前海健康

QIANHAI HEALTH

Qianhai Health Holdings Limited

前海健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 911)

Live Healthy

Annual Report 2017

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. George Lu *(Chairman)*
Mr. Wong Kwok Ming
Mr. Yeung Wing Kong (resigned on 31 August 2017)

NON-EXECUTIVE DIRECTORS

Mr. Yeung Wai Fai Andrew (appointed on 23 January 2017)
Ms. Shen Wei (resigned on 23 January 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei
Mr. Wu Wei Leung Danny
Mr. Yuen Chee Lap Carl

AUDIT COMMITTEE

Mr. Yuen Chee Lap Carl *(Chairman)*
Mr. Li Wei
Mr. Wu Wei Leung Danny

REMUNERATION COMMITTEE

Mr. Li Wei *(Chairman)*
Mr. George Lu
Mr. Wu Wai Leung Danny

NOMINATION COMMITTEE

Mr. Li Wei *(Chairman)*
Mr. George Lu
Mr. Wu Wai Leung Danny

AUTHORISED REPRESENTATIVES

Mr. George Lu
Ms. Yip Tak Yung Teresa

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa

AUDITOR

PRICEWATERHOUSECOOPERS

22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAWS

CHIU AND PARTNERS

40th Floor, Jardine House
1 Connaught Place
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 301-3, 3/F, Wing Tuck Commercial Centre
177-183 Wing Lok Street, Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR

CONYERS TRUST COMPANY (CAYMAN) LIMITED

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

HONG KONG BRANCH SHARE REGISTRAR

TRICOR INVESTOR SERVICES LIMITED

Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTORS RELATIONS

ir@qhhl.com.hk

STOCK CODE

0911

WEBSITE

www.qianhaihealth.com.hk

Management Discussion and Analysis

BUSINESS REVIEW

AMERICAN GINSENG BUSINESS

Qianhai Health Holdings Limited ("**Company**", together with its subsidiaries, "**Group**") is principally engaged in sourcing of American ginseng from Canada and selling the American ginseng in Hong Kong.

During the year ended 31 December 2017 (the "**Year**"), the trading of American ginseng business remained competitive. The average wholesale price of American ginseng decreased in 2017 when compared to the same of the 2016. The Group was able to keep tight control of its operations and focused on enhancing operation efficiency, and generated a gross profit of approximately HK$8.9 million in 2017, when compared to that of the gross loss of approximately HK$397.9 million in 2016.

The Group continues to monitor the market trends and take prompt actions to adjust its business and operation plan under different market conditions.

LIN AN PROJECT

During the Year, the Group is in the process of undergoing business transformation and has commenced other business in various PRC projects. The directors of the Company ("**Directors**") are of the view that the cultural tourism, healthcare and elderly care sectors will gradually become the trend. The Group has commenced the business in joint development of a land parcel in Lin An city, Hangzhou Province in China (the "**Lin An Project**"), with a total gross floor area of approximately 90,000 square metres. The project including development of high-end hot spring residential resorts and a medical and health care centre, which offers beautiful and comfortable living environment and supported by healthcare concept to the customers. The project has been under development in 2017 and is expected to be completed in 2019.

The Group is optimistic about the prospects of the real estate market in the PRC and it is expected that the Lin An Project will be able to generate ongoing economic benefits.

INVESTMENT IN AN ASSOCIATE

The Group holds 49% equity interest of 浙江滙尊網絡科技有限公司 ("**HJIT**"), which is an information technology problem solving service provider. It is committed to developing internet technology and establishing a technology platform to provide industry partners with technical capabilities such as big data, cloud computing, artificial intelligence and data analysis, as well as service capabilities such as operational, quality control and customer service capabilities to the small to medium size companies.

HJIT was newly set up in 2017, and has reported a net profit for the year ended 31 December 2017. With the popularity of the internet in the PRC, the demand in internet in the PRC has continued to grow rapidly in the recent years, which means there is still huge potential for its development.

FUTURE PROSPECTS

The Group has always been looking for suitable investment or business opportunities to diversify the business of the Group with an objective to broaden the Group's income sources. Meanwhile, the Group has been actively exploring various healthcare related projects, including hospitals, health check centers and senior housing in the PRC in order to develop a healthcare services network to capture China's fast-growing healthcare space.

The Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

During the Year, the Group's revenue mainly generated from sourcing and trading of the American ginseng, and the total revenue (net of rebates and discounts) amounted to approximately HK$197.1 million, representing a decrease of approximately 44.4% compared with the same of the last year.

	2017		2016	
	Revenue HK$'000	**% of total**	Revenue HK$'000	% of total
Cultivated ginseng	**131,119**	**66.5%**	220,408	62.2%
Wild ginseng	**57,002**	**28.9%**	125,729	35.5%
Ginseng wine	**8,356**	**4.2%**	6,583	1.8%
Others	**585**	**0.4%**	1,665	0.5%
TOTAL	**197,062**	**100%**	354,385	100%

During the Year, the Group's revenue (net of rebates and discounts) generated from American ginseng (including both cultivated and wild ginseng) amounted to approximately HK$188.1 million, representing a decrease of approximately 45.7% compared with the same of last year. With the American ginseng business remains competitive, the average wholesale price of American ginseng decreased and the Group tightened the trading volume of American ginseng in 2017.

The Group's gross profit amounted to approximately HK$8.9 million, as compared to the gross loss of approximately HK$397.9 million in the prior year. The turnaround was mainly due to a provision of the rebates and discounts, which net off the revenue, of approximately HK$239.6 million was recognised in the year of 2016, while a reversal of rebates and discounts of approximately HK$2.8 million was recognised in 2017; and decrease in inventory write down, which included in the costs of sales, of approximately HK$5.9 million in 2017, when compared with that of approximately HK$96.5 million in 2016.

OTHER INCOME

The Group's other income mainly represented the interest income derived from the money lending activities of approximately HK$15.4 million during the Year. (2016: nil).

OTHER GAINS/(LOSSES), NET

The Group recorded other net gains of approximately HK$37.6 million in 2017, while the Group recorded other net losses of approximately HK$83.7 million for the year of 2016. The turnaround was mainly due to recognition of (i) an exchange gain of approximately HK$0.02 million in 2017, as compared to an exchange loss of approximately HK$59.7 million in 2016; (ii) a gain on changes in fair value of the investment properties of approximately HK$15.5 million in the year of 2017, as compared to a loss on changes in fair value of approximately HK$11.4 million in 2016; and (iii) a gain on disposal of property, plant and equipment of approximately HK$29.9 million in 2017, as compared to that of the approximately HK$0.1 million in 2016.

INVENTORIES

The Group's inventories as at 31 December 2017 was approximately HK$63.7 million (2016: HK$166.4 million). The inventories of the Group were stated at lower of cost or net realisable value. With the lower of selling price of the American ginseng, a provision of inventories of approximately HK$5.9 million (2016: approximately HK$96.5 million) has been recognised for the year ended 31 December 2017, after re-assessing the net realizable value of the inventories. The Group considered that the making of provision for inventories can more accurately reflect the financial position of the Group.

TRADE RECEIVABLES

The Group's trade receivables as at 31 December 2017 decreased to approximately HK$16.4 million from approximately HK$46.3 million as at 31 December 2016.

As at the date of this annual report, all outstanding trade receivables as at 31 December 2017 were received subsequently.

In 2016, the Group undertook certain legal proceedings to enforce debt collection from certain major customers (the "**Customers**") with the trade receivables of approximately HK$567.0 million. The final judgments were released by the High Court in Hong Kong and ordered the Customers to repay the outstanding balances, together with accrued interests thereto, to the Group. Despite the court's verdict and the Group's continued efforts in enforcing settlement, the Customers did not respond to the court order. Hence, the Group made a full provision for rebates and discounts regarding the outstanding balances. In 2017, only approximately HK$2.8 million has been recovered from one of the Customers and the respective provision for rebates and discounts has been reversed accordingly, while the remaining outstanding balances remained uncollectible. As a result, approximately HK$564.2 million of trade receivables in total were written off during the Year.

The management regularly reviews the recoverability, creditworthiness of customers and ages of the trade receivables. The management will continue to make its best endeavour to negotiate with its customers to collect the trade receivables.

LOAN RECEIVABLES

The loan receivables derived from the money lending activities of an indirect wholly-owned subsidiary of the Company, which is a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The loan receivables of approximately HK$143.0 million (2016: Nil) are unsecured, bearing a fixed interest rate at 15% per annum and are repayable within one year from the respective dates of inception of the loans. As at the date of this annual report, approximately HK$123.0 million of the outstanding balances were due and received subsequently.

FOREIGN EXCHANGE EXPOSURE

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("**HKD**") and the purchases of cultivated ginseng are mainly made in Canadian dollars ("**CAD**"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the Year, the Group incurred a gain of foreign exchange differences amounted to approximately HK$0.02 million (2016: a loss of foreign exchange differences amounted to approximately HK$59.7 million). The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's treasury function formulated financial risk management procedures, which are also subject to periodic review by the senior management of the Company. This treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange rate risks, reallocating surplus financial resources within the Group, procuring cost efficient funding and targeting yield enhancement opportunities. The treasury function regularly and closely monitors its overall cash and debt positions, proactively reviews its funding costs and maturity profiles to facilitate timely refinancing, if appropriate.

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately HK$183.5 million (2016: approximately HK$244.5 million), and the Group's net current assets were approximately HK$376.0 million (2016: approximately HK$460.6 million).

The gearing ratio of the Group as at 31 December 2017, calculated as bank borrowing divided by total equity, was approximately 2.3% (2016: 0%).

CHARGE OF ASSETS

Certain borrowings were secured by the Group's investment properties having a carrying value of approximately HK$91.0 million during the Year. (2016: no assets were charged).

CAPITAL COMMITMENT

The capital commitment of the Group was approximately HK$55.3 million (2016: nil), which was mainly used for the constructions and acquisitions of property, plant and equipment of the Lin An Project.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2017 and 31 December 2016.

DIVIDEND

At the Board meeting held on 28 March 2018, the Directors proposed a final dividend of HK0.1 cent per share, amounting to approximately HK$17,004,000 for the year ended 31 December 2017 (2016: nil). The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meetings of the Company to be held on 29 May 2018 (the "**AGM**"), the proposed dividends will be payable on or about Wednesday, 27 June 2018 to the shareholders of the Company whose names are registered on the register of member of the Company (the "**Register of Members**") on Wednesday, 6 June 2018. The dividends have not yet been recognised in the liabilities in the financial statements for the Year.

HUMAN RESOURCES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As at 31 December 2017, the Group had 28 full-time employees (including Directors).

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

During the Year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Yuen Chee Lap Carl (Chairman of the Audit Committee), Mr. Li Wei and Mr. Wu Wai Leung Danny. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the Year with the Directors.

Biographical Details of Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

MR. GEORGE LU

Chief Executive Officer and executive Director, aged 55

Mr. George Lu was appointed as an executive Director, chairman and chief executive officer on 17 May 2016. Mr. Lu has more than 15 years of entrepreneurial experience in strategic planning and general management of trading and manufacturing companies. Mr. George Lu is the founder, director and chairman of Huabang Financial Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 3638) ("**Huabang Financial**"), and is responsible for its overall management, operations and strategic development.

Mr. George Lu and Ms. Shen Wei are husband and wife.

MR. WONG KWOK MING

Executive Director, aged 41

Mr. Wong Kwok Ming was appointed as an executive Director on 17 May 2016. Mr. Wong has more than 17 years of experience in the areas of auditing, accounting, taxation, capital markets, business advisory and corporate finance covering various industry sectors. He possesses a Master Degree in Accounting from Curtin University of Technology and is a Practicing Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has worked at PricewaterhouseCoopers Hong Kong for over 10 years in audit and assurance department with his last position as senior manager and has worked at a well-established and sizable manufacturing company as the chief financial officer after he left PricewaterhouseCoopers Hong Kong in 2014. Mr. Wong Kwok Ming is the chief financial officer of Huabang Financial, and is responsible for the overall financial and accounting affairs, treasury management, risk management and the overall company secretarial matters.

NON-EXECUTIVE DIRECTOR

MR. YEUNG WAI FAI ANDREW

Non-executive Director, aged 45

Mr. Yeung Wai Fai Andrew joined the Company as the general manager of the Company in November 2016 and was appointed as the Deputy Chairman and a non-executive Director and resigned as the general manager of the Company on 23 January 2017, He has been the deputy chief executive officer of Qianhai Corporate Finance Limited since November 2016. He had been the head of investment banking and advisory of Kim Eng Securities (Hong Kong) Limited from July 2015 to October 2016. He has been appointed as an independent non-executive director of VPower Group International Holdings Limited (stock code: 1608) since October 2016, and was an independent non-executive director of Goldenmars Technology Holdings Limited (stock code: 3638) between June 2016 and September 2016, companies whose shares are listed on the Main Board of the Stock Exchange. He was an independent director of Eversol Corporation (stock code: 3647.TT), which was delisted on the Taiwan GreTai Securities Market in October 2016, from June 2014 to June 2016.

Mr. Yeung was the head of corporate finance advisory of Edmond de Rothschild (Suisse) S.A., Hong Kong Branch, from August 2014 to May 2015. Mr. Yeung has over 16 years of experience in investment and private banking. Prior to joining Edmond de Rothschild (Suisse) S.A., Hong Kong Branch, he was the managing director of DBS Asia Capital Limited and he worked at DBS Asia Capital Limited for over 10 years. He worked as the corporate finance associate in BNP Paribas Peregrine Capital Limited from April 2000 to May 2002. Mr. Yeung graduated from the Hong Kong Polytechnic University with a bachelor of arts (Hons.) in accountancy in 1994. Mr. Yeung Wai Fai Andrew has been a certified public accountant with the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. LI WEI

Independent non-executive Director, aged 63

Mr. Li Wei was appointed as an independent non-executive Director on 17 May 2016. Mr. Li has over twenty five years of experience in establishing and operating businesses in Asia, and particularly in Hong Kong and China. He was educated in China, Germany and Australia. He has been an independent non-executive director of VST Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 856) since 2007.

