company's distributable reserves are set out in note 32(b) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the 2019 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.

EVENTS AFTER THE REPORTING PERIOD

Details of the Group's events after the reporting period are set out in note 46 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 162 to 163 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 2019 Year; (ii) particulars of important events affecting the Group that have occurred since the end of the 2019 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 6 to 16 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 33 to 48 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), Insurance Ordinance (Cap. 41 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 2019 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 2019 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 33 to 48 of this annual report.

DIRECTORS

The Directors during the 2019 Year and up to the date of this report were:

Executive Directors

Mr. Liu Xiaolin *(Co-Chairman)*	
Mr. Yao Michael Yi *(Co-Chairman)*	*Appointed on 20 May 2019*
Mr. He Xun	
Mr. Huang Song	*Re-designated on 16 December 2019*
Mr. Leung Pak Hou Anson	
Mr. Wang Zheng	

Independent non-executive Directors

Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit
Mr. Qian Hongji

No Director resigned during the 2019 Year and up to the date 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. Yao Michael Yi will hold office until the forthcoming annual general meeting ("**AGM**") and 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. Huang Song, Mr. Yan Guoxiang and Mr. Qian Hongji 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 17 to 19 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' AND CONTROLLING SHAREHOLDER'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for the loan from controlling shareholder and the related party transactions of the Group as disclosed in note 39 and 45 to the consolidated financial statements, no Director or the controlling shareholder of the Company 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 2019 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 2019 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 2019 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 40 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the Directors and senior management of the Company for the 2019 Year by bands is as follows:

Emoluments bands	Number of individuals
HK$Nil to HK$1,000,000	4
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	1
HK$2,500,001 to HK$3,000,000	1
HK$6,000,001 to HK$6,500,000	1

Further particulars in relation to Directors' remuneration and the five individuals with highest emoluments are set out in notes 15 and 14 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 2019, 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)*	54.60%
	A concert party to an agreement to buy shares as described in s317(1)(b) of the SFO	128,300,000 *(Note c)*	13.23%
Mr. He Xun ("**Mr. He**")	Beneficial owner	10,000,000 *(Note d)*	1.03%
	Total	667,800,546	68.86%

Notes:

(a) As at 31 December 2019, the total number of the issued shares of the Company was 969,806,150 ordinary shares of HK$0.10 each of the Company.

(b) Genius Lead is the registered and beneficial owner of these shares of the Company, and Genius Lead is wholly-owned by 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 was deemed to be interested in the shares which Genius Lead was 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 remained to be interested in 128,300,000 shares as the lender of the loan to Bright Joy Ventures Limited to buy the relevant shares as described in s317(1)(b) of the SFO as at 31 December 2019.

(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)(b) of the SFO	20,000,000 *(Note b)*	2.06%

Notes:

(a) As at 31 December 2019, the total number of issued shares of the Company was 969,806,150 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 was deemed to be interested in the shares which Genius Lead was 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 remained to be interested in the short position for 20,000,000 shares for the call options (which expired on 11 March 2020) granted by Bright Joy Ventures Limited pursuant to the agreement for sale and purchase dated 11 September 2018 as the lender of the loan to Bright Joy Ventures Limited to buy the relevant shares as described in s317(1)(b) of the SFO.

(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	Approximate percentage (Note a)
Mr. Liu	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK$1.67	780,000	0.08%
	Beneficial owner	20 August 2019	20 August 2020 to 19 August 2023	HK$1.68	960,000	0.10%
Mr. Wang Zheng	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK$1.67	4,000,000	0.41%
	Beneficial owner	20 August 2019	20 August 2020 to 19 August 2023	HK$1.68	600,000	0.06%
Mr. Huang Song	Beneficial owner	12 January 2018	12 January 2019 to 11 January 2022	HK$1.67	4,000,000	0.41%
Mr. Yao Michael Yi	Beneficial owner	20 August 2019	20 August 2020 to 19 August 2023	HK$1.68	9,680,000	1.00%
Total					20,020,000	2.06%

Note:

(a) As at 31 December 2019, the total number of the issued shares of the Company was 969,806,150 ordinary shares of HK$0.10 each of the Company.

Save as disclosed above, as at 31 December 2019, 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 2019, 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	529,500,546	54.60%
Genius Lead *(Note b)*	Beneficial owner	529,500,546	54.60%
Bright Joy Ventures Limited	Beneficial owner	128,300,000	13.23%
	A concert party to an agreement to buy shares as described in s317(1)(b) of the SFO	529,500,546 *(Note c)*	54.60%
Yau Wing Yiu	Beneficial owner	7,720,000	0.80%
	Interest of a controlled corporation	657,800,546 *(Note d)*	67.83%

Notes:

(a) As at 31 December 2019, the total number of the issued shares of the Company was 969,806,150 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, 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.

(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 shares of the Company to which Bright Joy Ventures Limited is interested.

(ii) Short position in shares and underlying shares

Name of shareholder	Capacity and nature of interest	No. of shares held	Approximate percentage *(Note a)*
Bright Joy Ventures Limited	Beneficial owner	20,000,000	2.06%
Yau Wing Yiu	Interest of a controlled corporation	20,000,000 *(Note b)*	2.06%

Notes:

(a) As at 31 December 2019, the total number of issued of the Company was 969,806,150 ordinary shares of HK$0.10 each of the Company.

(b) 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 2019, 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 operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute the success the Group's operation. The principal terms of the share option scheme were disclosed in the Company's 2019 annual report. Details of movements in the Company's share options during the year ended 31 December 2019 are set out as follows:

			Number of Shares over which options are exercisable						
Name of Grantees	Date of grant	Exercise price per share *(HK$)*	Balance as at 1 January 2019	Granted during the 2019 Year	Exercised during the 2019 Year	Lapsed during the 2019 Year	Cancelled during the 2019 Year	Balance as at 31 December 2019	Exercise period
Directors									
Mr. Liu	12 January 2018	1.67	780,000 *(Note 1)*	–	–	–	–	780,000	*Note 4*
	20 August 2019	1.68	–	960,000 *(Note 3)*	–	–	–	960,000	*Note 7*
Mr. Wang Zheng	12 January 2018	1.67	4,000,000 *(Note 1)*	–	–	–	–	4,000,000	*Note 4*
	20 August 2019	1.68	–	600,000 *(Note 3)*	–	–	–	600,000	*Note 7*
Mr. Huang Song	12 January 2018	1.67	4,000,000 *(Note 1)*	–	–	–	–	4,000,000	*Note 4*
Mr. Yao Michael Yi	20 August 2019	1.68	–	9,680,000 *(Note 3)*	–	–	–	9,680,000	*Note 7*
Sub-total			**8,780,000**	**11,240,000**	**–**	**–**	**–**	**20,020,000**	

			Number of Shares over which options are exercisable						
Name of Grantees	Date of grant	Exercise price per share *(HK$)*	Balance as at 1 January 2019	Granted during the 2019 Year	Exercised during the 2019 Year	Lapsed during the 2019 Year	Cancelled during the 2019 Year	Balance as at 31 December 2019	Exercise period
Consultants	12 January 2018	1.67	15,600,000 *(Note 1)*	–	–	–	–	15,600,000	*Note 4*
	20 August 2019	1.68	–	9,680,000 *(Note 3)*	–	–	–	9,680,000	*Note 7*
Sub-total			**15,600,000**	**9,680,000**	**–**	**–**	**–**	**25,280,000**	
Employees	12 January 2018	1.67	3,000,000 *(Note 1)*	–	–	(3,000,000)	–	–	*Note 5*
	4 October 2018	1.71	3,000,000 *(Note 2)*	–	–	–	–	3,000,000	*Note 6*
	20 August 2019	1.68	–	4,500,000 *(Note 3)*	–	–	–	4,500,000	*Note 7*
Sub-total			**6,000,000**	**4,500,000**	**–**	**(3,000,000)**	**–**	**7,500,000**	
Total			**30,380,000**	**25,420,000**	**–**	**(3,000,000)**	**–**	**52,800,000**	

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 were granted on 20 August 2019. The closing price of the Shares on the date of grant was HK$1.35 per Share.

4. 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.

5. The share options 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. However, the relevant conditions were not met. As a result, 3,000,000 share options lapsed in the third quarter of 2019.

6. 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.

7. 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 20 August 2020 to 19 August 2021; (ii) a maximum of another one-third of the Shares granted to the grantee in respect of the share option from 20 August 2021 to 19 August 2022; and (iii) a maximum of the remaining one-third of the Shares granted to the grantee in respect of the share option from 20 August 2022 to 19 August 2023.

Reasons for the grant of share options to consultants

The Group positions itself as a science and technology group in biomedical field with a view to achieving application of advanced medical technologies from around the world in the PRC and the Greater Bay Area. Given the current background and experience of the Board, the Group has been engaging biomedical professionals and consultants to strengthen its knowledge on industry development and technical background.

The consultants were, and will mainly be, consulted by the Company for marketing and introduction guidance, information and guidance on the latest bio-technology, advices on potential projects and review of investment opportunities to support the Group's business expansion and development. In view of their experience and background in the healthcare and medical industry, the Company considered that the consultants would provide significant contributions to the business development of the Company.

The grant of the share options, which shall be vested by stages, will provide incentives and rewards for the consultants to contribute to the success of the Company's operations and future development and is consistent with the purpose of the share option scheme. Further, the grant of the share options will not have any adverse impact on the cash flow of the Group and the Company can receive subscription money upon exercise of the share options. The Directors believed that the grant of the share options to the consultants is fair and reasonable and in the interests of the Company and its shareholders as a whole.

DIRECTOR' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2019 Year or at the end of the 2019 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 20 August 2019 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the 2019 Year, a total of 380,000 ordinary shares of the Company were repurchased by the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company. The Directors believe that the repurchases reflect the Company's confidence in its long-term business prospects and would ultimately benefit the Company and create value for the shareholders of the Company. Details of the repurchases of shares of the Company are as follows:

Date of repurchase	Number of shares	Repurchased price per share		Consideration
		Highest	Lowest	
		HK$	HK$	HK$
15 August 2019	20,000	1.38	1.38	27,600
19 August 2019	60,000	1.37	1.30	80,200
20 August 2019	20,000	1.30	1.30	26,000
21 August 2019	60,000	1.38	1.30	80,600
23 August 2019	40,000	1.38	1.36	54,800
26 August 2019	40,000	1.38	1.30	53,600
27 August 2019	40,000	1.33	1.30	52,600
28 August 2019	20,000	1.36	1.36	27,200
29 August 2019	20,000	1.35	1.35	27,000
30 August 2019	20,000	1.33	1.33	26,600
2 September 2019	40,000	1.33	1.30	52,600
Total	380,000			508,800

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company during the 2019 Year.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the acquisition and disposal of subsidiaries 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 2019 Year.

RELATED PARTY AND CONNECTED TRANSACTIONS

The Company had not entered into any connected transaction during the 2019 Year which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the 2019 Year are disclosed in note 45 to the consolidated financial statements.

Other than the related party transaction disclosed in note 45 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 2019 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 20 to 32 of this report.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes in operation for the 2019 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 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 2019 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
Co-Chairman and Executive Director

Hong Kong, 24 March 2020

INDEPENDENT AUDITOR'S REPORT

RSM

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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 77 to 161 which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Acquisition of subsidiaries Refer to note 41(a) and 41(b) to the consolidated financial statements (a) During the year ended 31 December 2019, the Group acquired approximately 67% equity interests of Shanghai Longyao Biotech Company Limited ("**Shanghai Longyao**"), details of the acquisition are disclosed in note 41(a) to the consolidated financial statements. (b) During the year ended 31 December 2019, the Group acquired 51% equity interests of Fortstone International (Hong Kong) Limited ("**Fortstone**"), details of the acquisition are disclosed in note 41(b) to the consolidated financial statements. Accounting for the acquisitions requires the Group to determine the date it obtains control of the acquiree for acquisition of Shanghai Longyao and Fortstone ("**Acquisition Date**") for accounting purposes and the fair values of the identifiable assets and liabilities assumed at the Acquisition Date. Management engaged an external valuer to assess the fair values of the identifiable assets and liabilities assumed at the Acquisition Date. We have identified the acquisition of subsidiaries as a key audit matter because significant judgements were required for determining (i) whether the acquisition of subsidiaries were within the scope of HKFRS 3 Business Combinations and (ii) measuring the fair value of assets acquired in the business combination (e.g. intangible assets).	Our procedures included: – Examining the sales and purchase agreements for the acquisitions and the underlying business of the acquired companies to determine whether the acquisitions were within the scope of HKFRS 3 Business Combinations; – Obtaining the external valuation reports, discussing them with the management and the independent external valuers engaged by the Company and assessing the appropriateness and reasonableness of methodology and assumptions adopted to determine the fair value of the identifiable assets and liabilities assumed at the Acquisition Date; – Checking on a sample basis the accuracy and reliability of the input data used for valuing the intangible assets; – Checking the mathematical accuracy of the valuation models; and – Assessing the competency and capabilities of the independent external valuer taking into account of their experience and qualifications.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill, intangible assets, right-of-use assets and property, plant and equipment ("**PPE**") for the provision of medical laboratory testing services and health check services segment. Refer to notes 19, 20, 21 and 22 to the consolidated financial statements. At 31 December 2019, the Group has recorded an impairment loss of approximately HK$264,000 on goodwill and approximately HK$28,838,000 on intangible assets. 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, right-of-use assets 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, PPE and right-of-use assets 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, PPE and right-of-use assets 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill, intangible assets, right-of-use assets and PPE for the provision of tumor immune cell therapy, immune cell storage and health management services segment. Refer to notes 19, 20, 21 and 22 to the consolidated financial statements. At 31 December 2019, the Group has goodwill and intangible assets of approximately HK$106,136,000 and HK$80,560,000 respectively. The goodwill and intangible assets arose from the acquisition of Shanghai Longyao in 2019. Goodwill with an infinite useful life are tested for impairment annually. PPE, right-of-use assets and intangible assets with finite useful life are tested for impairment when indicators of potential impairment are identified. For goodwill, intangible assets, PPE and right-of-use assets 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.	Our procedures included: – assessing management's identification of CGUs, the amounts of goodwill, intangible assets, PPE and right-of-use assets 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; – 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; and – considering the disclosure in the consolidated financial statements in respect of management's impairment assessments.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill, intangible assets, right-of-use assets and PPE for the provision of insurance brokerage services. Refer to notes 19, 20, 21 and 22 to the consolidated financial statements. At 31 December 2019, the Group has goodwill and intangible assets of approximately HK$9,207,000 and HK$1,324,000 respectively. The goodwill and intangible assets arose from the acquisition of Fortstone in 2019. Goodwill and intangible assets with an infinite useful life are tested for impairment annually. PPE and right-of-use assets with finite useful life are tested for impairment when indicators of potential impairment are identified. For goodwill, intangible assets, PPE and right-of-use assets 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.	Our procedures included: – assessing management's identification of CGUs, the amounts of goodwill, intangible assets, PPE and right-of-use assets 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; – 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; 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.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgement 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, 24 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019 HK$'000**	2018 HK$'000
Gross proceeds	*8*	**59,214**	70,304
Revenue	*8*	**59,214**	70,304
Cost of sales		**(36,841)**	(42,220)
Gross profit		**22,373**	28,084
Net loss on financial assets at fair value through profit or loss		**(1,252)**	(397)
Other income, gains/(losses)	*9*	**(959)**	2,430
Allowance for impairment loss on financial assets, net	*6(c)*	**(2,996)**	(3,724)
Selling and distribution expenses		**(12,379)**	(16,966)
Administrative expenses		**(94,111)**	(78,988)
Loss from operations		**(89,324)**	(69,561)
Finance costs	*11*	**(1,692)**	(3,472)
Share of loss of associates		**(1,390)**	(460)
Gain on remeasurement on pre-existing interest in an associate	*41(a)*	**8,096**	–
Gain on fair value change on contingent consideration	*36*	**8,038**	–
(Loss)/gain on disposal of subsidiaries	*41(c)*	**(316)**	4,249
Impairment loss on goodwill	*21*	**(264)**	–
Impairment loss on intangible assets	*22*	**(28,838)**	–
Impairment loss on investments in associates	*24*	**(3,903)**	–
Loss before tax		**(109,593)**	(69,244)
Income tax credit/(expense)	*12*	**2,110**	(189)
Loss for the year	*13*	**(107,483)**	(69,433)
Loss for the year attributable to:			
Owners of the Company		**(98,845)**	(64,250)
Non-controlling interests		**(8,638)**	(5,183)
		(107,483)	(69,433)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
Loss for the year		**(107,483)**	(69,433)
Other comprehensive loss 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)		**(4,883)**	(2,432)
		(4,883)	(2,432)
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(1,371)**	251
Release of exchange differences upon disposal of investments in subsidiaries	*41(c)*	**323**	1,870
Share of exchange differences of investments in associates		**(242)**	3
		(1,290)	2,124
Other comprehensive loss for the year, net of tax		**(6,173)**	(308)
Total comprehensive loss for the year		**(113,656)**	(69,741)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(104,578)**	(64,719)
Non-controlling interests		**(9,078)**	(5,022)
		(113,656)	(69,741)
Loss per share	*18*		
Basic and diluted (cents)		**10.3**	7.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*19*	**23,783**	22,954
Right-of-use assets	*20*	**13,135**	–
Goodwill	*21*	**115,343**	264
Intangible assets	*22*	**95,258**	43,436
Investments in associates	*24*	**–**	4,828
Financial assets at FVTOCI	*25*	**82,622**	48,297
		330,141	119,779
Current assets			
Inventories	*26*	**3,426**	3,488
Trade and other receivables	*27*	**19,891**	32,830
Loan and interest receivables	*28*	**15,952**	24,186
Held for trading securities	*29*	**1,317**	2,569
Income tax recoverable		**339**	430
Bank and cash balances	*30*	**45,518**	154,479
Total current assets		**86,443**	217,982
TOTAL ASSETS		**416,584**	337,761
EQUITY AND LIABILITIES			
Share capital	*31*	**96,981**	93,535
Other reserves	*33*	**192,211**	230,542
Equity attributable to owners of the Company		**289,192**	324,077
Non-controlling interests		**24,171**	(5,162)
Total equity		**313,363**	318,915
LIABILITIES			
Non-current liabilities			
Loan from a non-controlling shareholder of a subsidiary	*34*	**–**	1,603
Lease liabilities	*35*	**6,085**	–
Contingent consideration	*36*	**31,293**	–
Deferred tax liabilities	*37*	**12,084**	1,406
		49,462	3,009
Current liabilities			
Trade and other payables	*38*	**17,328**	12,551
Loan from a non-controlling shareholder of a subsidiary	*34*	**4,939**	3,267
Lease liabilities	*35*	**7,271**	–
Borrowings	*39*	**23,911**	–
Current tax liabilities		**310**	19
Total current liabilities		**53,759**	15,837
TOTAL EQUITY AND LIABILITIES		**416,584**	337,761

Approved by the Board of Directors on 24 March 2020 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 2019