MR. WU WAI LEUNG DANNY

Independent non-executive Director, aged 57

Mr. Wu Wai Leung Danny was appointed as an independent non-executive Director on 29 February 2016. Mr. Wu graduated from the University of Hong Kong with a Bachelor's degree in Social Sciences in 1985. He is currently the chief executive officer and an executive director of Greenheart Group Limited (stock code: 0094), a company listed on the Main Board of the Stock Exchange. Mr. Wu has over 20 years of experience in investing and business operations in Asia. Since 2003, Mr. Wu has been a director of First Gateway Capital Limited (formerly "**First U.S. Capital Limited**"), which engages in early stage investment, and investment advisory services to small and medium enterprises in Asia, with a focus in transportation, resource, manufacturing, technology and telecommunication companies. He was an independent non-executive director of Newton Resources Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1231) from 25 January 2011 until 21 May 2015. He is currently a non-executive director of Newton Resources Limited.

Biographical Details of Directors and Senior Management

MR. YUEN CHEE LAP CARL

Independent non-executive Director, aged 44

Mr. Yuen Chee Lap Carl was appointed as an independent non-executive Director on 29 February 2016. Mr. Yuen graduated from the University of Houston, U.S. He attained a Bachelor's degree and a Master's degree in Business Administration in 1997 and 1998 respectively. Mr. Yuen is currently the financial controller of Courage Investment Group Limited (stock code: 1145), a company listed on the Main Board of the Stock Exchange and the Singapore Exchange Securities Trading Limited. He has rich experience in finance and accounting in Hong Kong, Singapore and the United States. Mr. Yuen commenced his career in the United States and served as chief accountant and managerial position in several companies between 1998 and 2003. Mr. Yuen joined Courage Investment Group Limited in 2004 and was appointed as financial controller in May 2006. He is in charge of the company's finance and accounting control as well as the company's reporting, SGX-ST and Stock Exchange compliance. Mr. Yuen is currently a member of the Hong Kong Institute of Directors and the Association of Hong Kong Accountants. Mr. Yuen is an independent non-executive director of Fullsun International Holdings Group Co., Limited (stock code: 627), a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

MR. YEUNG WING KONG

General Manager, aged 48

Mr. Yeung Wing Kong joined the Group in 1989. Mr. Yeung has over 20 years of experience in the American Ginseng industry and is primarily responsible for operation, management and procurement of the American ginseng business in the Group. Mr. Yeung has been a member of Po Sau Tong Ginseng & Antler Association Hong Kong Limited (香港參茸藥材寶壽堂商會有限公司) since December 1990.

MS. YIP TAK YUNG, TERESA

Chief Financial Officer and company secretary, aged 36

Ms. Yip Tak Yung, Teresa joined the Group in 2013, and is responsible for finance management, compliance assurance and company secretarial matters of the Group. Ms. Yip has more than 10 years of experience in the areas of auditing, accounting and taxation. She has worked at Deloitte Touche Tohmatsu for over 7 years before joining the Group. She graduated from City University of Hong Kong with a bachelor's degree of Business Administration (Honours) in Accountancy. Ms. Yip is a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the Year, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing (the "**Listing Rules**") the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except in relation to CG Code provision A.2.1, A.6.7 and E.1.2, as more particularly described below.

CG CODE PROVISION A.2.1

CG Code provision A.2.1 states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. George Lu. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. George Lu to assume both roles as the chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organisation, the Board will consider splitting the two roles to be assumed by two individuals. With the strong business experience of the Directors, they do not expect any issues would arise due to the combined role of Mr. George Lu.

The Group also has in place an internal control system to perform the check and balance function. There are also three independent non-executive Directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

CG CODE PROVISION A.6.7

CG Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meeting. Due to other important business engagements at the relevant time, some independent non-executive Directors did not attend the annual general meeting held on 13 June 2017.

CG CODE PROVISION E.1.2

CG Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 13 June 2017 due to other important business engagement. The Chairman will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances preventing him from doing so.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the code of conduct rules (the "**Model Code**") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, and that after having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code.

THE BOARD OF DIRECTORS

The Board takes responsibility for overseeing all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, monitoring senior management's performance and determining the policy for corporate governance. The Directors make decisions objectively in the interests of the Company.

The Board currently comprises a total of six Directors, with two executive Directors, one non-executive Director and three independent non-executive Directors:

EXECUTIVE DIRECTORS

Mr. George Lu *(Chairman and Chief Executive Officer)*
Mr. Wong Kwok Ming
Mr. Yeung Wing Kong (resigned on 31 August 2017)

NON-EXECUTIVE DIRECTORS

Mr. Yeung Wai Fai Andrew (appointed on 23 January 2017)
Ms. Shen Wei (resigned on 23 January 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei
Mr. Wu Wei Leung Danny
Mr. Yuen Chee Lap Carl

The biography details of the Directors are set out under the section headed "Biography details of Directors and Senior Management" in this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman is responsible for leading the Board and is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures.

Whereas the role of chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board. These independent non-executive Directors are individuals from diversified backgrounds and industries and one member has appropriate accounting and related financial management expertise.

The independent non-executive Directors serve the relevant function of bringing independent judgment and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise. The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all of the independent non-executive Directors meet the guidelines for assessing independence as set out in the Listing Rules and considers them to be independent.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

CG Code provision A.1.1 prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

Details of Directors' attendance records during the year ended 31 December 2017 are set out in the table below:

	Meetings Attended/Held			
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Directors				
Mr. George Lu	8/8	N/A	1/1	1/1
Mr. Wong Kwok Ming	8/8	N/A	N/A	N/A
Mr. Yeung Wing Kong (resigned on 31 August 2017)	6/8	N/A	N/A	N/A
Non-executive Directors				
Mr. Yeung Wai Fai Andrew (appointed on 23 January 2017)	8/8	N/A	N/A	N/A
Ms. Shen Wei (resigned on 23 January 2017)	1/8	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Li Wei	8/8	2/2	1/1	1/1
Mr. Wu Wei Leung Danny	8/8	2/2	1/1	1/1
Mr. Yuen Chee Lap Carl	8/8	2/2	N/A	N/A

Apart from regular Board meetings of the year, the Board will meet on other occasions when a Board level decision on a particular matter is required. The Directors receive agenda of each meeting in advance.

Notice of at least 14 days is given of a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are despatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

All minutes of the Board meetings are kept by the company secretary of the Company and are available to all Directors for inspection.

The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, Directors' appointment, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

TRAINING AND SUPPORT FOR DIRECTORS

In accordance with A.6.5 of the CG Code with regards to continuous professional development, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills.

To further ensure all Directors are adequately informed about the Company's business and operations as well as his/her responsibilities under relevant laws, rules and regulations, the company secretary of the Company provides all Directors with regular updates regarding the Company's performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time.

The Directors received the following training for the year ended 31 December 2017 according to the records provided by the Directors:

Directors	**Training on corporate governance, regulatory development and other relevant topics**
Executive Directors	
Mr. George Lu	✓
Mr. Wong Kwok Ming	✓
Mr. Yeung Wing Kong (resigned on 31 August 2017)	✓
Non-executive Director	
Mr. Yeung Wai Fai Andrew (appointed on 23 January 2017)	✓
Ms. Shen Wei (resigned on 23 January 2017)	✓
Independent Non-Executive Directors	
Mr. Li Wei	✓
Mr. Wu Wei Leung Danny	✓
Mr. Yuen Chee Lap Carl	✓

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

BOARD COMMITTEES

The Board has established the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (collectively, the "**Board Committees**") for overseeing particular aspects of the Company's affairs under its defined scope of duties and terms of reference. The terms of reference of each of the Board Committees are posted on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

AUDIT COMMITTEE

The Audit Committee's current members include:

Mr. Yuen Chee Lap Carl *(Chairman)*
Mr. Wu Wai Leung Danny
Mr. Li Wei

All of the committee members are independent non-executive Directors with the chairman of which possesses the appropriate professional qualifications and accounting experience. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board, to develop and review policies and practices of the Group on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules, and to develop, review and monitor the code of conduct applicable to the employees of the Group.

The terms of reference of the Audit Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

During the year ended 31 December 2017, the Audit Committee held 2 meetings. The attendance records are set out under the section headed, "Number of Meetings and Directors' Attendance" in this report. The Audit Committee performed the following work during the year ended 31 December 2017:

(a) reviewed the interim financial statements and annual reports, including the accounting principles and accounting standards adopted, and made recommendations to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's internal control system and related matters; and

(d) considered and made recommendations on the re-appointment of the independent auditor of the Group and the terms of engagement

The Audit Committee has reviewed the Group's audited annual consolidated financial statement for the year ended 31 December 2016 and audited results for the year ended 31 December 2016 and unaudited interim condensed financial statement for the six months ended 30 June 2017 and had discussed the financial information with the management and the external auditors of the Company during the year ended 31 December 2017 before submission to the Board for its approval.

REMUNERATION COMMITTEE

The Remuneration Committee's current members include:

Mr. Li Wei *(Chairman)*
Mr. George Lu
Mr. Wu Wai Leung Danny

The majority of the members are independent non-executive Directors. The Remuneration Committee makes recommendations to the Board on the policy and structure for all remuneration of Directors and senior management, reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives, and makes recommendations to the Board on the remuneration packages of Directors and senior management. Staff remuneration is determined by the Group's management by reference to the individual staff's qualifications, work experience, performance and prevailing market conditions.

The terms of reference of the Remuneration Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

The Remuneration Committee met once during the year ended 31 December 2017. During the meeting, the Remuneration Committee reviewed the remuneration packages of the executive Directors, non-executive Director and independent non-executive Directors and senior management.

Particulars regarding the Directors remuneration and five highest paid employees are set out in Note 41 and 10 to the consolidated financial statement respectively.

NOMINATION COMMITTEE

The Nomination Committee's current members include:

Mr. Li Wei *(Chairman)*
Mr. George Lu
Mr. Wu Wai Leung Danny

The majority of the members are independent non-executive Directors. The principal duties of the Nomination Committee are to determine the policy of nomination of Directors and identify and nominate suitable candidates for appointment as Directors and make recommendations to the Board.

The terms of reference of the Nomination Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

The Nominate Committee has a policy concerning diversity of Board members which aims to maintain a diversified Board in terms of skills, experience, knowledge, expertise, culture, independence, age and gender, with a view to enhance the quality of performance of the Board

The Nomination Committee met once during the year ended 31 December 2017. During the meeting, the Nomination Committee reviewed the structure and composition (including the skills, knowledge and experience) of the Board.

CONFLICT OF INTEREST

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, such Director is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction. The Group also adopted certain internal control policies to manage potential conflicts of interest.

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa, the company secretary of the Company, is a full time employee of the Group and has day-today knowledge of the Company's affairs. The company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the company secretary is set out in the section headed "Biographical Details of Directors and Senior Management" in the annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional and development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance and accounts department of the Company are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2017, the Directors have reviewed and applied suitable accounting policies, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which reflect the financial information of the Group with reasonable accuracy.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

EXTERNAL AUDITORS

External auditors' responsibility is to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

PricewaterhouseCoopers has been appointed as the Company's external auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The remuneration paid to the Company's external auditor, PricewaterhouseCoopers, in respect of audit services and non-audit services, for the year ended 31 December 2017 is set out below:

Nature of services	**Fee paid/payable**
	HK$'000
Audit services	2,080
Non-audit services	20
Total	2,100

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system and for reviewing its effectiveness, particularly in respect of controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

The internal control system is designed to provide reasonable, but not absolute, assurance. The system aims to eliminate, or otherwise manage, risks of failure in achieving the Company's objectives.

The Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function. The Audit Committee oversees the internal control system of the Group and communicates any material issues to the Board.

REGULATORY COMPLIANCE

As disclosed under the section headed "Training and Support for Directors" in this annual report, the Directors have sufficient up-to-date knowledge of relevant laws and regulations.

The Company had engaged external professional advisers, including legal advisers, to render professional advice as to compliance with the statutory requirements applicable to the Group from time to time.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make appropriate investment decisions.

The members of the Board and Board Committees and the external auditor will be present to answer shareholders' questions in the annual general meetings of the Company. Circulars will be distributed to all shareholders before the annual general meeting and any special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the articles of association of the Company. All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the relevant general meetings.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong with any enquires.

SHAREHOLDERS' RIGHTS

CONVENING OF SPECIAL GENERAL MEETINGS AND REQUISITION BY SHAREHOLDERS

Pursuant to article 64 of the articles of association of the Company, shareholders holding in aggregate not less than onetenth (10%) of the paid up capital of the Company shall have the right to request the Board to convene a special general meeting ("**SGM**"). Such requisition shall be made by a written request to the Board, stating the business to be transacted and signed by the requisitionist(s). Shareholders shall follow the requirements and procedures set out in the articles of association of the Company.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 301-3, 3/F, Wing Tuck Commercial Centre
177-183 Wing Lok Street, Sheung Wan, Hong Kong
(For the attention of the Company Secretary)
Fax: 2545 7999
E-mail: ir@qhhl.com.hk

As regards to proposing a person other than the retiring Director for election as a Director in a general meeting, please refer to the procedures available on the website of the Company. Shareholders may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's articles of association during the year ended 31 December 2017. A copy of the Company's articles of association is also available on the Company's website and the Stock Exchange website.

Directors' Report

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in sourcing and wholesaling of American Ginseng in Hong Kong.

BUSINESS REVIEW

Details of business review and an analysis using financial key performance indicators are set out in the section of "Management Discussion and Analysis" on pages 3 to 7 of this annual report.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report.

FINAL DIVIDENDS

The Board recommends the payment of a final dividend of HK0.1 cent per ordinary share for the year ended 31 December 2017 to shareholders whose names appear in the register of members of the Company on Wednesday 6 June 2018. The details of the final dividend are set out in note 13 to the consolidated financial statements.

Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, it is expected that the payment of final dividend will be made on or before Wednesday, 27 June 2018.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five financial years is set out on page 130 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the largest one and five largest customers accounted for approximately 41% and 100% respectively of the total sales for the year. Purchases from the largest one and five largest suppliers accounted for approximately 88% and 100% respectively of the total purchases for the year.

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

INVESTMENT PROPERTY

The Group's investment property is a residential property which located at Flat A on 20th Floor, Broadview Villa, No. 20 Broadwood Road, Happy Valley Hong Kong. It is held on medium lease and was revalued at the end of the reporting period. The net fair value increase on investment properties arising on revaluation amounting to approximately HK$15,499,000 (2016: decrease of HK$11,374,000) has been recognised in profit or loss.

Details of this and other movements in investment property are set out in Note 17 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 15 to the financial statements.

BANK BORROWINGS

Details of the Group's bank borrowings for the year ended 31 December 2017 are set out in note 29 to the consolidated financial statements.

SHARE CAPITAL

There were no movement in the authorised share capital of the Company during the year. Details of the movement in issued share capital of the Company are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws in Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

Neither the Company nor any of its subsidiaries redeemed, purchased or cancelled any redeemable securities during the year ended 31 December 2017. As at 31 December 2017, there were no outstanding redeemable securities of the Company.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 50 of the annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands and the Company's articles of association, the funds in the share premium and net of accumulated losses of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2017, the Company's aggregate amount of reserves available for distribution of shareholders of the Company was approximately HK$477,272,000 (2016: HK$479,146,000).

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this annual report are:

Executive Directors

Mr. George Lu *(Chairman and Chief Executive Officer)*
Mr. Wong Kwok Ming
Mr. Yeung Wing Kong (resigned on 31 August 2017)

Non-executive Directors

Mr. Yeung Wai Fai Andrew *(Vice-Chairman)* (appointed on 23 January 2017)
Ms. Shen Wei (resigned on 23 January 2017)

Independent non-executive Directors

Mr. Li Wei
Mr. Wu Wei Leung Danny
Mr. Yuen Chee Lap Carl

Biographical details of Directors of the Company are set out on page 8 under the section titled "Biographical details of Directors and Senior Management".

At each annual general meeting, one third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Mr. Wong Kwok Ming and Mr. Wu Wai Leung Danny will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for election. According to the Listing Rules, a director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. All other Directors will continue in office.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years commencing from the date of appointment. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter unless either party has given at least three months' written notice of non-renewal before the expiry of the then existing term.

Our non-executive Directors and independent non-executive Directors have been appointed for an initial term of two years commencing from the date of appointment. The term of each of our independent non-executive Directors is renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by our independent non-executive Director or our Company expiring at the end of the initial term or at any time thereafter.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in Note 37 to the consolidated Financial Statements, no contract of significance to which the Company, its holding company or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in Note 37 to the consolidated Financial Statements, there was no other contract of significance between the Group and the Company's controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and as at 31 December 2017, none of the Directors, directly or indirectly, had an interest in any business which competes or may compete with the business of the Company and/or its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2017 and as at 31 December 2017, the Company has purchased liabilities insurance for the Directors and supervisors, which provides appropriate insurance for the Group's directors and supervisors. At no time during the year ended 31 December 2017 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of Directors or an associated company.

TAX RELIEF

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

REMUNERATION POLICY

The remuneration policy of the employees of the Group is set up by the Remuneration Committee and is based on merit, qualifications and competence of employees.

The remuneration policy of the Directors are decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 31 December 2017, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code ("**Model Code**") for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the Stock Exchange were as follows:

(I) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Mr. George Lu	Interest of controlled corporations	8,056,880,000 Shares *(Note 1)*	47.38%
Mr. Yeung Wai Fai Andrew	Personal	160,040,000 Shares *(Note 2)*	0.94%

Notes:

1. These Shares held by Super Generation Group Limited ("**Super Generation**"), which is wholly owned by Mr. George Lu.

2. These shares would be allotted and issued upon exercise in full of the options granted to such Director under the share option scheme of the Company.

(II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY – SUPER GENERATION

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. George Lu	Beneficial owner	50,000 Shares of US$1 each	100%

Save as disclosed above, as at 31 December 2017, no Directors or chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code to be notified to the Company and the Stock Exchange.

CONTROLLING SHAREHOLDERS

As at 31 December 2017, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Ms. Shen Wei	Interest of spouse	8,056,880,000 Shares *(Note 1)*	47.38%
Super Generation	Beneficial owner	8,056,880,000 Shares	47.38%
Haitong International Securities Company Limited	Person having a security interest in shares	7,800,000,000 Shares *(Note 2)*	45.87%
Haitong International Finance Company Limited	Interest of controlled corporations	7,800,000,000 Shares *(Note 2)*	45.87%
Haitong International (BVI) Limited	Interest of controlled corporations	7,800,000,000 Shares *(Note 2)*	45.87%
Haitong International Securities Group Limited	Interest of controlled corporations	7,800,000,000 Shares *(Note 2)*	45.87%
Haitong International Holdings Limited	Interest of controlled corporations	7,800,000,000 Shares *(Note 2)*	45.87%
Haitong Securities Co., Ltd.	Interest of controlled corporations	7,800,000,000 Shares *(Note 2)*	45.87%

Notes:

1. Ms. Shen Wei is the wife of Mr. George Lu.

2. Haitong International Securities Company Limited is wholly-owned by Haitong International Finance Company Limited, which in turn is wholly-owned by Haitong International (BVI) Limited. Haitong International (BVI) Limited is wholly owned by Haitong International Securities Group Limited, which in turn is owned by Haitong International Holdings Limited as to approximately 61.78%. Haitong International Holdings Limited is wholly owned by Haitong Securities Co. Ltd., the shares of which are listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Save as disclosed above, as at 31 December 2017, so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or has any options in respect of such capital.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 37 to the consolidated financial statements. As these related party transactions constitute fully exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, none of them constitutes discloseable connected transactions as defined under the Listing Rules.

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. The participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The Scheme became effective on 9 June 2014 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 8 June 2024.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be also approved by the Company's shareholders.

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 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Shares.

On 1 November 2016, the Company granted 160,040,000 share options to Mr. Yeung Wai Fai Andrew (who was an employee of the Group on 1 November 2016 and appointed as a non-executive Director on 23 January 2017) to subscribe for up to 160,040,000 Shares at the exercise price of HK$0.165 per Share, whereby the closing price per Share was HK$0.162 immediately before the date in which the share options granted. No share options were granted during the year ended 31 December 2017.

No new shares were issued regarding the exercise of share options during the year ended 31 December 2017.

As at 31 December 2017, options to subscribe for an aggregate of 416,090,000 shares granted to the Directors, certain employees and other participants pursuant to the Scheme remained outstanding, details of which are as follows:

				Number of Share Options (thousands)				
	Date of grant	Exercisable Period	Exercise price	Outstanding as at 1/1/2017	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31/12/2017
Executive Director								
Mr. Yeung Wing Kong (resigned on 31 August 2017)	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	5,000	–	–	–	5,000
Non-executive Director								
Mr. Yeung Wai Fai Andrew	1 November 2016	1 November 2016 to 31 October 2019	HK$0.165	53,347	–	–	–	53,347
	1 November 2016	1 November 2017 to 31 October 2019	HK$0.165	53,347	–	–	–	53,347
	1 November 2016	1 November 2018 to 31 October 2019	HK$0.165	53,346	–	–	–	53,346
Director's associates	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	3,333	–	–	(3,333)	–
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.752	3,333	–	–	(3,333)	–
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.752	3,334	–	–	(3,334)	–
Other employees	6 January 2015	6 January 2016 to 5 January 2018	HK$0.752	550	–	–	(25)	525
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.752	550	–	–	(25)	525
Other participants	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	250,000	–	–	–	250,000
				426,140	–	–	10,050	416,090

Details of the movement of the share options are disclosed in Note 31 to the consolidated financial statements. The accounting policies adopted for the share options are described in Note 2 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on publicly available information and the best knowledge of the Directors, the Company had sufficient public float as required under Rule 8.08 of the Listing Rules.

CORPORATE GOVERNANCE CODE

Details of the Group's corporate governance Code are set out in the section of "Corporate Governance and Other information" contained on pages 11 to 21 in this annual report.

CORPORATE GOVERNANCE AND BUSINESS OPERATION

Details of the Company's corporate governance practices are set out in the "Corporate Governance and Other Information" section in this annual report.

So far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts, if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

PRINCIPAL RISKS AND UNCERTAINTIES OF THE GROUP

The Directors consider that the principal risks and uncertainties faced by the Group during the year ended 31 December 2017 included credit risk, currency risk and liquidity risk. For further details, please refer to Note 3 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Detail of events after the end of the reporting period are set out in note 39 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining right of the shareholders of the Company to attend and vote at the forthcoming annual general meeting of the Company ("**AGM**"), the register of members of the Company will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 23 May 2018.

For determining the entitlement to the proposed final dividend (if approved at the AGM), the register of members of the Company will be closed from Monday, 4 June 2018 to Wednesday, 6 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 1 June 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2017.

AUDITOR

PricewaterhouseCoopers will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. George Lu
Chairman & Chief Executive Officer
Hong Kong, 28 March 2018

Environment, Social and Governance Report

The Group hereby presents this Environmental, Social and Governance report ("**ESG report**") for the year ended 31 December 2017, in order to comply with the requirements set forth in Appendix 27 to the Listing Rules.

The ESG report mainly covers the trading businesses of the Group and presents the Group's strategic approach to sustainability and performance in the environmental and social aspects of its businesses in the reporting period from 1 January to 31 December 2017 (the "**Year**"). The Group will continue to strengthen its efforts to collect information in order to enhance its performance in the environmental and social subject areas and to disclose related information in its sustainable development.

STAKEHOLDERS' ENGAGEMENT

To conduct the Group's materiality assessment in identifying and understanding the main concerns and material interests of stakeholders, the Group has invited the stakeholders to express their views and concerns on major social and environment issues, while the employees' health, safety measures, benefits & pay, development and training are the material topics of concern to stakeholders.

ENVIRONMENTAL SUSTAINABILITY

The Group strives to save energy and resource through persistent implementation of internal policies and use of advanced technologies.

NATURAL RESOURCES

The Group is committed in building an environmental-friendly corporation that pays close attention to conserve natural resources. To incorporate environmental sustainability into the Group's operations, the Group strives to minimize its environmental impact while ensuring high standards in its product quality.

The Group has active communication with its growers in Canada to ensure they have good agriculture practices on food safety and quality assurance. Canada's clean water and minimal pollution helps to ensure the high quality of Canadian ginseng. Ongoing agronomic research enables growers to use biological controls; and recent disease control research has led to the identification of products that will not only reduce the risk of plant disease in Canadian ginseng, but will reduce the environmental risk as well, ensuring agriculture is sustainable in the future.

In addition, Canada is concerned about the conservation of North American ginseng and has rules concerning trade in North American ginseng to ensure that trade does not threaten the continued wild existence of this species in Canada. As such, trade in North American ginseng from Canada requires Convention on International Trade in Endangered Species of Wild Fauna and Flora export permits ("**CITES**"). American ginseng is classified as endangered species under CITES, which has been implemented by legislation in member countries, including Canada, the United States, Hong Kong and the PRC in respect of, among other things, the import and export of American ginseng. As the Group import American ginseng into Hong Kong, for all the Group's imports of American ginseng, a CITES certificate is required to be obtained from the relevant authorities in the country of export. The Group has complied with these requirements.

Another main natural resource consumed by the Group is paper from the documentation printing. To minimise the use of paper, the Group has put great efforts to protect the natural resources, which include: using environmental friendly paper to print the annual reports and interim reports; disseminating information by electronic means, such as email, as much as possible; and re-using the single-sided paper and recycling the doubled-sided used paper.

EMISSIONS

The Group mainly engaged in sourcing and trading the American ginseng, while it does not constitute any significant impact to the environment and does not generate any material level of greenhouse gas and hazardous waste. Our management closely monitors and aims to minimise the environmental effect to its surroundings.

No hazardous waste is generated from the operations of sourcing and trading the American ginseng. Non-hazardous waste generated from the operations are mainly office and warehouse consumables.

There is no non-compliance cases noted in relation to air and greenhouse gas emissions, discharge into water and land and generation of hazardous and non-hazardous waste in the Year.

USE OF RESOURCES

The Group has established "Reduce, Reuse and Recycle" environmental strategies focusing on the water, electricity and pare usage throughout its operational processes. The Group has always devoted in reducing energy consumption. Aside from utilising energy-saving light bulbs and natural light, the Group also educates its employees to be more involved in executing our environmental guidelines in order to raise their awareness on energy conservation and environmental protection. In addition, the Group closely monitors energy consumption at its offices, shops and warehouses and encourage its staff to make use of natural light. Permission is required for lighting and air-conditioning during non-business hours.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

Supply chain management aims to optimise the operation of supply chains at the lowest cost, which enables the efficient operation from procurement to all the procedures that satisfying the end customers, including workflow, physical flow, cash flow and information flow, so as to accurately deliver suitable products to consumers at a reasonable price in a timely manner.

For American ginseng trading process, the Group has strict quality control in each operation step: procurement, production and warehousing. The Group tests quality of product samples by paying on-site visits to suppliers in order to select high-quality product-suppliers and to ensure the quality of products. In respect of warehouse management, the Group has room temperature warehouse and cold warehouse to meet the storage requirement of different products. Warehouse inventory follows the principle of convenient storage and management. Computer management software is used for storage management which can minimise errors.

Supplier management is essential to the Group regarding its management of partners, whereby a good partner ensures the successful launch of property projects. The Company ensures our partners' quality by conducting qualification check and regular review on suppliers based on our own needs, and organize site visits to suppliers in line with the requirements of the Group.