	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 reserves 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 2018	85,637	319,818	–	212,948	4,163	–	(1,313)	(366,579)	254,674	(3,366)	251,308
Adjustment on adoption of HKFRS 9	–	–	–	–	–	(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 41(d))*	–	–	–	–	–	–	1,870	–	1,870	–	1,870
Disposal of non-controlling interests *(note 41(d))*	–	–	–	–	–	–	–	–	–	3,795	3,795
Share-based payments *(note 40)*	–	–	12,258	–	–	–	–	–	12,258	–	12,258
Share subscription under placing *(note 31(a))*	7,950	125,610	–	–	–	–	–	–	133,560	–	133,560
Less: Share issue expenses *(note 31(a))*	–	(1,466)	–	–	–	–	–	–	(1,466)	–	(1,466)
Repurchase of shares *(note 31(e))*	(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
At 1 January 2019	**93,535**	**443,140**	**12,258**	**212,948**	**4,163**	**(10,402)**	**650**	**(432,215)**	**324,077**	**(5,162)**	**318,915**
Total comprehensive loss for the year	–	–	–	–	–	(4,883)	(850)	(98,845)	(104,578)	(9,078)	(113,656)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	1,950	1,950
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	36,461	36,461
Share-based payments *(note 40)*	–	–	10,535	–	–	–	–	–	10,535	–	10,535
Share subscription *(note 31(c))*	580	11,020	–	–	–	–	–	–	11,600	–	11,600
Allotment of shares for acquisition of subsidiaries *(note 31(b), (d))*	2,904	45,163	–	–	–	–	–	–	48,067	–	48,067
Repurchase of shares *(note 31(e))*	(38)	(471)	–	–	–	–	–	–	(509)	–	(509)
Changes in equity for the year	3,446	55,712	10,535	–	–	(4,883)	(850)	(98,845)	(34,885)	29,333	(5,552)
At 31 December 2019	**96,981**	**498,852**	**22,793**	**212,948**	**4,163**	**(15,285)**	**(200)**	**(531,060)**	**289,192**	**24,171**	**313,363**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(109,593)**	(69,244)
Adjustments for:			
Finance costs	*11*	**1,692**	3,472
Interest income	*9*	**(189)**	(20)
Share of loss of associates		**1,390**	460
Loss/(gain) on disposal of subsidiaries	*41(c)*	**316**	(4,249)
Depreciation of property, plant and equipment	*19*	**5,630**	7,021
Depreciation of right-of-use assets	*20*	**6,815**	–
Gain on remeasurement on pre-existing interests in an associate	*41(a)*	**(8,096)**	–
Gain on fair value change of contingent consideration	*36*	**(8,038)**	–
Release of lease liabilities		**(998)**	–
Amortisation of intangible assets	*22*	**7,756**	1,225
Amortisation of prepaid land lease payments		**–**	239
Gain on disposal of property, plant and equipment	*9*	**(534)**	(1,735)
Equity-settled share-based payments	*40*	**10,535**	12,258
Fair value losses on held for trading securities	*29*	**1,252**	397
Write-down/(reversal of write-down) for inventories		**179**	(182)
Allowance for impairment loss on financial assets, net	*6(c)*	**2,996**	3,724
Impairment loss on goodwill	*21*	**264**	–
Impairment loss on intangible assets	*22*	**28,838**	–
Impairment loss on investments in associates	*24*	**3,903**	–
Written off on property, plant and equipment	*9*	**1,960**	72
Written off of right-of-use assets	*20*	**989**	–
Operating cash flows before working capital changes		**(52,933)**	(46,562)
Increase in inventories		**(115)**	(528)
Decrease in trade and other receivables		**15,862**	36,112
Decrease/(increase) in loan and interest receivables		**4,760**	(9,273)
Increase in trade and other payables		**2,151**	6,745
Cash used in operations		**(30,275)**	(13,506)
Income taxes paid		**(31)**	(1,253)
Net cash used in operating activities		**(30,306)**	(14,759)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow on disposal of subsidiaries	*41(c)*	**16**	2,078
Interest received		**189**	20
Proceed from disposal of financial assets at FVTOCI		**–**	2,195
Purchase of financial assets at FVTOCI		**(39,208)**	(39,282)
Proceeds from disposal of property, plant and equipment		**800**	4,950
Purchases of property, plant and equipment		**(7,351)**	(6,496)
Capital injection in investment in an associate	*41(a)*	**(46,276)**	–
Net cash outflow on acquisition of subsidiaries	*41*	**(8,407)**	–
Net cash used in investing activities		**(100,237)**	(36,535)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(5,669)**	(5,310)
Borrowings raised		**23,968**	10,087
Repayment of lease liabilities		**(6,643)**	–
Capital injection from a non-controlling shareholder of a subsidiary		**1,950**	–
Proceeds from share subscription		**11,600**	132,094
Repurchase of shares		**(509)**	(874)
Interest paid		**(1,623)**	(3,361)
Net cash generated from financing activities		**23,074**	132,636
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(107,469)**	81,342
Effect of foreign exchange rate changes		**(1,492)**	(44)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**154,479**	73,181
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**45,518**	154,479
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	*30*	**45,518**	154,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

China Biotech Services Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") 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. 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 Growth Enterprise Market ("**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 ("**BVI**") 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 new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

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

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

HKFRS 16 Leases – *Continued*

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.71% per annum. The average incremental borrowing rates applied by the relevant group entities range from 3% to 5.66% per annum.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

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

HKFRS 16 Leases – *Continued*

(b) Lessee accounting and transitional impact – Continued

The following table reconciles the operating lease commitments as disclosed in note 44 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**10,279**
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(4,355)**
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	**700**
	6,624
Less: total future interest expenses	**(158)**
Lease liabilities recognised as at 1 January 2019	**6,466**
Of which are:	
Current lease liabilities	**4,459**
Non-current lease liabilities	**2,007**
	6,466

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption of HKFRS 16		
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	**Carrying amount as at 31 December 2018**	**Reclassification**	**Recognition of leases**	**Carrying amount as at 1 January 2019**
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Right-of-use assets	**–**	**–**	**6,466**	**6,466**
Liabilities				
Lease liabilities	**–**	**–**	**6,466**	**6,466**

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

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

HKFRS 16 Leases – *Continued*

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 41(e)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (note 41(f)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 HK$'000	Add back: HKFRS 16 depreciation and interest expense HK$'000	Deduct: Estimated amounts related to operating lease as if under HKAS 17 *(note)* HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Loss from operation	**(89,324)**	**6,815**	**(7,025)**	**(89,534)**	(69,561)
Finance costs	**(1,692)**	**382**	**–**	**(1,310)**	(3,472)
Loss before tax	**(109,593)**	**7,197**	**(7,025)**	**(109,421)**	(69,244)
Loss for the year	**(107,483)**	**7,197**	**(7,025)**	**(107,311)**	(69,433)

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

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

HKFRS 16 Leases – *Continued*

(c) Impact of the financial results and cash flows of the Group – Continued

	2019			2018
	Amounts reported under HKFRS 16 HK$'000	Estimated amounts related to operating leases as if under HKAS 17 *(note)* HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(30,275)	(6,643)	(36,918)	(13,506)
Interest element of lease rentals paid	382	(382)	–	–
Net cash used in from operating activities	(30,306)	(7,025)	(37,331)	(14,759)
Capital element of lease rentals paid	(6,643)	6,643	–	–
Net cash generated from financing activities	23,074	7,025	30,099	132,636

Note: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

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

(b) New and revised IFRSs 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 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(a) Consolidation – *Continued*

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(d) Foreign currency translation – *Continued*

(iii) Translation on consolidation – Continued

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(f) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as lessee

Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(f) Leases – *Continued*

The Group as lessee – *Continued*

Policy applicable from 1 January 2019 – Continued

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

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, customer relationship, patents and non-competition agreements

Pharmaceutical licenses, brand name and non-competition agreements with indefinite useful lives are not amortised. The customer relationship and patents have finite useful lives and is amortised on a straight-line basis over 10 years.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(j) Financial assets – *Continued*

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(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.

(n) Borrowings

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.

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 and other income

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.

Revenue from tumor immune cell therapy services are recognised over time when the services are provided.

Revenue from insurance brokerage services is recognised at the point when the insurance policy becomes effective in accordance with the commission terms of the underlying agreements entered into with insurance policy issuers.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(q) Revenue and other income – *Continued*

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of the reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Net gains/losses on held for trading securities and those securities held for trading, include and unrealised fair value gains/losses which are recognised in the period in which they arise.

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.

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(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. Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(v) Taxation – *Continued*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(x) Impairment of financial assets – *Continued*

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.

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; or

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

– 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.

(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

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.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Critical judgements in applying accounting policies – *Continued*

(b) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 20 for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

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) 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 2019, approximately HK$2,110,000 of income tax was credited to profit or loss based on the estimated profit (2018: HK$189,000 was charged to profit or loss).

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2019 were approximately HK$23,783,000 (2018: HK$22,954,000) and approximately HK$13,135,000 (2018: HK$Nil) respectively.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty – *Continued*

(c) *Impairment of goodwill and intangible assets*

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which goodwill and intangible assets have 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$115,343,000 (2018: HK$264,000) after an impairment loss of approximately HK$264,000 (2018: HK$Nil) was recognised during the year. Details of the impairment loss calculation are provided in note 21 to the consolidated financial statements.

The carrying amount of intangible assets at the end of the reporting period was approximately HK$95,258,000 (2018: HK$43,436,000) after an impairment loss of approximately HK$28,838,000 (2018: HK$Nil) was recognised during the year. Details of the impairment loss calculation are provided in note 22 to the consolidated financial statements.

(d) *Impairment of trade receivables and loan and interest receivables*

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and loan and interest receivables based on the credit risk of trade receivables and 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 2019, the carrying amount of trade receivables and loan and interest receivables is approximately HK$11,089,000 and HK$15,952,000 respectively (net of reversal of allowance for impairment loss of HK$478,000 and net of allowance for impairment loss of HK$3,474,000 respectively) (2018: approximately HK$13,636,000 and HK$24,186,000 respectively (net of allowance for impairment loss of HK$823,000 and HK$104,000 respectively)).

(e) *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. An amount of approximately HK$179,000 for slowing-moving inventories was made for the year ended 31 December 2019 (2018: HK$Nil).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty – *Continued*

(f) 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 2019.

The held for trading securities as at 31 December 2019 was approximately HK$1,317,000 (2018: HK$2,569,000).

The financial assets at FVTOCI as at 31 December 2019 was approximately HK$82,622,000 (2018: HK$48,297,000).

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 minimise 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 analyses 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 (2018: 5% higher/lower):

- loss after tax for the year ended 31 December 2019 would decrease/increase by approximately HK$55,000 (2018: decrease/increase by HK$106,000). 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 2019:

	2019		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	*	9,936	**
1 to 30 days past due	*	338	**
31 to 60 days past due	*	321	**
61 to 90 days past due	*	199	**
More than 90 days past due	53.9%	640	345
		11,434	345

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Trade receivables – *Continued*

		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.

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

	2019 HK$'000	2018 HK$'000
At 1 January	**823**	9,465
(Reversal)/allowance of impairment losses recognised for the year	**(478)**	188
Exchange difference	**–**	(443)
Disposal of subsidiaries	**–**	(8,387)
At 31 December	**345**	823

Financial assets at FVTOCI and amortised cost

All of the Group's investments at FVTOCI and amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Management considers 'low credit risk' for listed debit securities to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include loan and interest receivables.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Financial assets at FVTOCI and amortised cost – *Continued*

Movement in the loss allowance for financial assets at amortised cost during the year is as follows:

	Loan and interest receivables HK$'000
At 1 January 2018	70
Impairment losses recognised for the year	34
At 31 December 2018	104
Impairment losses recognised for the year	3,474
At 31 December 2019	**3,578**

The Group has concentration of credit risk as 31% (2018:26%) and 55% (2018: 52%) 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.

(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$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2019					
Trade and other payables	**17,226**	**–**	**–**	**17,226**	**17,226**
Loan from a non-controlling shareholder of a subsidiary	**4,948**	**–**	**–**	**4,948**	**4,939**
Borrowings	**23,911**	**–**	**–**	**23,911**	**23,911**
Contingent consideration	**–**	**–**	**6,120**	**6,120**	**5,245**
Lease liabilities	**7,664**	**6,244**	**–**	**13,908**	**13,356**
	53,749	**6,244**	**6,120**	**66,113**	**64,677**
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

6. FINANCIAL RISK MANAGEMENT – *Continued*

(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 deposit.

At 31 December 2019, 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$266,000 (2018: HK$633,000) 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$266,000 (2018: HK$633,000) 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.

(f) Categories of financial instruments at 31 December

	2019	2018
	HK$'000	HK$'000
Financial assets:		
Financial assets at FVTPL:		
– Held for trading securities	**1,317**	2,569
Financial assets measured at amortised costs	**77,800**	206,968
Financial assets at FVTOCI:		
– Equity instrument	**82,622**	48,297
Financial liabilities:		
Financial liabilities at amortised cost	**59,432**	17,313
Contingent consideration	**5,245**	–

(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 2019:

	Fair value measurements using: Level 3 HK$'000
Description	
Recurring fair value measurements:	
Financial assets	
Financial assets at FVTPL:	
Listed securities in Hong Kong	**1,317**
Financial assets at FVTOCI:	
Unlisted equity securities	**82,622**
Total	**83,939**
Financial liabilities	
Contingent consideration	**31,293**

(b) 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

7. FAIR VALUE MEASUREMENTS – *Continued*

(c) 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	Contingent consideration HK$'000
Description			
At 1 January 2019	**2,569**	**48,297**	**–**
Fair value losses recognised in other comprehensive income	**–**	**(4,883)**	**–**
Fair value (losses)/gain recognised in profit or loss	**(1,252)**	**–**	**8,038**
Purchase	**–**	**39,208**	**–**
Acquisition of subsidiaries	**–**	**–**	**(39,331)**
At 31 December 2019	**1,317**	**82,622**	**(31,293)**

(d) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019 and 2018:

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.

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 2019 and 2018: – *Continued*

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 3 fair value measurements						
Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value 2019 HK$'000 Assets/(Liabilities)**	**Fair value 2018 HK$'000 Assets/(Liabilities)**
Private equity investments classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	15%-20%	Decrease	**82,622**	48,297
		Growth rate	3%	Increase		
		Pre-tax discounted rate	17%-25%	Decrease		
		Discount for lack of marketability	20%-30%	Decrease		
Held for trading securities	Market approach	Discount for lack of marketability	15%	Decrease	**1,317**	2,569
		Volatility	35%	Increase		
Contingent consideration	Discounted cash flows	Weighted average probability	30%-40%	Increase	**(31,293)**	–
		Share price	15%	Increase		

8. REVENUE

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

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of tumor immune cell therapy services	125	–
Manufacture and sale of health related and pharmaceutical products	1,448	9,732
Provision of medical laboratory testing services and health check services	53,551	58,968
Money lending business	1,688	1,604
Provision of insurance brokerage services	2,402	–
	59,214	70,304
Gross proceeds from trading of securities *(note)*	–	–
Gross proceeds	59,214	70,304

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.

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

For the year ended 31 December	Provision of tumor immune cell therapy services		Manufacture and sale of health related and pharmaceutical products		Provision of medical laboratory testing services and health check services		Money lending business		Provision of insurance brokerage services		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Primary geographical markets												
– Hong Kong	–	–	1,448	1,166	53,551	58,968	1,688	1,604	2,402	–	59,089	61,738
– The PRC except Hong Kong	125	–	–	8,566	–	–	–	–	–	–	125	8,566
– Segment revenue	125	–	1,448	9,732	53,551	58,968	1,688	1,604	2,402	–	59,214	70,304
Timing of revenue recognition												
Products and services transferred at a point in time	–	–	1,448	9,732	53,551	58,968	1,688	1,604	2,402	–	59,089	70,304
Products and services transferred over time	125	–	–	–	–	–	–	–	–	–	125	–
Total	125	–	1,448	9,732	53,551	58,968	1,688	1,604	2,402	–	59,214	70,304

9. OTHER INCOME, GAINS/(LOSSES)

	2019 HK$'000	2018 HK$'000
Interest income	**189**	20
Government grants *(note)*	**57**	553
Gain on disposal of property, plant and equipment	**534**	1,735
Net foreign exchange (loss)/gain	**(20)**	22
Loss on written off on property, plant and equipment	**(1,960)**	(72)
Others	**241**	172
	(959)	2,430

Note:

During the year ended 31 December 2019, a government funding of approximately RMB50,000 (equivalent to approximately HK$57,000) (2018: RMB466,000 or equivalent to approximately HK$553,000) received by a subsidiary of the Company in the PRC for research and development.

10. SEGMENT INFORMATION

The Group has five operating segments as follows:

Immunotherapy – provision of tumor immune cell therapy, immune cell storage and health management services

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

Insurance brokerage – insurance brokerage services

Others – 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 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, gains/(losses), unallocated administrative expenses, share of loss of associates, gain on remeasurement of pre-existing interest in an associates, gain on fair value change on contingent consideration, (loss)/gain on disposal of subsidiaries, impairment loss on investments in associates, finance costs and income tax credit/(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 and contingent consideration. Segment non-current assets do not include financial instruments, deferred tax assets and post-employment benefit assets.

10. SEGMENT INFORMATION – *Continued*

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

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

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2019							
Revenue from external customers	125	1,448	53,551	–	2,402	1,688	59,214
Segment (loss)/profit	(21,507)	(2,377)	(34,641)	(8,368)	540	(2,480)	(68,833)
Other income, gains/(losses)							(959)
Finance costs							(1,692)
Share of loss of associates							(1,390)
Gain on remeasurement on pre-existing interest in an associate							8,096
Gain on fair value change on contingent consideration							8,038
Loss on disposal of subsidiaries							(316)
Impairment loss on investments in associates							(3,903)
Unallocated corporate expenses							(48,634)
Loss before tax							(109,593)
Income tax credit							2,110
Loss for the year							(107,483)
As at 31 December 2019							
Segment assets	194,962	1,834	52,464	1,582	12,348	15,952	279,142
Unallocated corporate assets							137,442
Total assets							416,584
Segment liabilities	3,473	819	16,955	281	1,638	68	23,234
Unallocated corporate liabilities							79,987
Total liabilities							103,221

10. SEGMENT INFORMATION – *Continued*

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

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2018							
Revenue from external customers	–	9,732	58,968	–	–	1,604	70,304
Segment (loss)/profit	–	(8,128)	(5,436)	(7,881)	–	889	(20,556)
Other income, gains/(losses)							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*

Other segment information

Other segment information for the year ended 31 December 2019:

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	4,764	–	2,553	34	–	–	7,351
Amortisation of intangible assets	6,532	–	1,224	–	–	–	7,756
Depreciation of property, plant and equipment	569	1	3,389	11	11	1,649	5,630
Depreciation of right-of-use assets	581	49	2,594	–	49	3,542	6,815
Write-down of property, plant and equipment	–	–	507	–	–	1,453	1,960
Gain on disposal of property, plant and equipment	–	–	(534)	–	–	–	(534)
Share of loss of associates	707	–	–	–	–	683	1,390
(Reversal of)/allowance for impairment loss on financial assets	–	–	(478)	–	–	3,474	2,996
Impairment loss recognised on goodwill	–	–	264	–	–	–	264
Impairment loss recognised on intangible assets	–	–	28,838	–	–	–	28,838
Write-down of inventories	–	137	42	–	–	–	179

10. SEGMENT INFORMATION – *Continued*

Other segment information – *Continued*

Other segment information for the year ended 31 December 2018:

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage 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	–	136	52	–	–	3,536	3,724
(Reversal of write-down)/write-down of inventories	–	(293)	111	–	–	–	(182)

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	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Hong Kong	**59,089**	61,738	**53,714**	65,209
The PRC except Hong Kong	**125**	8,566	**193,805**	6,273
	59,214	70,304	**247,519**	71,482

Revenue from major customers:

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

	2019 HK$'000	2018 HK$'000
Provision of medical and health related services segment		
Customer A	**12,662**	14,100

11. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on lease liabilities	**382**	–
Interest on bank borrowing	**–**	63
Interest on borrowings	**1,241**	3,298
Imputed interest on loan from a non-controlling shareholder of a subsidiary	**69**	111
	1,692	3,472

12. INCOME TAX (CREDIT)/EXPENSE

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

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong Profits Tax	**336**	501
Over-provision in prior year	**(60)**	(120)
	276	381
Deferred tax *(note 37)*	**(2,386)**	(192)
	(2,110)	189

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year ended 31 December 2019.

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 25%).

A subsidiary of the Group in the PRC had been certified by the relevant PRC authorities as high technology enterprises pursuant to the Income Tax Law in the PRC, the subsidiary was subjected to EIT rate of 15%.