PRODUCT RESPONSIBILITY

The Group is principally engaged in sourcing and trading of the American ginseng, which is regarded as endangered species of plants under the Protection of Endangered Species of Animals and Plants Ordinance (Chapter 586 of the Laws of Hong Kong) (the "**Protection of Endangered Species Ordinance**"). The Group is strictly in compliance with the related rules and regulation for the year ended 31 December 2017. CITES permits were obtained for importing or re-exporting of all the American ginseng.

In addition, members of the Group are registered food importers for Chinese herbs and Chinese herb products under the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong) (the "**Chinese Medicine Ordinance**"). The Group has adequate and suitable facilities for proper storage of products to ensure the products are kept in good conditions. The Group also keeps proper records of relevant information about the acquisition of the products including the date and place that the products were acquired and the name and contact details of the person from whom the products were acquired etc..

ANTI CORRUPTION

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption and bribery irrespective of the area or country where the Group is conducting business. The Group has formulated and strictly enforced anti-corruption policies pursuant to which the Group will not tolerate any form of corruption. All employees are expected to discharge their duties with integrity and self-discipline. They should abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which may exploit their positions against the Group's interests in the course of business.

Employees have to report the declaration of conflict to the Group regularly. In addition, when the Group cooperates with external parties, the Group implements proper internal control process and tendering process to prevent any potential threats on corruption. The Group also arranges regular training to executives and employees for enhancing ethical awareness in conducting businesses.

The management conducts investigations against any suspicious or illegal behaviour which are related to bribery, extortion, fraud and money-laundering to protect the Group's interests. Corresponding internal assessment, consulting, investigation and punishment procedures are introduced. The management shall have in-depth investigation and ensure all the relevant information is kept intact and completely recorded.

Furthermore, the Group has set up internal whistleblowing policy system to enable the employees to lodge complaints and report any suspicious activities either verbally or in writing. The Group advocates a confidentiality mechanism to protect the whistle-blowers from the fear of threats. Where criminality is suspected after investigation, disciplinary actions will be taken, including termination of employment and relevant report is made to the relevant authorities. The Audit Committee shall ensure that proper arrangements are in place so that fair and independent investigation of these matters and appropriate follow-up action can take place.

EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT

The Group treasures talent as it is one of the most valuable assets and keys for driving success and maintaining sustainable development. The Group strives to provide its staff with a safe and competitive platform for career development and advancement.

For the employees in Hong Kong, the Group's human resources policies strictly adhere to the applicable employment laws and regulations in Hong Kong, including, Employment Ordinance (chapter 57 of the Laws of Hong Kong) and Mandatory Provident Fund Schemes Ordinance (chapter 485 of the Laws of Hong Kong). The Group also provides employee benefits, such as medical insurance. The Group's human resources department reviews and updates relevant company policies in accordance with the latest laws and regulations regularly.

For the employees in the PRC, the working hours and break time of the employees of the Group are fixed pursuant to the relevant requirements for working hours and breaks and leaves as provided in the Chapter 4 of the Labour Law of the PRC. The policy on staff diversity is in compliance with the relevant requirements for promoting employment as provided in the Chapter 2 of the Labour Law of the PRC. The policy on termination of employment between employees and the employer is conducted in accordance with the relevant requirements under the Labour Law, the Labour Contract Law and the Implementation Rules for the Labour Law of the PRC. The administration for social insurance and housing provident fund contribution for the employees was conducted in compliance with the relevant regulations under the Social Insurance Law of the PRC and the Regulations on the Management of Housing Provident Fund in Hangzhou.

To attract high-calibre workforce, the Group offers competitive and fair remuneration and benefits based on individuals' performance, professional qualifications and experiences. In order to motivate and reward existing management and employees, the Group conducts regular salary review to ensure that its staff are recognised by the Group with regard to their working efforts and contributions. Meanwhile, any termination of employment contract should be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

The Group determines working hours and rest period for employees in line with employment laws and employment contracts with employees. In addition to statutory holidays such as the basic paid annual leave, employees may also entitle to maternity leave, marriage leave, paternity leave and birthday leave.

In terms of internal coaching and communication, the effective two-way communication between general staff and managerial staff is highly encouraged. Employees can maintain timely and smooth communication with their colleagues and the management through bulletin board postings, emails, trainings, internal meetings and social networks. The interactive communication system benefits the Group's decision-making process and results in a barrier-free employer-employee relationship.

As an equal opportunity employer, the management of the Company is committed to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of their gender, race, age, disability, family status, marital status, pregnancy status, sexual orientation, religion beliefs, nationality, social and ethnic origin or any other non-job related factors in all business units. The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimisation in accordance to relevant government legislations, ordinances and regulations such as Disability Discrimination Ordinance (chapter 487 of the Laws of Hong Kong) and Sex Discrimination Ordinance (chapter 480 of the Laws of Hong Kong). If there is any discrimination incidents, employees can report to human resources department of the Group. Disciplinary actions would be taken against any employee if there is any non-compliance or breach of legislation related to the equal opportunities policies.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the Year.

No non-compliance with law that resulted in significant fines or sanctions had been reported during the Year.

HEALTH AND SAFETY

To provide and maintain a good working conditions and a safe and healthy working environment, the Group's safety and health policies are in line with various laws and regulations stipulated by the local government, including the Occupational Safety and Health Ordinance (chapter 509 of the Laws of Hong Kong).

The Group has formulated monitoring and measuring equipment control procedures and other procedures documents in order to meet the specific safety management and comply with the related fire safety regulations, labour protection management regulations and the production site safety regulations.

In addition, the Group prohibits smoking and drinking liquor in workplace and carries out cleaning of the air-conditioning systems, disinfection treatment of carpets, emergency drill and safety inspection at regular intervals with an aim to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment and to examine the health & safety measures' effectiveness.

No violation of relevant employment health and safety laws and regulations laws and was noted for the year ended 31 December 2017.

STAFF DEVELOPMENT AND TRAINING

The Group endeavours to enhance the skills of each employee in various aspects by providing staff trainings. In order to assist employees in reaching the "keep moving" spirit, we support individual learning and self-improvement among of employees at all levels by providing tailor-made training sessions and education subsidies. The trainings are beneficial for our employees in adopting professional knowledge and improving efficiency in processes, which ultimately increase their job satisfaction and morale. In addition, we implemented a fair performance evaluation system to reward employees for their work contributions. The Group has constantly provided on-job education and trainings for its employees to improve their knowledge and expertise.

LABOUR STANDARDS

The Group strictly abides by the Employment Ordinance and other laws and regulations to prohibits any child and forced labour. To combat against illegal employment, the human resources department of the Group responsible for recruitment requires the job applicants to provide valid identity documents prior to the confirmation of employment to ensure that the applicants are lawfully employable. The human resources department of the Group is responsible to monitor and ensure compliance of latest and relevant laws and regulations in relation to the prevention of child labour and forced labour.

No violation of relevant laws and regulations in relation to the prevention of child labour and forced labour was noted for the year ended 31 December 2017.

HARMONIOUS WORKPLACE

The Group believes employees hold strong positions in the success of its business. Therefore, the Group is determined in promoting workplace diversity, protecting employees' rights and encouraging a friendly corporate culture. With the aim of motivating its employees to demonstrate its core values and to ultimately boost their sense of belongings, the Group strictly implements employment practices, internal equality and non-discrimination principles.

To ensure the ability to attract and retain employees, the Group regularly reviews the remuneration and welfare policy. Apart from an attractive bonus system, staff discounts, meal subsidies, housing allowance, the Group has expanded the scope of health assessment in its annual employee health check-ups for our senior management for disease prevention.

COMMUNITY INVESTMENT

The Group emphasises the importance of social responsibility awareness to its staff and encourages them to participate in social activities and charitable activities. During the year ended 31 December 2017, the Group encourages the staff to participate in the blood donations during office hours. The Group will put as much effort as possible on being a socially responsible corporation in the coming future.

CORPORATE GOVERNANCE

The Group has established corporate governance policies to ensure that its business is operated in accordance with its well defined corporate governance principles. The Group conducts efficient communications with our suppliers, customers, business partners and shareholders to ensure they comply with our corporate governance framework. The Group provides competent support, data analysis and updated market insights to our customers, business partners and suppliers for enhance its operations. These measures not only enable the Group to reinforce its continuous relationships with its business partners, but also help all parties comply with the Group's code of business ethics, and importantly, to achieve a win-win outcome.

In order to comply with the changing trends and the Listing Rules, the Group constantly reviews its corporate governance practices in a timely, fair and transparent manner, so as to circulate up-to date information to its investors and to the public. The Group understands effective communication and accurate information disclosure not only give its credibility, but also facilitate the flow of constructive feedback and ideas that are beneficial to good approaches to investor relations and its future corporate development. Besides annual reports, interim reports and announcements, the Group facilitates its communications between stakeholders by explaining financial and operational information through meetings and roadshows. Trade fair and store visits also allow stakeholders to have a deeper understanding of our business.

To enhance information accessibility and efficiency, the Group has launched a new website (www.qianhaihealth.com.hk) so that the stakeholders can obtain the most recent information on us anywhere and anytime. The Group not only announces its financial results but also instantly uploads a wide range of relevant information onto its website such as annual and interim reports, press releases, announcements and presentations for interim and annual results.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF QIANHAI HEALTH HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Qianhai Health Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 129, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Net realisable value of inventories
- Impairment assessment of loan and interest receivables

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Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories	
Refer to Notes 4.1(A) and 21 to the consolidated financial statements At 31 December 2017, the Group held inventories of HK$64 million, net of inventory provision of HK$33 million (2016: HK$166 million, net of inventory provision of HK$154 million). Inventories are carried at the lower of cost and net realisable value ("NRV") in the consolidated financial statements. Management estimated the NRV of inventories at 31 December 2017 based on the estimated selling price less cost to sell, which required significant judgements and assumptions to be made to determine the estimated selling price. The determination of estimated selling price of individual products is based on historical experience of sales of different products, expectation of future sales based on current market conditions; and latest selling price subsequent to year end date. The estimations may change as a result of future changes of market demand and management's sales and pricing strategy. We focused on this area due to significant management estimates and judgements were involved in determining the NRV for inventories, which was material to the consolidated financial statements.	We understood, evaluated and validated the key controls management adopted to determine the estimated selling price for different products. We evaluated the estimated selling price for different products based on discussion with management about the latest sales pattern and their sales and pricing strategy with reference to our knowledge on market demand and market trend of different products. We compared the estimated selling price with information of historical sales data and orders received subsequent to the year end. We also checked, on a sample basis, the NRV calculation prepared by management based on the estimated selling price and the inventory quantity as at the year end. Based on the procedures performed, we found management's judgements and assumptions made on the determination of NRV to be supported by the available evidence.

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Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of loan and interest receivables	
Refer to Note 4.1(B) and 23 to the consolidated financial statements As at 31 December 2017, the Group's loan and interest receivables amounted to HK$143 million (2016: Nil) and HK$6 million (2016: Nil), respectively. Management assessed the loan and interest receivables individually for objective evidence of impairment including significant financial difficulty of the borrower, breach of contract or probability that the borrower will enter bankruptcy or financial reorganisation. For the loan and interest receivable that are assessed not to be impaired based on individual assessment, would also be assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's understanding of market conditions that correlate with the default on other loan and receivables. We focused on this area because the carrying amount of loan and interest receivables is significant to the consolidated financial statements and the identification on whether objective evidence of impairment exists for the loan and interest receivables and the estimation of the individual impairment amount require the use of significant judgments and estimates.	We understood, evaluated and validated the key controls over impairment assessment of loan and interest receivables, which relates to management's identification of events that triggered the provision for impairment of loan and interest receivables and estimation of the amount of provisions. We inspected the loan agreements entered into between the Group and the borrowers, and other relevant information relating to the borrowers as assessed by the Group. We circulated auditor's confirmations to test the existence of the loan and interest receivables as at the balance sheet date. We also checked the accuracy of the aging of loan and interest receivables as at the balance sheet date by tracing to loan agreements. We assessed the recoverability of the loan and interest receivables with reference to the borrowers' interest repayment records and principal repayment subsequent to the end of reporting period and up to the date of this report, and traced the repayments to the bank statements. Based on the procedures described above, we considered key judgments and estimates applied by management in the impairment assessment of loan and interest receivables were supportable by available evidence.