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 (CREDIT)/EXPENSE – *Continued*

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

	2019 HK$'000	2018 HK$'000
Loss before tax	**(109,593)**	(69,244)
Tax at the respective applicable tax rates	**(11,415)**	(5,241)
Tax effect of income that is not taxable	**(2,647)**	(624)
Tax effect of expenses that are not deductible	**6,192**	401
Tax effect of share of loss of associates	**219**	76
Tax effect of temporary differences not recognised	**336**	153
Tax effect of tax losses not recognised	**5,660**	5,868
Tax effect of utilisation of tax losses not previously recognised	**(210)**	(182)
Over-provision in prior year	**(60)**	(120)
Tax concession	**(185)**	(142)
Income tax (credit)/expense	**(2,110)**	189

13. LOSS FOR THE YEAR

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

	2019 HK$'000	2018 HK$'000
Amortisation of intangible assets	**7,756**	1,225
Amortisation of prepaid lease payments	**–**	239
Acquisition-related costs	**3,504**	–
Depreciation of property, plant and equipment	**5,630**	7,021
Depreciation of right-of-use assets	**6,815**	–
Gain on disposal of property, plant and equipment	**(534)**	(1,735)
Gain on remeasurement on pre-existing interest in an associate	**(8,096)**	–
Operating lease charges		
– Office premises and warehouses	**4,717**	8,025
Staff costs including director remuneration		
– Salaries, bonuses and allowances	**42,240**	45,741
– Equity-settled share-based payments	**4,902**	4,845
– Retirement benefits scheme contributions	**1,597**	1,737
	48,739	52,323
Research and development cost	**10,680**	3,439
Auditor's remuneration		
– Audit services	**980**	880
– Non-audit services	**1,100**	–
	2,080	880
Cost of inventories sold	**15,334**	16,657
Write-down/(reversal of write-down) on inventories (included in cost of sales)	**179**	(182)
Allowance for impairment loss on financial assets, net	**2,996**	3,724
Impairment loss on goodwill	**264**	–
Impairment loss on intangible assets	**28,838**	–
Written off on property, plant and equipment	**1,960**	72

14. EMPLOYEE BENEFITS EXPENSE

	2019 **HK$'000**	2018 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**42,240**	45,741
Equity-settled share-based payments	**4,902**	4,845
Retirement benefit scheme contributions *(note 16)*	**1,597**	1,737
	48,739	52,323

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2018: three) directors whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining two (2018: two) individuals are set out below:

	2019 **HK$'000**	2018 HK$'000
Salaries and allowances	**3,720**	3,500
Discretionary bonuses	**–**	1,000
Equity-settled share-based payments	**1,291**	351
Retirement benefit scheme contributions	**84**	73
	5,095	4,924

The emoluments fell within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	1
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
	2	2

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the years ended 31 December 2019 and 2018.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2019, 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	3,000	2,820	–	316	18	6,154
Mr. Yao Michael Yi *(note a)*	1,478	294	–	920	–	2,692
Mr. Leung Pak Hou Anson	–	1,310	–	–	18	1,328
Mr. Wang Zheng	792	–	132	1,216	–	2,140
Mr. He Xun *(note b)*	480	–	–	–	–	480
Mr. Huang Song *(note c)*	480	–	–	1,159	–	1,639
Independent Non-executive Directors						
Mr. Yan Guoxiang	240	–	–	–	–	240
Mr. Qian Hongji *(note d)*	240	–	–	–	–	240
Dr. Ho Ivan Chun Kit *(note e)*	240	–	–	–	–	240
	6,950	4,424	132	3,611	36	15,153

15. BENEFITS AND INTERESTS OF DIRECTORS – *Continued*

(a) Directors' emoluments – *Continued*

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	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	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 f)*	120	–	–	–	–	120
Mr. Yan Guoxiang	120	–	–	–	–	120
Mr. Qian Hongji *(note d)*	199	–	–	–	–	199
Dr. Ho Ivan Chun Kit *(note e)*	–	–	–	–	–	–
	4,591	3,551	4,412	4,494	36	17,084

Notes:

(a) Mr. Yao Michael Yi was appointed as an executive director and co-chairman of the Company on 20 May 2019.

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

(c) Mr. Huang Song was re-designated as an executive director on 16 December 2019.

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

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

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

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 2019 and 2018.

(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 2019 (2018: 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:

	2019 **HK$'000**	2018 HK$'000
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	**(98,845)**	(64,250)

	2019 **'000**	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**960,877**	881,719

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 years ended 31 December 2018 and 2019 due to loss making for the year ended 31 December 2018 and 2019.

The computation of the diluted earnings per share did 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 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 and 1 January 2019	9,479	15,211	615	5,769	13,395	358	44,827
Additions	542	–	–	337	6,472	–	7,351
Acquisition of subsidiaries	167	–	614	127	531	–	1,439
Written off	(757)	–	–	(68)	(1,089)	(360)	(2,274)
Disposals	–	–	–	–	(1,065)	–	(1,065)
Exchange differences	(2)	–	(40)	(16)	(238)	2	(294)
At 31 December 2019	**9,429**	**15,211**	**1,189**	**6,149**	**18,006**	**–**	**49,984**
Accumulated depreciation							
At 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 and 1 January 2019	6,406	1,279	154	3,911	10,123	–	21,873
Charge for the year	2,453	491	189	777	1,720	–	5,630
Written off	(252)	–	–	(62)	–	–	(314)
Disposals	–	–	–	–	(799)	–	(799)
Exchange differences	–	–	(15)	(11)	(163)	–	(189)
At 31 December 2019	**8,607**	**1,770**	**328**	**4,615**	**10,881**	**–**	**26,201**
Carrying amount							
At 31 December 2019	**822**	**13,441**	**861**	**1,534**	**7,125**	**–**	**23,783**
At 31 December 2018	3,073	13,932	461	1,858	3,272	358	22,954

At 31 December 2019 and 2018, none of the property, plant and equipment pledged as security for the Group's borrowing.

20. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 1 January 2019 *(note 3)*	**6,466**
Additions	**12,017**
Depreciation	**(6,815)**
Acquisition of subsidiaries *(note 41(a) and (b))*	**2,531**
Written off (note)	**(989)**
Exchange differences	**(75)**
At 31 December 2019	**13,135**

Note: The Group has early terminated one of the lease agreements and an amount of approximately HK$989,000 is written off.

Lease liabilities of HK$13,356,000 are recognised with related right-of-use assets of HK$13,135,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2019 HK$'000
Depreciation expenses on right-of-use assets	**6,815**
Interest expense on lease liabilities (included in finance cost)	**382**
Expenses relating to short-term lease (included in cost of sales, selling and distribution expenses, and administrative expenses	**4,717**

Details of total cash outflow for leases is set out in note 41(f).

For both years, the Group leases various offices, health centres and warehouses for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

20. RIGHT-OF-USE ASSETS – *Continued*

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

During the year, the Group has no leases contracts with the extension options.

21. GOODWILL

	2019 **HK$'000**	2018 HK$'000
Cost		
At 1 January	**28,454**	30,932
Acquisition of subsidiaries *(note 41(a) and (b))*	**115,343**	
Disposal of subsidiaries *(note 41(c))*	**–**	(2,478)
At 31 December	**143,797**	28,454
Accumulated impairment		
At 1 January	**28,190**	30,668
Impairment loss recognised for the year	**264**	–
Disposal of subsidiaries	**–**	(2,478)
At 31 December	**28,454**	28,190
Carrying amount		
At 31 December	**115,343**	264

Goodwill acquired in a business combination is allocated, at acquisition, to CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2019 **HK$'000**	2018 HK$'000
Provision of medical laboratory testing services and health related services:		
– DVF Holdco (Cayman) Limited ("**DVF**") acquired in 2015 ("**CGU A**")	**–**	264
Provision of tumor immune cell therapy, immune cell storage and health management services:		
– Shanghai Longyao acquired in 2019 ("**CGU B**")	**106,136**	–
Provision of insurance brokerage services:		
– Fortstone acquired in 2019 ("**CGU C**")	**9,207**	–
	115,343	264

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.

21. GOODWILL – *Continued*

As at 31 December 2019, before impairment testing, goodwill of approximately HK$264,000 was allocated to CGU A. Since the provision of medical laboratory testing services and health check services segment is intensifying competition and the medical laboratory testing services and health check services in Hong Kong shifted in weak consumption sentiments, the management considered 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 it's recoverable amount of approximately HK$35,007,000 which was determined based on its value in use using the discounted cash flow method, and an impairment loss of approximately HK$264,000 on goodwill and approximately HK$28,838,000 on intangible assets were recognised for the year ended 31 December 2019 respectively. The growth rate and discount rate used by the Group to prepare the cashflow forecast from CGU A is 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 A is 19% (2018: 21%).

The recoverable amount for CGU B was determined based on fair value less cost of disposal calculated by using discounted cash flow technique, covering the most recent financial budgets approved by the directors for the next eight years with residual period using the growth rate of 3%. The rate used to discount the fair value less cost of disposal is 15.5%, which reflects specific risks relating to CGB B. The fair value less cost of disposal of CGU B is estimated by an independent valuer and classified as level 3 measurement.

The key assumptions for the fair value less cost of disposal calculation were those regarding the discount rate, growth rate and budgeted gross margin, which had been determined based on the development trend of the industry and budgeted revenue, which had been determined based on the management's expectation for the industry development of CGU B.

For CGU C, the recoverable amount was determined based on its value in use by using the discounted cash flow method. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from CGU C is 16%.

22. INTANGIBLE ASSETS

	Customer relationship HK$'000	Brand name HK$'000	Pharmaceutical licences HK$'000	Patents HK$'000	Non-competition agreement HK$'000	Total HK$'000
Cost						
At 1 January 2018	12,247	34,915	11,510	–	–	58,672
Disposal of subsidiaries	–	–	(11,510)	–	–	(11,510)
At 31 December 2018 and 1 January 2019	12,247	34,915	–	–	–	47,162
Acquisition of subsidiaries *(note 41(a) and (b))*	–	–	–	87,092	1,324	88,416
At 31 December 2019	**12,247**	**34,915**	**–**	**87,092**	**1,324**	**135,578**
Accumulated amortisation and impairment losses						
At 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 and 1 January 2019	3,726	–	–	–	–	3,726
Amortisation for the year	1,224	–	–	6,532	–	7,756
Impairment loss for the year	7,297	21,541	–	–	–	28,838
At 31 December 2019	**12,247**	**21,541**	**–**	**6,532**	**–**	**40,320**
Carrying amount						
At 31 December 2019	**–**	**13,374**	**–**	**80,560**	**1,324**	**95,258**
At 31 December 2018	8,521	34,915	–	–	–	43,436

The average remaining amortisation period of the customer relationship and patents are 6 years (2018: 7 years) and 10 years (2018: Nil) respectively.

For the brand name, pharmaceutical licenses and non-competition agreement, they have no foreseeable limit to the period over which are expected to generate net cash flow for the Group. The directors considered that they have an indefinite useful life because it is expected to contribute to net cash flows indefinitely. They will not be amortised until its useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that it may be impaired.

The Group carried out reviews of the recoverable amount of its non-current assets in 2019, CGU A, CGU B and CGU C (referred to note 21 to the consolidated financial statements) having regard to the market conditions of the Group's products. Customer relationship and brand name are attributed to CGU A. Customer relationship and brand name of approximately HK$12,247,000 and HK$34,915,000 were recognised at the date of completion (referred to note 21 to the consolidated financial statements). Since the provision of medical laboratory testing services and health check services segment is intensifying competition and the medical laboratory testing services and health check services in Hong Kong shifted in weak consumption sentiments, 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 HK$7,297,000 (2018: HK$Nil) and HK$21,541,000 (2018: HK$Nil) for customer relationship and brand name that have been recognised in profit or loss respectively. The recoverable amount of approximately HK$35,007,000 for the relevant assets has been determined on the basis of the higher of its fair value less costs to disposal and its value in use using discounted cash flow method. The discount rate used was 19% (2018: 21%).

23. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2019 are as follows:

Name	Place of incorporation	Principal country of operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Angel Rise International Limited	BVI	Hong Kong	Ordinary shares US$1	–	100%	Investment holding
Best Global Group Limited	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
Master Glory Enterprises Corporation	BVI	Hong Kong	Ordinary shares US$10,000	–	100%	Investment holding
Asia Molecular Diagnostics Limited	Hong Kong	Hong Kong	Ordinary shares HK$1,000	–	97%	Provision of medical diagnostic services
Asia Molecular Diagnostics Laboratory Limited	Hong Kong	Hong Kong	Ordinary shares US$1,000,000	–	77.6%	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
Fortstone	Hong Kong	Hong Kong	Ordinary shares HK$1,000,000	–	100%	Provision of insurance brokerage services
Genezone International Health Management Limited	Hong Kong	Hong Kong	Ordinary shares HK$100	–	100%	Provision of coordination of healthcare providers services
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

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 Direct	Indirect	Principal activities
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
Precision Health Care 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
Shanghai Longyao	The PRC	The PRC	Registered capital RMB15,037,544	–	67%	Provision of tumor immune cell therapy, immune cell storage and health management services

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

24. INVESTMENTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Unlisted investments:		
Share of net assets	–	925
Goodwill	**3,903**	3,903
Impairment loss for the year	**(3,903)**	–
	–	4,828

Details of the Group's associates at 31 December 2019 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			2019	2018	
New Health Elite International Limited ("**New Health**")	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.

	2019 HK$'000	2018 HK$'000
At 31 December:		
Carrying amounts of interests	–	4,828
Year ended 31 December:		
Loss for the year	**(3,932)**	(3,623)
Other comprehensive loss	**(1,069)**	1,602
Total comprehensive loss	**(5,001)**	(2,021)

As at 31 December 2019, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to approximately HK$2,578,000 (2018: HK$3,963,000). 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.

The Group recognised impairment loss of approximately HK$3,903,000 for the year ended 31 December 2019 on its interests in associates. As the loss have been incurred in the past few years by New Health and has carried net liabilities at the year ended, the Directors are of the opinion that the investments is irrecoverable and accordingly made full impairment on it.

25. FINANCIAL ASSETS AT FVTOCI

	2019 HK$'000	2018 HK$'000
Unlisted equity securities at fair value	**82,622**	48,297
Analysed as:		
Current assets	**–**	–
Non-current assets	**82,622**	48,297
	82,622	48,297

Financial assets at FVTOCI are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**4,435**	8,990
US$	**78,187**	39,307
	82,622	48,297

26. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**2**	–
Finished goods	**3,424**	3,488
	3,426	3,488

27. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**11,434**	14,459
Allowance for impairment loss	**(345)**	(823)
	11,089	13,636
Rental and other deposits	**3,317**	4,293
Other receivables	**2,067**	1,395
Prepayments	**3,561**	4,526
Sales proceeds on disposal of associates	**3,347**	3,347
Cash held in securities trading accounts with stock brokers	**12**	9,135
Allowance for impairment loss of other receivables	**(3,502)**	(3,502)
	8,802	19,194
Total trade and other receivables	**19,891**	32,830

27. TRADE AND OTHER RECEIVABLES – *Continued*

The Group generally allows an average credit period of 90 days (2018: 90 days) for its pharmaceutical products customers and its laboratory testing and health check services customers and 30 days (2018: N/A) for its insurance brokerage 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 aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2019 HK$'000	2018 HK$'000
0 to 90 days	**9,936**	11,655
91 to 180 days	**858**	1,102
181 to 365 days	**271**	834
Over 365 days	**24**	45
	11,089	13,636

As at 31 December 2019, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK$345,000 (2018: HK$823,000).

As of 31 December 2019, trade receivables of approximately HK$1,153,000 (2018: HK$1,981,000) 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:

	2019 HK$'000	2018 HK$'000
Less than 90 days	**858**	1,102
91 to 275 days	**271**	834
Over 275 days	**24**	45
	1,153	1,981

The carrying amounts of the Group's trade receivables are denominated in HK$.

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:

	2019 HK$'000	2018 HK$'000
Loan and interest receivables	**19,530**	24,290
Allowance for impairment loss	**(3,578)**	(104)
	15,952	24,186
Less: non-current portion	**–**	–
Current portion	**15,952**	24,186

28. LOAN AND INTEREST RECEIVABLES – *Continued*

As at 31 December 2019 and 2018, none of loan and interest receivables was past due but not impaired. As at 31 December 2019, the amount related to third party customers for whom there were no recent history of default. Based on past experience, the directors of the Group 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 the 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.

29. HELD FOR TRADING SECURITIES

	2019 HK$'000	2018 HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**1,317**	2,569
Analysed as:		
Current assets	**1,317**	2,569
Non-current assets	**–**	–
	1,317	2,569

The carrying amounts of the above financial assets are classified as follows:

	2019 HK$'000	2018 HK$'000
Held for trading	**1,317**	2,569

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 2019 and 2018 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 2019 and 2018, the valuation technique included the use of Monte Carlo Simulation method by market approach.

30. BANK AND CASH BALANCES

As at 31 December 2019, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$16,355,000 (2018: HK$401,000). 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

		2019		2018	
	Note	**Number of shares '000**	**HK$'000**	Number of shares '000	HK$'000
Authorised:					
At 31 December		**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:					
At 1 January		**935,347**	**93,535**	856,367	85,637
Share issued under placing	(a)	**–**	**–**	79,500	7,950
Share issued on acquisition of subsidiaries	(b)	**27,509**	**2,751**	–	–
Share subscription	(c)	**5,800**	**580**	–	–
Share issued on acquisition of a subsidiary	(d)	**1,530**	**153**	–	–
Share repurchased and cancelled	(e)	**(380)**	**(38)**	(520)	(52)
At 31 December		**969,806**	**96,981**	935,347	93,535

Notes:

(a) 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.

(b) On 29 March 2019, the Company issued 27,509,400 consideration shares of HK$0.1 each to the vendors of Shanghai Longyao as part of the settlement of the consideration for the acquisition of approximately 67% equity interests in Shanghai Longyao. The fair value of the shares of the Company, determined using the closing market price available at the date of the acquisition (i.e. HK$1.68 per share), amounted to approximately HK$46,216,000.

(c) The Company and the vendor of Shanghai Longyao has entered in the share subscription agreement in relation to the subscription of 5,800,000 shares at the subscription price of HK$2 each. The subscription has completed on 29 March 2019.

(d) On 31 October 2019, the Company issued 1,530,000 consideration shares of HK$0.1 each to the vendor of Fortstone as part of the settlement of the consideration for the acquisition of 51% equity interests in Fortstone. The fair value of the shares of the Company, determined using the closing market price available at the date of the acquisition (i.e. HK$1.21 per share), amounted to approximately HK$1,851,000.

(e) During September and October 2018, the Company purchased 520,000 shares of the Company for a total consideration of approximately 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.

During August and September 2019, the Company purchased 380,000 shares of the Company for a total consideration of approximately HK$509,000 in the open market on the Stock exchange and cancelled on 27 September 2019 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.

31. SHARE CAPITAL – *Continued*

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).

As at 31 December 2019, bank and cash equivalents amounted to approximately HK$45,518,000 (2018: HK$154,479,000), which exceed total debt of approximately HK$16,668,000 (2018: HK$149,609,000). Accordingly, there was no net debt at 31 December 2019 and 2018 and calculation of debt-to-equity ratio at 31 December 2019 and 2018 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 2019, 31.4% (2018: 28.9%) 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 2019 and 2018.