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OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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 Lee Kin Wah, Albert.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue, net of rebates and discounts	*6*	**197,062**	354,385
Cost of sales	*7*	**(188,141)**	(752,281)
Gross profit/(loss)		**8,921**	(397,896)
Other income	*8*	**18,327**	11,470
Other gains/(losses), net	*9*	**37,577**	(83,661)
Selling and distribution expenses	*7*	**(1,643)**	(4,244)
Administrative expenses	*7*	**(33,316)**	(60,266)
Finance costs	*11*	**(76)**	(29,890)
Operation profit/(loss)		**29,790**	(564,487)
Share of net profit of an associate accounted for using the equity method	*18*	**6,130**	–
Profit/(loss) before income tax		**35,920**	(564,487)
Income tax (expense)/credit	*12*	**(59)**	38,625
Profit/(loss) for the year		**35,861**	(525,862)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operation		**7,694**	27
Total comprehensive income/(loss) for the year		**43,555**	(525,835)
Profit/(loss) attributable to:			
– Owners of the Company		**35,861**	(525,710)
– Non-controlling interests		**–**	(152)
		35,861	(525,862)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**43,273**	(525,683)
– Non-controlling interests		**282**	(152)
		43,555	(525,835)
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company:			
Basic and diluted earnings/(loss) per share	*14*	**0.21 cent**	(3.73) cents

The notes on pages 53 to 129 are on integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**61,415**	74,034
Land use rights	*16*	**97,274**	–
Investment properties	*17*	**91,000**	93,630
Investment accounted for using the equity method	*18*	**43,300**	–
Prepayment	*22*	**12,000**	–
Total non-current assets		**304,989**	167,664
Current assets			
Inventories	*21*	**63,682**	166,394
Trade and other receivables	*22*	**27,069**	60,641
Loan and interest receivables	*23*	**149,200**	–
Financial assets at fair value through profit or loss	*24*	**8,030**	–
Cash and cash equivalents	*25*	**183,453**	244,523
		431,434	471,558
Assets classified as held for sale	*26*	**59,311**	–
Total current assets		**490,745**	471,558
Total assets		**795,734**	639,222
EQUITY			
Equity attributable to owners of the Company			
Share capital	*30*	**68,016**	68,016
Reserves		**597,487**	551,888
		665,503	619,904
Non-controlling interests		**7,200**	(3)
Total equity		**672,703**	619,901

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	*28*	**159**	250
Deferred income tax liabilities	*20*	**8,124**	8,131
Total non-current liabilities		**8,283**	8,381
Current liabilities			
Trade and other payables	*27*	**97,631**	7,310
Obligations under finance leases	*28*	**91**	91
Bank borrowings	*29*	**15,032**	–
Current income tax liabilities		**1,817**	3,539
		114,571	10,940
Liabilities directly associated with assets classified as held for sale	*26*	**177**	–
Total current liabilities		**114,748**	10,940
Total liabilities		**123,031**	19,321
Total equity and liabilities		**795,734**	639,222

The consolidated financial statements on pages 47 to 129 were approved by the Board of Directors on 28 March 2018 and were signed on its behalf by:

George Lu
DIRECTOR

Wong Kwok Ming
DIRECTOR

The notes on pages 53 to 129 are on integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserves HK$'000 *(Note)*	Exchange reserve HK$'000	Share option reserve HK$'000	Accumulated deficits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2016	20,016	936,493	8,553	373	71,361	(529,406)	507,390	2,876	510,266
Comprehensive income									
Loss for the year	–	–	–	–	–	(525,710)	(525,710)	(152)	(525,862)
Other comprehensive income for the year									
Currency translation difference	–	–	–	27	–	–	27	–	27
Total comprehensive income/(loss) for the year	–	–	–	27	–	(525,710)	(525,683)	(152)	(525,835)
Transactions with owners in their capacity as owners									
Changes in ownership interests in subsidiaries without change of control *(Note 36)*	–	–	(304)	–	–	–	(304)	(2,727)	(3,031)
Issuance of ordinary shares *(Note 30)*	48,000	614,000	–	–	–	–	662,000	–	662,000
Expense incurred in connection with issue of new shares	–	(27,047)	–	–	–	–	(27,047)	–	(27,047)
Recognition of equity-settled share-based payments	–	–	–	–	3,548	–	3,548	–	3,548
Lapse of share option	–	–	–	–	(2,910)	2,910	–	–	–
Total transactions with owners in their capacity as owners	48,000	586,953	(304)	–	638	2,910	638,197	(2,727)	635,470
Balance as at 31 December 2016	68,016	1,523,446	8,249	400	71,999	(1,052,206)	619,904	(3)	619,901

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserves HK$'000 *(Note)*	Exchange reserve HK$'000	Share option reserve HK$'000	Accumulated deficits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2017	68,016	1,523,446	8,249	400	71,999	(1,052,206)	619,904	(3)	619,901
Comprehensive income									
Profit for the year	–	–	–	–	–	35,861	35,861	–	35,861
Other comprehensive income for the year									
Currency translation difference	–	–	–	7,412	–	–	7,412	282	7,694
Total comprehensive income for the year	–	–	–	7,412	–	35,861	43,273	282	43,555
Transactions with owners in their capacity as owners									
Derecognition of non-controlling interests on dissolution of a subsidiary	–	–	–	–	–	–	–	3	3
Capital injection from non-controlling interests	–	–	–	–	–	–	–	6,918	6,918
Recognition of equity-settled share-based payments	–	–	–	–	2,326	–	2,326	–	2,326
Lapse of share option	–	–	–	–	(1,849)	1,849	–	–	–
Total transactions with owners in their capacity as owners	–	–	–	–	477	1,849	2,326	6,921	9,247
Balance as at 31 December 2017	68,016	1,523,446	8,249	7,812	72,476	(1,014,496)	665,503	7,200	672,703

Note: Capital reserves represents (i) an amount of HK$5,002,000 arising from the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the paid-in capital of subsidiaries acquired pursuant to the Group's restructuring in preparation for the listing of the Company's shares; (ii) deemed capital contribution from a shareholder amounting to HK$3,551,000 and (iii) the difference between the amount by which the non-controlling interests are adjusted and the fair value paid to acquire additional equity interest in subsidiaries originally held by non-controlling shareholders.

The notes on pages 53 to 129 are on integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash generated from operations	*32*	**167,132**	145,985
Hong Kong profits tax paid		**(1,722)**	(1,473)
Net cash generated from operating activities		**165,410**	144,512
Cash flows from investing activities			
Interest received from banks		**3**	8,328
Interest received from loan receivables		**9,225**	–
Purchases of property, plant and equipment		**(6,235)**	(280)
Purchases of land use rights		**(104,619)**	–
Purchases of financial assets at fair value through profit or loss		**(16,054)**	–
Capital injection to an associate accounted for using the equity method		**(34,740)**	–
Increase in loan receivables		**(143,000)**	–
Withdrawal of pledged bank deposits		**–**	169,567
Proceeds from disposal of property, plant and equipment		**43,540**	530
Proceeds from disposal of investment properties		**2,961**	–
Deposit refunded from a proposed acquisition		**123**	5,998
Net cash (used in)/generated from investing activities		**(248,796)**	184,143
Cash flows from financing activities			
Interest paid		**–**	(23,325)
Proceeds from issuance of ordinary shares (net of issuance cost)		**–**	634,953
Proceeds from borrowings		**15,032**	68,356
Repayments of bank borrowings		**–**	(707,412)
Repayments of obligations under finance leases		**(91)**	(134)
Repayment of bonds		**–**	(132,200)
Capital injection from non-controlling interests		**6,918**	–
Net cash generated from/(used in) financing activities		**21,859**	(159,762)
Net (decrease)/increase in cash and cash equivalents		**(61,527)**	168,893
Cash and cash equivalents at beginning of the year		**244,523**	75,630
Effect of change of foreign exchange rate		**457**	–
Cash and cash equivalents at end of the year	*25*	**183,453**	244,523

The notes on pages 53 to 129 are on integral part of the consolidated financial statements.

1 GENERAL INFORMATION

Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in sourcing cultivated ginseng and wild ginseng (collectively, the "**American Ginseng**") from Canada and the United States and sell American Ginseng to the second level wholesalers in Hong Kong, China and overseas.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 33 of 1961, as consolidated and revised) of Cayman Islands. The Company's immediate and ultimate holding company is Super Generation Group Limited ("**Super Generation**"), a company incorporated in the British Virgin Islands. Super Generation is directly wholly owned by Mr. George Lu. The address of the Company's registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 301-3, 3/F, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Hong Kong. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These financial statements have been approved for issue by the board of directors on 28 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 BASIS OF PREPARATION

(A) COMPLIANCE WITH HKFRS AND HKCO

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(B) HISTORICAL COST CONVENTION

The financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss and investment properties, which are measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION (CONTINUED)

(C) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards, amendments to standards and annual improvements for the first time for their annual reporting period commencing 1 January 2017:

Amendments to HKAS 7	Statement of cash flows
Amendments to HKAS12	Income taxes
Annual improvements project	Annual improvements 2014-2016 cycle

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods. The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities (Note 32(A)).

(D) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

		Effective for accounting periods beginning on or after
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	Effective date to be determined
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 28	Investments in associates and joint ventures	1 January 2018
Amendments to HKAS 40	Transfer of investment property	1 January 2018
HK(IFRIC)-Int22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int23	Uncertainty over Income Tax Treatments	1 January 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION (CONTINUED)

(D) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED *(CONTINUED)*

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of HKFRS 9, HKFRS 15 and HKFRS 16 is set out below.

HKFRS 9 "FINANCIAL INSTRUMENTS"

Nature of change
HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact
The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018.

The financial assets held by the Group include equity investments currently measured at fair value through profit or loss ("**FVPL**") which will continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects it may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION *(CONTINUED)*

(D) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED *(CONTINUED)*

HKFRS 9 "FINANCIAL INSTRUMENTS" *(CONTINUED)*

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The management has performed a preliminary assessment and expect that the application of HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations based on the current business model. Meanwhile, there will be additional disclosure requirements under HKFRS 15 upon its adoption.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16, "LEASES"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 *BASIS OF PREPARATION (CONTINUED)*

(D) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED *(CONTINUED)*

HKFRS 16, "LEASES" *(CONTINUED)*

Impact
The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$11,009,000.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by Group
Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

2.2 *PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING*

(A) SUBSIDIARIES

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

The acquisition method of accounting is used to account for business combinations by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (CONTINUED)

(A) SUBSIDIARIES *(CONTINUED)*

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

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

(B) ASSOCIATE

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

(C) EQUITY ACCOUNTING

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (CONTINUED)

(D) CHANGES IN OWNERSHIP INTERESTS

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

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

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

2.3 BUSINESS COMBINATIONS

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 *BUSINESS COMBINATIONS (CONTINUED)*

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the statement of profit or loss.

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

2.4 *SEPARATE FINANCIAL STATEMENTS*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The Company has appointed the executive directors as the chief operating decision makers to review the operating results of the Group on a consolidated basis, and makes strategic decisions.

2.6 FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL AND PRESENTATION CURRENCY

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

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in statement of profit or loss. All foreign exchange gains and losses are presented in statement of profit or loss and other comprehensive income within "other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair values are reported as part of the fair value gain or loss. For example, translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(C) GROUP COMPANIES

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 *FOREIGN CURRENCY TRANSLATION (CONTINUED)*

(C) GROUP COMPANIES *(CONTINUED)*

(ii) income and expenses for each statement of profit or loss and comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

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

2.7 *PROPERTY, PLANT AND EQUIPMENT*

Property, plant and equipment, are stated at historical cost less depreciation less impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

Leasehold land and buildings	2% or over the unexpired lease term, whichever is shorter
Leasehold improvements	20%
Motor vehicles	20%
Fixtures and office equipment	20%

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 CONSTRUCTION-IN-PROGRESS

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.7 above.

2.9 LAND USE RIGHT

Land use right is stated at cost less accumulated amortisation and impairment losses. Cost represents upfront prepayments made for the rights to use the land. Amortisation of leasehold land is expensed in the statement of profit or loss on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the statement of profit or loss.

2.10 INVESTMENT PROPERTY

Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in the statement of profit or loss as part of other gains/(losses), net.

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.13 INVESTMENTS AND OTHER FINANCIAL ASSETS

(A) CLASSIFICATION

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss, and
- loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. See Note 19 for details about each type of financial asset.

(I) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as noncurrent assets. The Group has not elected to designate any financial assets at fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(A) CLASSIFICATION *(CONTINUED)*

(II) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables, loan and interest receivables and cash and cash equivalents.

(B) RECLASSIFICATION

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(C) RECOGNITION AND DERECOGNITION

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

(D) MEASUREMENT

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(D) MEASUREMENT *(CONTINUED)*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Dividends on financial assets at fair value through profit or loss are recognised in the statement of profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the other income, while interest on loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3(A).

2.14 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each of the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ASSETS CARRIED AT AMORTISED COST

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

2.17 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for good sold in the ordinary course of business. Trade receivables are generally due for settlement within 30 days to 60 days and therefore are all classified as current.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.13 for further information about the Group's accounting for trade receivables and Note 2.15 for a description of the Group's impairment policies.

2.18 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.19 SHARE CAPITAL

Ordinary shares are classified as equity.

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

2.20 TRADE AND OTHER PAYABLES

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

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

2.22 BORROWING COSTS

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 CURRENT AND DEFERRED INCOME TAX

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

(A) CURRENT INCOME TAX

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

(B) DEFERRED INCOME TAX

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 EMPLOYEE BENEFITS

(A) SHORT-TERM OBLIGATIONS

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(B) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

The liabilities for annual leaves are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the statement of profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(C) POST-EMPLOYMENT OBLIGATIONS

The Group operates a mandatory provident fund scheme ("**MPF Scheme**") in Hong Kong, the assets of which are held in separate trustee-administered funds.

DEFINED CONTRIBUTION PLAN

Defined contribution plan is a pension plan under which the Group pays fixed contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The Group has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

MPF Scheme in Hong Kong is a defined contribution plan for certain employees. The assets of the MPF Scheme are held in separate trustee-administered funds. Both the entity and the employees are required to contribute 5% of the employees' relevant income up to a maximum of HK$1,500 per employee per month. The entity's contributions to the MPF Scheme are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 EMPLOYEE BENEFITS (CONTINUED)

(D) PROFIT-SHARING AND BONUS PLANS

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

(E) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.25 SHARE-BASED PAYMENT

Share-based compensation benefits are provided to directors, eligible employees and consultants under a share option scheme.

SHARE OPTIONS

The fair value of options granted under the share option scheme is recognised as expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

(a) including any market performance conditions (e.g. the entity's share price);

(b) excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining a grantee of the entity over a specified time period); and

(c) including the impact of any non-vesting conditions (e.g. the requirement for grantees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.26 PROVISIONS

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

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

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

2.27 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(A) SALE OF GOODS – WHOLESALE

Sale of goods is recognised when the Group has delivered goods to the customer, and the customer has accepted the goods and collectability of the related receivables is reasonably assured.

The Group sells a range of American ginseng in the wholesale market. Sales of goods are recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. The Group normally does not accept any returns from customers. Delivery occurs when the products have been collected at the specified location, the risks of obsolescence and loss have been transferred to the wholesaler.