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investments in subsidiaries	**1,155**	1,168
Property, plant and equipment	**1,109**	2,757
Right-of-use assets	**3,287**	–
	5,551	3,925
Current assets		
Prepayments and other receivables	**1,081**	10,620
Amount due from subsidiaries	**303,545**	218,411
Bank and cash balances	**337**	65,700
	304,963	294,731
Non-current liability		
Lease liabilities	**1,520**	–
Current liabilities		
Accruals and other payables	**7,144**	4,444
Amount due to subsidiaries	**4,830**	796
Loan from controlling shareholder	**20,000**	–
Lease liabilities	**1,775**	–
	33,749	5,240
Net current assets	**271,214**	289,491
NET ASSETS	**275,245**	293,416
Capital and reserves		
Share capital	**96,981**	93,535
Reserves	**178,264**	199,881
TOTAL EQUITY	**275,245**	293,416

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 2018	319,818	–	212,948	(374,459)	158,307
Total comprehensive loss 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
Total comprehensive loss for the year	**–**	**–**	**–**	**(87,864)**	**(87,864)**
Allotment of shares for acquisition of subsidiaries	**45,163**	**–**	**–**	**–**	**45,163**
Share-based payments	**–**	**10,535**	**–**	**–**	**10,535**
Share subscription	**11,020**	**–**	**–**	**–**	**11,020**
Shares repurchased and cancelled	**(471)**	**–**	**–**	**–**	**(471)**
At 31 December 2019	**498,852**	**22,793**	**212,948**	**(556,329)**	**178,264**

As at 31 December 2019, the aggregate amount of reserves of the Company available for distribution to owners of the Company was approximately HK$178,264,000 (2018: HK$199,881,000). 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 payment 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

The financial assets at reserve comprises the cumulative net change in the fair value of financial assets at 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

	2019 HK$'000	2018 HK$'000
Non-current portion	–	1,603
Current portion	4,939	3,267
Loan from a non-controlling shareholder	4,939	4,870

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$4,939,000 (2018: HK$4,870,000) on initial recognition.

35. LEASE LIABILITIES

	Minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2019 HK$'000
Within one year	7,664	7,271
In the second to fifth years, inclusive	6,244	6,085
	13,908	13,356
Less: Future finance charges	(552)	N/A
Present value of lease obligations	13,356	13,356
Less: Amount due for settlement within 12 months (shown under current liabilities)		(7,271)
Amount due for settlement after 12 months		6,085

Minimum lease payments are denominated in HK$ and RMB, amount of approximately HK$11,450,000 and HK$1,906,000 respectively.

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

36. CONTINGENT CONSIDERATION

	Shanghai Longyao HK$'000 *(note a)*	Fortstone HK$'000 *(note b)*	Total HK$'000
At 1 January 2018, 31 December 2018 and 1 January 2019	–	–	–
Acquisition of subsidiaries *(note 41(a) and (b))*	34,149	5,182	39,331
(Gain)/loss on fair value change	(8,101)	63	(8,038)
At 31 December 2019	**26,048**	**5,245**	**31,293**
Classified as:			
Current	–	–	–
Non-current	26,048	5,245	31,293
	26,048	5,245	31,293

As of 31 December 2019, the fair value of the contingent consideration liability was remeasured, and a gain of HK$8,038,000 resulted from the change in fair value of the contingent consideration liability was recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

Note a:

Contingent consideration is payable, which is subject to fulfillment of certain performance targets ("**First Target Achievement**") by Shanghai Longyao. The Company shall allot and issue a total of 29,100,000 new shares of the Company at an issue price of HK$2.00. In the event that Shanghai Longyao meets certain other performance targets ("**Second Target Achievement**") after meeting the First Target Achievement, the Company shall allot and issue another 29,100,000 new shares of the Company in aggregate. In the event that Shanghai Longyao meets the Second Target Achievement without achieving the First Target Achievement, the Company shall allot and issue a total of 58,200,000 new shares of the Company to Mr. Ye Shenqin, Beike International (HK) Limited, Mr. Yang Xuanming and Mr. Wang Xin.

The initial amount recognised was HK$34,149,000, and as at 31 December 2019, the amount recognised was HK$26,048,000. The fair value which were determined using management best estimate and were within level 3 fair value measurement, which were reference to the valuation performed by an independent professional qualified valuer.

Note b:

Contingent consideration is payable in cash to the vendors of Fortstone amounted of HK$6,120,000 ("**Tranche Consideration**"), which is subject to the accumulated net profit after tax of Fortstone amounted to HK$9,000,000 ("**Actual Accumulated Profit**") for (a) the period from 31 October 2019 to 31 December 2019, (b) the two financial years ending 31 December 2020 and 2021 and (c) the period from 1 January 2022 to 31 October 2022 collectively. In the event that the Actual Accumulated Profit is a positive figure but less than HK$9,000,000 for third anniversary of the completion date, the Tranche Consideration shall be adjusted to the figures calculated as below:

Actual Accumulated Profit multiplied by HK$6,120,000 and divided by HK$9,000,000.

If the Actual Accumulated Profit is a negative figure, the contingent consideration shall be zero.

The initial amount recognised was HK$5,182,000, and as at 31 December 2019, the amount recognised was HK$5,245,000. The fair value which were determined using management best estimate and were within level 3 fair value measurement, which were reference to the valuation performed by an independent professional qualified valuer. The fair value estimates are based on an assumed discount rate of 5%.

37. DEFERRED TAX

The following are the deferred tax liabilities recognised by the Group.

	Accelerated tax depreciation HK$'000
At 1 January 2018	1,598
Credit to profit or loss for the year (note 12)	(192)
At 31 December 2018 and 1 January 2019	1,406
Acquisition of subsidiaries (note 41(a))	13,064
Credit to profit or loss for the year (note 12)	(2,386)
At 31 December 2019	**12,084**

At the end of the reporting period the Group has unused tax losses of approximately HK$206,256,000 (2018: HK$137,718,000) 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 31 December 2019, included in unrecognised tax losses are losses of approximately HK$15,014,000, HK$10,636,000, HK$1,113,000, HK$11,028,000 and HK$12,464,000 that will expire in 2024, 2023, 2022, 2021 and 2020 respectively. Other tax losses may be carried forward indefinitely.

38. TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables	**3,404**	2,151
Accruals	**10,853**	8,903
Receipt in advance	**102**	108
Other payables	**2,969**	1,389
	17,328	12,551

The aging analysis of trade payables based on the date of invoice date, is as follows:

	2019 **HK$'000**	2018 HK$'000
0 to 90 days	**3,173**	2,142
91 to 180 days	**51**	–
181 to 365 days	**180**	9
Over 365 days	**–**	–
	3,404	2,151

The carrying amounts of the Group's trade payables are denominated in HK$.

39. BORROWINGS

	2019 HK$'000	2018 HK$'000
Loan from controlling shareholder	**20,000**	–
Other borrowing	**3,911**	–
	23,911	–
The borrowings are repayable as follows:		
Within one year	**23,911**	–
Portion of borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**–**	–
	23,911	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(23,911)**	–
Amount due for settlement after 12 months	**–**	–

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	HK$ HK$'000	RMB HK$'000	Total HK$'000
2019			
Loan from controlling shareholder	**20,000**	**–**	**20,000**
Other borrowing	**–**	**3,911**	**3,911**

The average interest rates at 31 December were as follows:

	2019	2018
Loan from controlling shareholder	**6%**	N/A
Other borrowing	**8%**	N/A

All of the borrowings are arranged at fixed interest rates.

Other borrowing of approximately HK$3,911,000 is guaranteed by the Company.

40. 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.

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.

40. SHARE-BASED PAYMENTS – *Continued*

Equity-settled share option scheme – *Continued*

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
20 August 2019	20 August 2019 to 19 August 2020	20 August 2020 to 19 August 2021	1.68	6,960,000
20 August 2019	20 August 2019 to 19 August 2021	20 August 2021 to 19 August 2022	1.68	6,960,000
20 August 2019	20 August 2019 to 19 August 2022	20 August 2022 to 19 August 2023	1.68	7,000,000
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
20 August 2019	20 August 2019 to 19 August 2020	20 August 2020 to 19 August 2021	1.68	1,490,000
20 August 2019	20 August 2019 to 19 August 2021	20 August 2021 to 19 August 2022	1.68	1,490,000
20 August 2019	20 August 2019 to 19 August 2022	20 August 2022 to 19 August 2023	1.68	1,520,000
				55,800,000

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.

40. SHARE-BASED PAYMENTS – *Continued*

Equity-settled share option scheme – *Continued*

Details of the movement of share options during the year are as follows:

	2019		2018	
	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	**30,380,000**	**1.67**	–	–
Granted during the year	**25,420,000**	**1.68**	30,380,000	1.67
Lapsed during the year	**(3,000,000)**	**1.67**	–	–
Outstanding at the end of the year	**52,800,000**	**1.68**	30,380,000	1.67
Exercisable at the end of the year	**52,800,000**	**1.68**	30,380,000	1.67

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.85 years (2018: 3.1 years) and the exercise prices range from HK$1.67 to HK$1.71 (2018: from HK$1.67 to HK$1.71). In 2019, options were granted on 20 August 2019. The estimated fair values of the options granted on 20 August 2019 are HK$12,618,000 (12 January 2018: HK$25,507,000, 4 October 2018: HK$2,586,000).

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**	**20 August 2019**
Weighted average share price	1.67	1.71	1.68
Weighted average exercise price	1.67	1.71	1.68
Expected volatility	84.72% – 92.79%	70.28% – 83.06%	51.60% – 74.76%
Expected life	4 years	4 years	4 years
Risk free rate	1.78% – 2.06%	2.74% – 2.95%	1.59%-1.79%
Expected dividend yield	Nil	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$10,535,000 for the year ended 31 December 2019 (2018: HK$12,258,000) in relation to the share options granted by the Company.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of Shanghai Longyao

On 29 January 2019, the Group has made a capital contribution of RMB40,000,000 (equivalent to HK$46,276,000) to Shanghai Longyao, of which RMB3,162,470 (represents approximately 21.03% of the equity interests of Shanghai Longyao) will be credited as share capital and Shanghai Longyao became an associate of the Group.

On 29 March 2019, the Group further acquired approximately 45.97% of the equity interests of Shanghai Longyao for a total consideration of approximately HK$124,369,000. On the same date, Shanghai Longyao become a subsidiary of the Group upon holding of a total of approximately 67% equity interest.

The Company, through China Biology Services Group Limited, directly or indirectly held approximately 67% equity interests in Shanghai Longyao. Shanghai Longyao was engaged in the provision of tumor immune cell therapy, immune cell storage and health management services in the PRC during the year. The acquisitions are for the purpose of specialises 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.

The Group accordingly remeasured the fair value of its pre-existing interest of 21.03% in Shanghai Longyao on 29 March 2019 and recognised a gain on remeasurement of approximately HK$8,096,000 of the Group's pre-existing interest in Shanghai Longyao to 29 March 2019's fair value.

Details of the carrying value and fair value of the Group's pre-existing interest in Shanghai Longyao at 29 March 2019 are summarised as follows:

	HK$'000
Carrying value of pre-existing interest in Shanghai Longyao	45,570
Less: Fair value of pre-existing interest in Shanghai Longyao	(53,666)
Gain on remeasurement on pre-existing interest in an associate *(note 13)*	8,096

The Group recognised a gain of approximately HK$8,096,000 as a result of measuring at fair value on its 21.03% equity interests in Shanghai Longyao held before the business combination. The gain is included in other income.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(a) Acquisition of Shanghai Longyao – *Continued*

The fair value of the identifiable acquired and liabilities recognised as at the date of acquisition are as follows:

Net assets acquired:	**HK$'000**
Property, plant and equipment	1,269
Right-of-use assets	1,728
Intangible assets	87,092
Inventory	2
Trade and other receivables	1,340
Bank and cash balances	38,454
Trade and other payables	(1,904)
Amount due a shareholder	(22,785)
Other borrowings	(5,836)
Deferred tax liabilities	(13,064)
Lease liabilities	(1,769)
Total identifiable net assets at fair value	84,527
Assignment of debts	22,785
Non-controlling interests	(35,413)
	71,899
Fair value of pre-existing interest	(53,666)
	18,233
Goodwill *(note 21)*	106,136
	124,369
Satisfied by:	
Cash	44,004
Consideration shares *(note 31(b))*	46,216
Contingent consideration *(note 36)*	34,149
	124,369
Net cash outflow arising on acquisition:	
Cash consideration paid	(44,004)
Cash and cash equivalents acquired	38,454
	(5,550)

The goodwill arising on the acquisition of Shanghai Longyao is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Acquisition-related costs of HK$1,066,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2019.

The fair value of the 27,509,400 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date (note 31(b)).

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(a) Acquisition of Shanghai Longyao – *Continued*

Shanghai Longyao contributed revenue approximately HK$125,000 and loss of approximately HK$21,507,000 to the Group's revenue for the year for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2019, total Group revenue for the year would have been HK$61,074,000, and loss for the year would have been HK$127,263,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

(b) Acquisition of Fortstone

On 31 October 2019, the Group acquired 51% of the issued share capital of Fortstone for a total consideration of approximately HK$10,297,000. Fortstone was engaged in the provision of insurance brokerage services during the year. The acquisitions are for the purpose of expand its business operation and anticipated future operating synergies from the combination together with the medical laboratory testing services and health check services segment.

The fair value of the identifiable acquired and liabilities recognised as at the date of acquisition are as follows:

Net assets acquired:	**HK$'000**
Property, plant and equipment	**170**
Right-of-use assets	**803**
Intangible assets	**1,324**
Trade and other receivables	**1,560**
Bank and cash balances	**407**
Trade and other payables	**(1,167)**
Current tax liabilities	**(137)**
Lease liabilities	**(822)**
	2,138
Non-controlling interests	**(1,048)**
Goodwill *(note 21)*	**9,207**
	10,297
Satisfied by:	
Cash	**3,060**
Capital injection	**204**
Consideration shares *(note 31(d))*	**1,851**
Contingent consideration *(note 36)*	**5,182**
	10,297
Net cash outflow arising on acquisition:	
Cash consideration paid	**(3,264)**
Cash and cash equivalents acquired	**407**
	(2,857)

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(b) Acquisition of Fortstone – *Continued*

Acquisition-related costs of HK$1,022,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2019.

The fair value of the 1,530,000 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date (note 30(b)).

The goodwill arising on the acquisition of Fortstone is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Fortstone contributed revenue approximately HK$2,402,000 and profit of approximately HK$540,000 to the Group for the year for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2019, total Group revenue for the year would have been HK$83,613,000, and loss for the year would have been HK$104,608,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

(c) Disposal of Dragon Leap Group

On 16 August 2019, Dynasty Well Limited, a wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire equity interests in Dragon Leap Enterprises Limited and its subsidiaries (collectively, the "**Dragon Leap Group**") at a cash consideration of HK$50,000. The completion of the disposal of the Dragon Leap Group took place on the same date.

Net assets at the date of disposal were as follows:

	HK$'000
Trade and other receivables	455
Bank and cash balances	34
Trade and other payables	(446)
Net assets disposed of	43
Release of foreign currency translation reserve	323
Loss on disposal of the Dragon Leap Group	(316)
Total consideration satisfied by cash	50
Net cash inflow arising on disposal:	
Cash consideration received	50
Cash and cash equivalents disposed of	(34)
	16

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(d) Disposal of Bloom Light Group

On 31 December 2018, Dynasty Well Limited, an direct wholly-owned subsidiary of the Company, disposed of its entire equity interests in Bloom Light International Limited and its subsidiary (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

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(e) 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 2019 HK$'000	Impact on initial application of HKFRS 16 *(note 3)* HK$'000	Entering into new leases HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange difference HK$'000	Acquisition of subsidiaries HK$'000	31 December 2019 HK$'000
Borrowings *(note 39)*	–	–	–	17,058	1,241	(224)	5,836	23,911
Loan from non-controlling shareholder of a subsidiary *(note 34)*	4,870	–	–	–	69	–	–	4,939
Lease liabilities *(note 35)*	–	6,466	12,017	(8,023)	382	(77)	2,591	13,356
	4,870	6,466	12,017	9,035	1,692	(301)	8,427	42,206

	1 January 2018 HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange difference HK$'000	Disposal of subsidiaries HK$'000	31 December 2018 HK$'000
Borrowings *(note 39)*	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

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(f) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2019 HK$'000	2018 HK$'000
Within operating cash flows	4,717	8,025
Within financing cash flows	6,643	–
	11,360	8,025

These amounts relate to the following:

	2019 HK$'000	2018 HK$'000
Lease rental paid	11,742	8,025

42. CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

43. CAPITAL COMMITMENTS

Capital commitments authorised for at the end of the reporting period but not yet contracted are as follows:

	2019 HK$'000	2018 HK$'000
Capital contribution to:		
WFOE in Guizhou province, PRC	–	25,438
WFOE in Guangdong province, PRC	7,481	9,481
	7,481	34,919

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). The WFOE has been disposed during the year.

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 RMB3,498,000 (2018: RMB1,742,000). The remaining capital commitment was RMB6,502,000 (equivalent to approximately HK$7,481,000) (2018: RMB8,258,000 (equivalent to approximately HK$9,481,000)).

44. 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
Within one year	8,947
In the second to fifth years inclusive	1,332
	10,279

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 and do not include contingent rentals.

As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20, and the outstanding lease commitments relating to short-term leases for office is approximately HK$1,179,000.

45. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related party during the year:

	2019 **HK$'000**	2018 HK$'000
Loan interest expenses paid to the ultimate controlling party of the Company	**579**	–

(b) The remuneration of directors and other members of key management during the year was as follows:

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**15,226**	17,055
Equity-settled share-based payments	**4,902**	4,845
Retirement benefits scheme contributions	**120**	109
	20,248	22,009

46. EVENT AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

47. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

FIVE YEAR FINANCIAL SUMMARY

Results

	For the ended 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Turnover	119,386	109,828	105,135	70,304	**59,214**
Cost of sales	(87,072)	(71,918)	(74,933)	(42,220)	**(36,841)**
Gross profit	32,314	37,910	30,202	28,084	**22,373**
Net loss on financial assets at fair value through profit or loss	(9,094)	(25,679)	(32,671)	(397)	**(1,252)**
Other income, gains/(losses)	(6,186)	36,064	667	2,430	**(959)**
Selling and distribution expenses	(27,608)	(24,742)	(16,807)	(16,966)	**(12,379)**
Administrative expenses	(45,067)	(54,056)	(54,676)	(82,712)	**(97,107)**
Loss from operations	(55,641)	(30,503)	(73,285)	(69,561)	**(89,324)**
Finance costs	(3,118)	(2,583)	(2,189)	(3,472)	**(1,692)**
(Loss)/gain on disposal of subsidiaries	–	(217)	2,473	4,249	**(316)**
Loss on disposal of assets held for sale	(986)	–	(493)	–	**–**
Gain on disposal of associates	–	–	8,066	–	**–**
Gain on remeasurement on pre-existing interest in an associate	–	–	–	–	**8,096**
Gain on fair value change on contingent consideration	–	–	–	–	**8,038**
Share of profits/(loss) of associates	1,055	8,648	6,642	(460)	**(1,390)**
Share of loss of a joint venture	(8,445)	(4,043)	–	–	**–**
Impairment loss on available-for-sale financial assets	–	(3,195)	(4,049)	–	**–**
Impairment loss on goodwill	(1,000)	(27,669)	(1,478)	–	**(264)**
Impairment loss on intangible assets	–	–	(11,085)	–	**(28,838)**
Impairment loss on investments in associates	–	–	–	–	**(3,903)**
Loss before tax	(68,135)	(59,562)	(75,398)	(69,244)	**(109,593)**
Income tax credit/(expense)	375	(530)	(1,132)	(189)	**2,110**
Loss for the year	(67,760)	(60,092)	(76,530)	(69,433)	**(107,483)**
Loss for the year attributable to:					
Owners of the Company	(62,269)	(50,151)	(63,022)	(64,250)	**(98,845)**
Non-controlling interests	(5,491)	(9,941)	(13,508)	(5,183)	**(8,638)**
Loss for the year	(67,760)	(60,092)	(76,530)	(69,433)	**(107,483)**

FIVE YEAR FINANCIAL SUMMARY

Assets and liabilities

	As at 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	478,018	322,956	303,400	337,761	**416,584**
Total liabilities	(135,280)	(47,739)	(52,092)	(18,846)	**(103,221)**
Total equity	342,738	275,217	251,308	318,915	**313,363**
Non-controlling interests	(21,680)	(9,707)	3,366	5,162	**(24,171)**
Equity attributable to owners of the Company	321,058	265,510	254,674	324,077	**289,192**