Sales are recorded based on the price specified in the sales invoices, net of the foreseeable rebates and discounts (if any). Accumulated experience is used to estimate and provide for the amount of rebates and discounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 REVENUE RECOGNITION (CONTINUED)

(B) SALE OF GOODS – RETAIL

The Group operates a retail shop for selling American ginseng and related health products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash, by credit card or by cheque.

(C) RENTAL INCOME

Rental income from investment property is recognised in the statement of profit or loss on a straight-line basis over the term of the lease.

2.28 INTEREST INCOME

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.29 LEASES

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

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The management identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(A) FOREIGN EXCHANGE RISK

The Group primarily operated in Hong Kong. It is also exposed to foreign exchange risk arising from Canadian Dollars ("**CAD**") and Renminbi ("**RMB**"). Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. During the year ended 31 December 2017, approximately 100% (2016: 92%) of the Group's purchases are denominated in CAD, which is not the functional currency of the group entities.

Management manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure.

Management is of the view that the Group's exposure to US$ is minimal since HK$ is pegged to the US$.

The analysis has been determined assuming that the depreciation trend in foreign exchange rates against HK$ had occurred at the date of statement of financial position, and that all other variables remain constant. The potential effects on the statement of profit or loss include the impacts from translation on assets or liabilities recognised as at the end of reporting period.

As at 31 December 2017, if CAD had strengthened/weakened by 5% (2016: 5%) against HK$, with all other variables held constant, post-tax profit (2016: loss) for the year would have been approximately HK$2,161,000 lower/higher (2016: HK$2,000 lower/higher) as a result of foreign exchange losses/gains (2016: gains/losses) on translation of CAD denominated assets and liabilities.

As at 31 December 2017, if RMB had strengthened/weakened by 5% (2016: Nil) against HK$, with all other variables held constant, post-tax profit (2016: Nil) for the year would have been approximately HK$318,000 lower/higher (2016: Nil) as a result of foreign exchange losses/gains (2016: Nil) on translation of HK$ denominated assets for a group company with RMB as its functional currency.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(B) INTEREST RATE RISK

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from cash at banks, bank borrowings and loan receivables. Other financial assets and financial liabilities are non-interest-bearing and are measured at amortised cost.

As at 31 December 2017, if interest rates on interest-bearing cash at banks and bank borrowings had been 30 basis points (2016: 30 basis points) higher/lower with all other variables held constant, post-tax profit (2016: loss) for the year of the Group would have been approximately HK$437,000 higher/lower (2016: HK$613,000 lower/higher) due to net interest income earned on market interest rate.

As at 31 December 2017, the Group's loan receivables are all issued at fixed rates which expose the Group to fair value interest rate risk. Management considers the fair value exposure of the fixed rate loan receivables is insignificant to the Group. As at 31 December 2016, the Group does not have any loan receivables.

(C) CREDIT RISK

Credit risk is managed on a group basis. The Group's credit risk arises from trade and other receivables, loan and interest receivables and cash deposited at banks. The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of these assets which are stated as follows:

	2017	2016
	HK$'000	HK$'000
Trade and other receivables	**19,359**	47,136
Loan and interest receivables	**149,200**	–
Cash deposited at banks	**183,442**	244,497
	352,001	291,633

The Group has a concentration of credit risk from trade receivables from certain customers. For the year ended 31 December 2017, the top customer accounted for approximately 41% of the revenue, net (2016: 81%). Trade receivables from the Group's top five customers as at 31 December 2017 amounted to approximately HK$16,432,000 (2016: HK$30,469,000), representing 100% (2016: 66%) of the Group's net trade receivables as at 31 December 2017.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(C) CREDIT RISK *(CONTINUED)*

Sales to wholesale customers are required to be settled by partial prepayment in advance following a 30 days to 60 days credit period. In order to minimise the credit risk, management is responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade and other receivables. In addition, the management reviews the recoverable amount of each individual debt regularly. The Group considered the associated credit risk of trade receivables and debtors are manageable in general.

Management considers the credit risk for amount due from an associate to be minimal after considering the financial condition of the entity. Management has performed assessment over the recoverability of the balance and management does not expect any loss from non-performance by the entity.

The Group manages and analyses the credit risk for each of their new borrowers before making loans to them and offering the terms and conditions. The directors of the Company would evaluate the credit quality of the borrower by assessing the identity, background, financial position, listed equity investments held in a security service company, purpose of borrowings, etc. Management also perform periodic credit risk assessment by reference to each of the borrower's financial capabilities and their repayment history. The Group may request for collateral after granting the loan, if necessary.

Management considers the loan and respective interest receivables as loss if the repayment of principal and/or interest has been overdue for a pro-longed period and the collection of principal and interest in full is considered improbable after exhausting all collection efforts such as initiation of legal proceedings.

The Group's bank balances are held at reputable financial institutions with sound credit ratings.

(D) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash. As at 31 December 2017, the Group maintained cash and cash equivalents of HK$183,453,000 (2016: HK$244,523,000) that is expected to be readily available to meet the cash outflows of its financial liabilities.

The Group's primary cash requirements have been the payment for operating expenses. The Group mainly finances its working capital requirements mainly through internal resources. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and working capital to meet its liquidity requirements in the short and long term.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(D) LIQUIDITY RISK *(CONTINUED)*

The table below analyses the Group's financial liabilities at amortised cost into relevant maturity groupings based on the remaining period at the date of statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flow.

	Within 1 year	**Over 1 year**	**Total undiscounted cash flows**
	HK$'000	HK$'000	HK$'000
As at 31 December 2017			
Trade and other payables	**87,769**	**–**	**87,769**
Obligations under finance leases	**91**	**159**	**250**
Bank borrowings and interest payables	**15,264**	**–**	**15,264**
	103,124	**159**	**103,283**
As at 31 December 2016			
Trade and other payables	6,861	–	6,861
Obligations under finance leases	91	250	341
	6,952	250	7,202

The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

3.2 *CAPITAL MANAGEMENT*

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

The capital structure of the Group consists of borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium, reserves and accumulated deficits as disclosed in the consolidated statement of changes in equity.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 *CAPITAL MANAGEMENT (CONTINUED)*

Management reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of bank loans.

The Group monitors capital on the basis of the gearing ratio as at 31 December 2016 and 2017. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings and obligations under finance leases, less the cash and cash equivalents, as shown in the consolidated statement of financial position. Total capital is calculated as "Total equity" as shown in the consolidated statement of financial position plus net debt or less net cash.

	2017	2016
	HK$'000	HK$'000
Obligations under finance leases *(Note 28)*	**250**	341
Bank borrowings *(Note 29)*	**15,032**	–
Less: cash and cash equivalents *(Note 25)*	**(183,453)**	(244,523)
Net cash	**(168,171)**	(244,182)
Total equity	**672,703**	619,901
Total capital	**504,532**	375,719
Gearing ratio	**N/A**	N/A

Net cash position is noted as at 31 December 2017 and 2016.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION

(A) FINANCIAL ASSETS AND LIABILITIES

(I) FAIR VALUE HIERARCHY

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements				
At 31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss				
– listed equity securities	8,030	–	–	8,030

No financial assets or liabilities was measured at fair value as at 31 December 2016.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 1 The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

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

Level 3 If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(B) NON-FINANCIAL ASSETS AND LIABILITIES

(I) FAIR VALUE HIERARCHY

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.3(A).

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2017				
Investment properties				
– residential property in Hong Kong ("**Property I**")	**–**	**–**	**91,000**	**91,000**
Assets classified as held for sale				
– industrial property in Hong Kong ("**Property II**")	**–**	**–**	**15,168**	**15,168**
Total non-financial assets	**–**	**–**	**106,168**	**106,168**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2016				
Non-financial assets				
Investment properties				
– residential property in Hong Kong ("**Property I**")	–	–	77,000	77,000
– industrial properties in Hong Kong ("**Property II**")	–	–	16,630	16,630
Total non-financial assets	–	–	93,630	93,630

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION *(CONTINUED)*

(B) NON-FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

(II) VALUATION TECHNIQUES USED TO DETERMINE LEVEL 3 FAIR VALUES AND VALUATION PROCESSES

The fair value of Property I is arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), an independent valuer which is not related to the Group. The Group's finance department reviews the valuations performed by JLL for financial reporting purpose. These valuation results are then reported to the Group's management for discussions and review in relation to the valuation processes and the reasonableness of valuation results.

The fair value of Property II is arrived by making reference to the selling price of the property subsequent to the end of reporting period (i.e. January 2018). The directors are of the opinion that the fair value as at the date of designation as held for sale and end of reporting period are within reasonable range of market price, after conducting an in-house direct market comparison approach with recent market transactions.

The fair value of the investment properties were arrived by using direct comparison method based on market observable transactions of similar properties in the similar conditions and locations of the subject properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

(III) FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2016 and 31 December 2017 for recurring fair value measurements:

	Property I HK$'000	**Property II** HK$'000	**Total** HK$'000
At 1 January 2016	85,600	30,976	116,576
Transfer to property, plant and equipment	–	(11,572)	(11,572)
Change in fair value	(8,600)	(2,774)	(11,374)
At 31 December 2016	77,000	16,630	93,630
At 1 January 2017	**77,000**	**16,630**	**93,630**
Disposal	**–**	**(2,961)**	**(2,961)**
Change in fair value	**14,000**	**1,499**	**15,499**
At 31 December 2017	**91,000**	**15,168**	**106,168**

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION *(CONTINUED)*

(B) NON-FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

(IV) VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Properties	HK$'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2017					
Properties I and II – properties in Hong Kong	106,168	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: 1) Property size 2) Property floor level	Price per square feet, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	Property I: HK$27,609 – HK$38,162 per square feet Property II: HK$2,000 – HK$2,144 per square feet	1) The larger the property size, the higher the fair value. 2) The higher the floor level, the higher the price per square feet and the fair value.
At 31 December 2016					
Properties I and II – properties in Hong Kong	93,630	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: 1) Property size 2) Property floor level	Price per square feet, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	Property I: HK$24,669 – HK$29,700 per square feet Property II: HK$2,012 – HK$2,913 per square feet	1) The larger the property size, the higher the fair value. 2) The higher the floor level, the higher the price per square feet and the fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 CRITICAL ACCOUNTING ESTIMATES

(A) NET REALISABLE VALUE OF INVENTORIES

Determining whether a write-down is necessary in the carrying amount of inventories is based on a comparison of whether the historical value of the inventories is greater than their estimated selling price less all the related costs related to the selling process. In addition, a detailed physical examination and quality tests are also carried out in order to obtain an indication of realisable values. Once the carrying amount of the inventories is higher than their net realisable values, a write-down will be made so that the carrying amount of inventories would not be higher than their net realisable values. As at 31 December 2017, the carrying amount of inventories is HK$63,682,000 (2016: HK$166,394,000).

(B) ESTIMATION OF PROVISION FOR IMPAIRMENT OF LOAN AND INTEREST RECEIVABLES

The Group assesses provision for impairment of loan and interest receivables based on an estimate of the recoverability of these receivables. Provisions are applied to loan and interest receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of loan and interest receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(C) ESTIMATION OF PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

On assessing any impairment of the Group's trade receivables excluding the customers with provision of rebates and discounts, as disclosed in Note 6, management regularly reviews the recoverability, creditworthiness of customers and aging of the trade receivables. Impairment on trade receivables is made on the estimation of the future cash flows discounted at an effective interest rate. If the financial condition of the customers of the Group were deteriorated, resulting in an impairment of their ability to make payments, additional impairment may be required. The carrying amount of trade receivables (excluding the above-mentioned customers with provision of rebates and discounts) as at 31 December 2017 is HK$16,432,000 (2016: HK$46,306,000).

5 SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, which are the executive directors of the Company, for the purpose of allocating resources to the segments and to assess their performance which focus on the different types of products. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Cultivated ginseng;

(ii) Wild ginseng from the United States ("**Wild ginseng**");

(iii) Ginseng wine; and

(iv) Others: trading of other foods (including dried cordyceps, dried cubilose and dried seafood)

The following is an analysis of the Group's revenue, net of rebates and discounts and results by segment:

	Cultivated ginseng HK$'000	**Wild ginseng** HK$'000	**Ginseng wine** HK$'000	**Others** HK$'000	**Total** HK$'000
Year ended 31 December 2017					
Segment revenue	**131,119**	**57,002**	**8,356**	**585**	**197,062**
Cost of sales	**(122,793)**	**(59,238)**	**(6,110)**	**–**	**(188,141)**
Segment result	**8,326**	**(2,236)**	**2,246**	**585**	**8,921**
Year ended 31 December 2016					
Segment revenue	220,408	125,729	6,583	1,665	354,385
Cost of sales	(529,665)	(201,816)	(9,297)	(11,503)	(752,281)
Segment result	(309,257)	(76,087)	(2,714)	(9,838)	(397,896)
Write-off on property, plant and equipment	–	–	939	5,834	6,773

5 SEGMENT INFORMATION *(CONTINUED)*

	2017 HK$'000	2016 HK$'000
Segment result	**8,921**	(397,896)
Unallocated		
Other income	**18,327**	11,470
Other gains/(losses), net	**37,577**	(83,661)
Selling and distribution expenses	**(1,643)**	(4,244)
Administrative expenses	**(33,316)**	(60,266)
Finance costs	**(76)**	(29,890)
Share of net profit of an associate accounted for using the equity method	**6,130**	–
Profit/(loss) before income tax	**35,920**	(564,487)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2016 and 2017.

Segment result during the year represents the gross profit/(loss) of each segment without allocation of other income, other gains/(losses), net, selling and distribution expenses, administrative expenses, finance costs and share of net profit of an associate accounted for using the equity method. This is the measure reported to the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

SEGMENT ASSETS AND LIABILITIES

No segment assets and segment liabilities and other segment information are presented as such amounts are not reviewed by the Group's chief operating decision makers for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision makers.

GEOGRAPHICAL INFORMATION

No geographical segment information is presented as the Group's revenue is all derived from Hong Kong based on the location of goods delivered.

The Group's non-current assets other than financial instruments by geographical location, which are determined by the geographical locations in which the asset is located, is as follows:

	2017 HK$'000	2016 HK$'000
Non-current assets		
The People's Republic of China (the "**PRC**")	**199,762**	–
Hong Kong	**105,227**	167,664
	304,989	167,664

5 SEGMENT INFORMATION *(CONTINUED)*

INFORMATION ABOUT MAJOR CUSTOMERS

Revenues (before provision for rebates and discounts) from customers of the corresponding years contributing over 10% of the total gross revenue of the Group are as follows:

	2017 **HK$'000**	2016 HK$'000
Customer A		
– Cultivated Ginseng	**71,348**	N/A*
– Wild Ginseng	**8,577**	N/A*
– Others	**9**	N/A*
	79,934	N/A*
Customer B		
– Cultivated Ginseng	**27,010**	N/A*
– Wild Ginseng	**10,133**	N/A*
	37,143	N/A*
Customer C		
– Wild Ginseng	**28,252**	N/A*
Customer D		
– Cultivated Ginseng	**N/A***	253,403
– Wild Ginseng	**N/A***	34,324
	N/A*	287,727
Customer E		
– Cultivated Ginseng	**N/A***	86,386
Customer F		
– Cultivated Ginseng	**N/A***	47,671

* The corresponding revenue did not contribute 10% or more of the Group's revenue.

6 REVENUE

	2017	2016
	HK$'000	HK$'000
Sales of goods	**194,308**	594,004
Reversal of/(provision for) rebates and discounts *(Note)*	**2,754**	(239,619)
Revenue, net of rebates and discounts	**197,062**	354,385

Note:

Since the announcements of the possible change in control of the Company in February 2016, the Group had experienced a significant slowdown in settlement of trade receivables from the customers. Certain major customers (the "**Customers**") expressed concerns about the negative impact on the ginseng price and have requested the former Chairman of the Company for rebates and discounts on the original sales amounts.

During the year ended 31 December 2016, the directors of the Company attempted to contact the Customers to commence negotiations of the rebates and discounts amounts as well as the trade receivable settlement plan. The Group undertook legal proceedings to enforce debt collection. Final judgements were released by the High Court in Hong Kong in December 2016, ordering certain of the Customers to repay the outstanding balances together with accrued interests to the Group. Despite the court's verdict and the Group's continued efforts to enforce settlement, the Customers did not respond to the court order.

In light of the requests from the Customers and the developments in the year ended 31 December 2016, the board of directors considered whether the amounts recognised as revenue from sales of ginseng to the Customers should be further adjusted to take into account the possible rebates and discounts. In making the judgement, the directors of the Company reconsidered the requirements set out in *HKAS 18 Revenue* and, in particular, that the Group should measure revenue at the fair value of the estimated consideration received or receivable taking into account the amount of any rebates and discounts allowed by the Group. Accordingly, following a detailed assessment, having regard to the insignificant amount of settlement so far and the fact that the Customers still did not respond to the court order, the directors of the Company made a provision for rebates and discounts of HK$239,619,000 during the year ended 31 December 2016, attributable to revenue from sales to the Customers of HK$134,057,000 and HK$105,562,000 recognised during January to February 2016 and for the year end 31 December 2015, respectively. As at 31 December 2016, the net trade receivables due from the Customers became nil after offsetting the total provision for rebates and discounts of HK$567,037,000.

In the opinion of the board of directors, the provision for rebates and discounts represented the board of directors' assessments based on the requests from the Customers and the Group's current circumstances. The provision for rebates and discounts calculated by the directors was based on a number of assumptions, including an assessment of the probability of the Customers resuming payments having regard to the fact that the Customers did not respond to the court order, an estimate of the potential timing of these payments and the likelihood that the Customers will agree with alternative settlement plans should they become contactable, taking into account the Group's current circumstances.

During the year ended 31 December 2017, trade receivable of HK$2,754,000 was recovered from one of the Customers and the respective provision for rebates and discounts was reversed accordingly, while the remaining outstanding balances remained uncollectible. As a result, trade receivable of HK$564,283,000 were written off during the year ended 31 December 2017.

7 EXPENSE BY NATURE

	2017 HK$'000	2016 HK$'000
Auditor's remuneration		
– Audit services	**2,080**	1,780
– Non-audit services	**20**	20
Cost of inventories sold	**182,194**	646,234
Employee benefit expense *(Note 10)*	**17,136**	26,363
Depreciation of property, plant and equipment *(Note 15)*	**3,169**	4,938
Operating lease payments in respect of rented premises	**2,547**	5,519
Transportation expenses	**516**	1,630
Legal and professional fee	**3,079**	5,563
Insurance expense	**437**	1,832
Office expense	**1,682**	2,329
Advertising expense	**–**	2,635
Consultancy fee	**1,200**	–
Write-off on property, plant and equipment *(Note 15)*	**–**	10,037
Impairment loss on property, plant and equipment *(Note 15)*	**–**	2,764
Inventory write-down *(Note 21)*	**5,947**	96,510
Others	**3,093**	8,637
Total cost of sales, selling and distribution expenses and administrative expenses	**223,100**	816,791

8 OTHER INCOME

	2017 HK$'000	2016 HK$'000
Interest income from bank deposits	**3**	8,328
Interest income from loan receivables	**15,425**	–
Rental income	**2,649**	2,963
Sundry income	**250**	179
	18,327	11,470

9 OTHER GAINS/(LOSSES), NET

	2017 HK$'000	2016 HK$'000
Gain on disposal of property, plant and equipment	**29,877**	101
Change in fair value of investment properties	**15,499**	(11,374)
Gain on disposal of a subsidiary	**–**	475
Gain on dissolution of subsidiaries	**84**	–
Exchange gain/(loss), net	**18**	(59,653)
Loss on disposal of financial assets at fair value through profit or loss	**–**	(311)
Change in fair value of financial assets at fair value through profit or loss	**(8,024)**	–
Realised gain on change in fair value of derivative financial instruments, net	**–**	4,249
Reversal of/(provision for) investment project deposit	**123**	(15,962)
Others	**–**	(1,186)
	37,577	(83,661)

10 EMPLOYEE BENEFIT EXPENSE

	2017 HK$'000	2016 HK$'000
Wages and salaries	**14,512**	21,820
Share options granted to directors and employees	**2,326**	3,548
Pension costs – defined contribution plans	**298**	995
Total employee benefit expense	**17,136**	26,363

Note:

Five highest paid individuals

Among the five individuals with the highest emoluments in the Group, three (2016: three) were the directors of the Company for the year ended 31 December 2017 whose emoluments are included in the disclosures in Note 41.

During the year ended 31 December 2017, one of the three directors resigned on 31 August 2017 and became an employee of the Company.

10 EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

Note: (Continued)

The emoluments of the remaining two (2016: two) individuals and the abovementioned resigned director (in the capacity of an employee since the date of employment), were as follows:

	2017 HK$'000	2016 HK$'000
Wages and salaries	**2,758**	2,384
Share options granted to employees	**144**	2,317
Pension costs – defined contribution plans	**42**	36
	2,944	4,737

The emoluments of the abovementioned resigned director and individuals fell within the following bands:

	No. of individuals 2017	2016
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	1

11 FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest expense on:		
– Bank loans and overdrafts	**76**	16,112
– Bonds	**–**	5,324
	76	21,436
Direct issue cost of bonds due to early repayment	**–**	8,454
	76	29,890

12 INCOME TAX (EXPENSE)/CREDIT

	2017 HK$'000	2016 HK$'000
Hong Kong profits tax		
Current income tax	**(65)**	(221)
Over-provision in respect of prior years	**90**	38,832
	25	38,611
Deferred tax (charges)/credit *(Note 20)*	**(84)**	14
Income tax (expenses)/credit	**(59)**	38,625

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

The taxation for the year is reconciled to profit/(loss) per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit/(loss) before income tax	**35,920**	(564,487)
Tax (expense)/credit at the applicable income tax rate (16.5%)	**(5,927)**	93,140
Tax effect of different income tax rates in other jurisdictions	**(206)**	–
Tax effect of expenses not deductible for tax purposes	**(2,659)**	(12,234)
Tax effect of income not taxable for tax purpose	**9,914**	2,394
Over-provision in respect of prior years	**90**	38,832
Tax effect of temporary difference not recognised	**202**	–
Tax effect of tax loss not recognised	**(1,488)**	(84,334)
Tax reduction	**15**	–
Others	**–**	827
Tax (expense)/credit for the year	**(59)**	38,625

13 DIVIDEND

	2017 HK$'000	2016 HK$'000
Final, proposed, of HK0.1 cent (2016: Nil) per ordinary share	**17,004**	–

A dividend in respect of the year ended 31 December 2017 of HK0.1 cent per share (2016: Nil) was proposed by the Board of directors on 28 March 2018 and to be approved by the shareholders in the forthcoming annual general meeting. This proposed final dividend, amounting to HK$17,004,000 was not recognised as a liability in the financial statements, but will be reflected as an appropriation of accumulated deficits for the year ending 31 December 2018.

14 EARNINGS/(LOSS) PER SHARE

(A) BASIC

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017 HK$'000	2016 HK$'000
Profit/(loss) attributable to owners of the Company	**35,861**	(525,710)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (thousands)	**17,004,050**	14,094,592
Basic earnings/(loss) per share	**0.21 cent**	(3.73) cents

The weighted average number of ordinary shares for the year ended 31 December 2016 has included the effect of share-consolidation as mentioned in Note 30(d) as well as the bonus element arising from placement of shares at discount.

(B) DILUTED

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all share options. The Company has dilutive potential ordinary shares from share options. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings/(loss) per share.

Diluted earnings/(loss) per share is of the same amount as the basic earnings/(loss) per share for both years ended 31 December 2016 and 2017 because the exercise of the outstanding share options would be anti-dilutive.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Fixtures and office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2016						
Cost	65,031	12,483	2,451	11,621	–	91,586
Accumulated depreciation	(3,428)	(2,335)	(994)	(5,379)	–	(12,136)
Net book amount	61,603	10,148	1,457	6,242	–	79,450
Year ended 31 December 2016						
Opening net book amount	61,603	10,148	1,457	6,242	–	79,450
Additions	–	1,100	–	80	–	1,180
Transfer from investment properties	11,572	–	–	–	–	11,572
Disposals	–	–	(420)	(9)	–	(429)
Impairment loss	–	(1,577)	–	(1,187)	–	(2,764)
Write-off	–	(6,139)	(203)	(3,695)	–	(10,037)
Depreciation charge	(1,743)	(1,965)	(295)	(935)	–	(4,938)
Closing net book amount	71,432	1,567	539	496	–	74,034
At 31 December 2016						
Cost	76,603	4,904	1,446	2,112	–	85,065
Accumulated depreciation	(5,171)	(1,760)	(907)	(429)	–	(8,267)
Accumulated impairment loss	–	(1,577)	–	(1,187)	–	(2,764)
Net book amount	71,432	1,567	539	496	–	74,034
Year ended 31 December 2017						
Opening net book amount	71,432	1,567	539	496	–	74,034
Exchange differences	–	142	36	11	1,768	1,957
Additions	–	3,681	977	277	40,836	45,771
Disposals	(12,849)	(326)	(473)	(15)	–	(13,663)
Transfer to assets classified as held for sale	(43,139)	(376)	–	–	–	(43,515)
Depreciation charge	(1,931)	(874)	(208)	(156)	–	(3,169)
Closing net book value	13,513	3,814	871	613	42,604	61,415
At 31 December 2017						
Cost	14,609	4,901	1,655	965	42,604	64,734
Accumulated depreciation	(1,096)	(1,087)	(784)	(352)	–	(3,319)
Net book amount	13,513	3,814	871	613	42,604	61,415

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Note:

As at 31 December 2017, certain construction in progress of RMB35,504,000 (equivalent to approximately HK$42,604,000) was constructed on an area, of which land use rights were in process of application. The directors of the Company anticipate to obtain the legal title of land use rights in next two years.

Equipment includes the following amounts where the Group is a lessee under a finance lease (refer to Note 28 for further details):

	2017	2016
	HK$'000	HK$'000
Leased equipment		
Cost	**455**	455
Accumulated depreciation	**(205)**	(114)
Net book amount	**250**	341

All depreciation charge has been charged in "administrative expenses".

During the year ended 31 December 2016, write-off of HK$3,264,000 and HK$6,773,000 has been charged in "administrative expenses" and "cost of sales" respectively and impairment loss of HK$2,764,000 has been charged in "cost of sales".

16 LAND USE RIGHTS

	HK$'000
At 1 January 2016 and 31 December 2016	
Cost	–
Accumulated amortisation	–
Net book amount	–
Year ended 31 December 2017	
Opening net book amount	–
Additions	93,237
Exchange difference	4,037
Closing net book amount	97,274
At 31 December 2017	
Cost	97,274
Accumulated amortisation	–
Net book amount	97,274

The Group's land use rights at their net book values are analysed as follows:

	HK$'000
In the PRC:	
Land use rights of 40 years	97,274

17 INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At fair value		
At 1 January	**93,630**	116,576
Transfer to property, plant and equipment *(Note 15)*	**–**	(11,572)
Disposal	**(2,961)**	–
Change in fair value *(Note 9)*	**15,499**	(11,374)
Transfer to assets classified as held for sale *(Note 26)*	**(15,168)**	–
At 31 December	**91,000**	93,630

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sale.

(I) AMOUNTS RECOGNISED IN STATEMENT OF PROFIT OR LOSS FOR INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
Rental income	**2,649**	2,963
Direct operating expenses from properties which generated rental income	**(388)**	(432)
	2,261	2,531

(II) ASSETS PLEDGED AS SECURITY

Refer to Note 35 for information on assets pledged as security by the Group.

17 INVESTMENT PROPERTIES *(CONTINUED)*

(III) LEASING ARRANGEMENTS

Minimum lease payments receivable on leases of investment properties are as follows:

	2017 HK$'000	2016 HK$'000
Within one year	2,294	2,441
In the second to fifth years inclusive	3,773	5,801
Over five years	–	266
	6,067	8,508

18 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Set out below is the associate of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group. The associate has share capital consisting solely of paid-up capital, which is held directly by the Group. The country of establishment is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of establishment	Proportion of ownership interest held by the Company		Principal activities	Measurement method	Carrying amount	
		2017 %	2016 %			2017 HK$'000	2016 HK$'000
浙江滙尊網絡科技有限公司（"HJIT"）	the PRC	49	–	Provision for information technology problem-solving service	Equity method	43,300	–

18 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

Movement on the investment accounted for using the equity method is as follows:

	2017 HK$'000
At 1 January	–
Capital injection to an associate	34,740
Share of net profit of an associate	6,130
Exchange differences	2,430
At 31 December	43,300

SUMMARISED FINANCIAL INFORMATION OF THE ASSOCIATE

The tables below provide summarised financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method.

	2017 HK$'000
Summarised balance sheet	
Current assets	37,817
Non-current assets	21,579
Current liabilities	(3,379)
Net assets	56,017
Summarised statement of profit or loss	
Revenue	43,405
Other income	1,228
Depreciation	(3,557)
Profit for the year and total comprehensive income	12,509

18 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

	2017 HK$'000
Reconciliation to carrying amount	
Opening net assets	–
Capital injection	40,492
Profit for the year	12,509
Exchange difference	3,016
Closing net assets	56,017
Group's share in %	49%
Group's share in HK$	27,449
Additional capital injection	15,851
	43,300

19 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Assets as per consolidated statement of financial position			
At 31 December 2017			
Trade and other receivables	19,359	–	19,359
Loan and interest receivables	149,200	–	149,200
Financial assets at fair value through profit or loss	–	8,030	8,030
Cash and cash equivalents	183,453	–	183,453
Total	352,012	8,030	360,042
At 31 December 2016			
Trade and other receivables	47,136	–	47,136
Cash and cash equivalents	244,523	–	244,523
Total	291,659	–	291,659

19 FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
At 31 December 2017	
Trade and other payables	**87,769**
Obligations under finance lease	**250**
Bank borrowings	**15,032**
Total	**103,051**
At 31 December 2016	
Trade and other payables	6,861
Obligations under finance lease	341
Total	7,202

20 DEFERRED INCOME TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movement during the year:

	Accelerated tax depreciation HK$'000	Fair value changes of investment properties HK$'000	Total HK$'000
At 1 January 2016	518	8,103	8,621
Through disposal of a subsidiary	(476)	–	(476)
Credited to statement of profit or loss	(14)	–	(14)
At 31 December 2016	28	8,103	8,131
Transfer to liabilities directly associated with assets classified as held for sale	(91)	–	(91)
Charged to statement of profit or loss	84	–	84
At 31 December 2017	21	8,103	8,124

20 DEFERRED INCOME TAX LIABILITIES *(CONTINUED)*

Deferred income tax assets are recognised for tax loss carry-forwards and deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise deferred income tax assets of approximately HK$130,282,000 (2016: HK$128,794,000) and HK$202,000 (2016: Nil) in respect of unutilised tax losses amounting to approximately HK$789,589,000 (2016: HK$780,573,000) that can be carried forward against future taxable income without expiry dates and deductible temporary differences amounting to approximately HK$1,222,000 (2016: Nil) respectively.

21 INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Cultivated ginseng	**56,204**	93,130
Wild ginseng	**1,210**	60,533
Ginseng wine	**6,268**	12,731
	63,682	166,394

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$182,194,000 (2016: HK$646,234,000). During the year ended 31 December 2017, the Group recognised provision for inventory write-down totaling HK$5,947,000 (2016: HK$96,510,000), which were included in "cost of sales".

Analysis of the provision for inventory write-down is as below:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**154,079**	131,568
Provision for the year	**5,947**	96,510
Utilisation for the year	**(127,051)**	(73,999)
At 31 December	**32,975**	154,079

22 PREPAYMENT AND TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**16,432**	613,343
Less: provision for rebates and discounts	**–**	(567,037)
	16,432	46,306
Amount due from an associate *(Note 37(B))*	**2,316**	–
Prepayment paid for acquisition of land use rights	**12,000**	–
Prepayment paid for inventory purchase	**6,220**	11,904
Other prepayments	**1,414**	1,026
Deposits	**545**	1,405
Value-added tax recoverable	**76**	–
Others	**66**	–
	22,637	14,335
Total trade and other receivables	**39,069**	60,641
Less: Non-current prepayment	**(12,000)**	–
Current portion	**27,069**	60,641

The Group generally grants credit periods ranging from 30 days to 60 days to its customers. Before accepting any new customer upon receipt of partial prepayment in advance, the Group internally assesses the potential customer's credit quality and define an appropriate credit limit. Management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

The following is an aging analysis of trade receivables (net of provision for rebates and discounts) based on the invoice date at the end of each reporting period:

	2017 HK$'000	2016 HK$'000
Within 30 days	**–**	33,299
31 to 90 days	**7,383**	13,007
91 to 180 days	**9,049**	–
	16,432	46,306

22 PREPAYMENT AND TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The following is an aging analysis of trade receivables (net of provision for rebates and discounts) which are past due but not impaired:

	2017 HK$'000	2016 HK$'000
Within 30 days	**5,815**	–
31 to 90 days	**4,049**	4,030
91 to 180 days	**5,000**	–
	14,864	4,030

Included in the Group's trade receivable balance as at 31 December 2017 are debtors with aggregate carrying amount of HK$14,864,000 (2016: HK$4,030,000), which are past due at the reporting date but not assessed as individually impaired as these receivables are due from certain customers of which the Group had either good trading relationship or with subsequent settlement. The Group does not hold any collateral over these balances.

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with satisfactory settlement history. No allowance for doubtful debts are recognised by the Group for the years ended 31 December 2016 and 2017.

Movements on the provision for rebates and discounts are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**567,037**	352,000
(Reversal of)/provision for rebates and discounts	**(2,754)**	239,619
Receivables written off during the year as uncollectible	**(564,283)**	–
Exchange differences	**–**	(24,582)
At 31 December	**–**	567,037

The carrying amounts of the trade and other receivables (net of rebates and discounts) are dominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	**19,359**	47,136

23 LOAN AND INTEREST RECEIVABLES

	2017 HK$'000	2016 HK$'000
Loan receivables	**143,000**	–
Interest receivables	**6,200**	–
	149,200	–

The Group's loan and interest receivables, arising from the money lending activities, are denominated in Hong Kong dollars.

The loan receivables of HK$143,000,000 (2016: Nil) are unsecured, bearing a fixed interest rate at 15% per annum and are repayable within one year from the dates of inception of the loans. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan and interest receivables mentioned above.

As at 31 December 2017, none of loan and interest receivables were past due or impaired.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2017 HK$'000	2016 HK$'000
Current assets		
Hong Kong listed equity securities	**8,030**	–

(A) AMOUNTS RECOGNISED IN STATEMENT OF PROFIT OR LOSS

Fair value loss resulting from the change in fair value of financial assets at fair value through profit or loss of HK$8,024,000 is recognised in other gains/(losses), net in profit or loss (2016: Nil).

(B) RISK EXPOSURE AND FAIR VALUE MEASUREMENTS

For information about the methods and assumptions used in determining fair value, please refer to Note 3.3.

25 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash on hand	**11**	26
Cash at banks	**183,442**	244,497
Cash and cash equivalents	**183,453**	244,523
Maximum exposure to credit risk	**183,442**	244,497

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

	2017 HK$'000	2016 HK$'000
HK$	**157,063**	237,627
RMB	**19,874**	320
US$	**6,473**	6,533
CAD	**43**	43
	183,453	244,523

26 ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 26 September 2017, the Group entered into provisional sales and purchase agreements with certain third parties for disposal of shares in two subsidiaries (the "**Disposals**"). The Disposals were completed on 19 January 2018. Assets and liabilities of the two subsidiaries ("**Disposal group**") were classified as held for sale as at 31 December 2017.

26 ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

The following assets and liabilities were reclassified as held for sale as at 31 December 2017:

	2017 HK$'000
Assets classified as held for sale	
Property, plant and equipment *(Note 15)*	43,515
Investment properties *(Note 17)*	15,168
Other receivables	603
Current income tax recoverable	25
Total assets of the Disposal group held for sale	59,311
Liabilities directly associated with assets classified as held for sale	
Other payables	86
Deferred income tax liabilities	91
Total liabilities of the Disposal group held for sale	177

27 TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	36,117	–
Deposit received from a customer	9,862	–
Other payables		
– Payables for construction work	41,008	–
– Payables for property, plant and equipment	2,316	–
– Accrued expenses	7,888	6,361
– Rental deposit	320	435
– Others	120	514
	61,514	7,310
Total trade and other payables	97,631	7,310

27 TRADE AND OTHER PAYABLES *(CONTINUED)*

The Group normally receives credit terms of 90 days to 150 days from its suppliers. The following is an aging analysis of trade payables based on invoice date at the end of each reporting period:

	2017 HK$'000	2016 HK$'000
Within 30 days	36,117	–

The carrying amounts of trade and other payables were denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	7,548	6,861
CAD	36,777	–
RMB	43,444	–
	87,769	6,861

28 OBLIGATIONS UNDER FINANCE LEASES

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:		
Current liabilities	91	91
Non-current liabilities	159	250
	250	341

28 OBLIGATIONS UNDER FINANCE LEASES *(CONTINUED)*

The Group has leased certain office equipment under finance leases. The lease term is 5 years and no interest charge for the remaining lease. These leases have purchase options upon expiring of the leases.

	Minimum lease payments and present value of minimum lease payments	
	2017	2016
	HK$'000	HK$'000
Amounts payable under finance leases		
Within one year	**91**	91
In more than one year but not more than two years	**91**	91
In more than two years but not more than five years	**68**	159
Present value of lease obligations	**250**	341
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(91)**	(91)
Amount due for settlement after 12 months	**159**	250

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

29 BANK BORROWINGS

	2017	2016
	HK$'000	HK$'000
Secured bank borrowings		
– Import invoice financing loans	**15,032**	–

29 BANK BORROWINGS *(CONTINUED)*

Bank borrowings will mature on 28 May 2018 and bear variable interest rate at LIBOR plus a margin of 2.75% with interest ranging from 4.04% to 4.11% per annum during the year ended 31 December 2017 (2016: Nil). The interest-bearing borrowings are carried at amortised cost.

As at 31 December 2017, the Group's borrowings were repayable within 1 year.

The carrying amounts of short-term borrowings approximate their fair values and are denominated in CAD.

As at 31 December 2017, the banking facilities of approximately HK$69,000,000 (2016: Nil) were secured by an investment property with the carrying amount of approximately HK$91,000,000 (2016: Nil) and the corporate guarantee provided by the Company (2016: Nil).

30 SHARE CAPITAL

	Notes	**Number of shares** (thousands)	**Nominal value** HK$'000
Ordinary shares			
Authorised:			
At 1 January 2016		50,000,000	50,000
Increase in authorised share capital	*(a)*	150,000,000	150,000
Share consolidation	*(d)*	(150,000,000)	–
At 31 December 2016 and 2017		50,000,000	200,000

30 SHARE CAPITAL *(CONTINUED)*

	Notes	**Number of shares** (thousands)	**Nominal value** HK$'000
Issued and fully paid:			
At 1 January 2016		20,016,200	20,016
Issue of new shares upon the subscription	*(b)*	31,200,000	31,200
Issue of new shares upon placing	*(c)*	8,800,000	8,800
Share consolidation	*(d)*	(45,012,150)	–
Issue of new shares upon placing	*(e)*	1,000,000	4,000
Issue of new shares upon placing	*(f)*	1,000,000	4,000
At 31 December 2016 and 2017		17,004,050	68,016

Notes:

(a) On 6 May 2016, the Company had increased the authorised share capital from HK$50,000,000 divided into 50,000,000,000 shares to HK$200,000,000 divided into 200,000,000,000 shares.

(b) On 17 May 2016, 31,200,000,000 ordinary shares were duly allotted and issued to a subscriber, at the subscription price of HK$0.01 per share, with consideration of HK$312,000,000.

(c) On 17 May 2016, 8,800,000,000 ordinary shares were issued at the subscription price of HK$0.01 per share by way of placement for an aggregate consideration of HK$88,000,000.

(d) On 7 July 2016, the Company implemented the share consolidation on the basis that every four issued and unissued existing ordinary shares of HK$0.001 each in the share capital of the Company be consolidated into one consolidated ordinary share of HK$0.004 each.

(e) On 15 August 2016, 1,000,000,000 ordinary shares were issued at the subscription price of HK$0.127 per share by way of placement for an aggregate consideration of HK$127,000,000.

(f) On 22 December 2016, 1,000,000,000 ordinary shares were issued at the subscription price of HK$0.135 per share by way of placement for an aggregate consideration of HK$135,000,000.

The shares issued rank pari passu with other shares in issue in all respects.

31 SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to a resolution passed on 9 June 2014 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to third parties for settlement in respect of goods or services provided to the Group.

31 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

As at 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 416,090,000 (2016: 426,140,000), representing 2.5% (2016: 2.5%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No options was granted during the year ended 31 December 2017. On 1 November 2016, 160,040,000 options were granted at an exercise price of HK$0.165. The estimated fair value of the options on grant date was HK$6,545,000.

The following table discloses movements of the Company's outstanding share options held by directors and its associates, employees and consultants during the year ended 31 December 2017:

				Number of Share Options (thousands)		
Type of participates	Date of grant	Exercisable period	Adjusted exercise price	Outstanding at 1 January 2017	Forfeited during the year	Outstanding as at 31 December 2017
Directors and its associates	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	8,333	(3,333)	5,000
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.752	3,333	(3,333)	–
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.752	3,334	(3,334)	–
	1 November 2016	1 November 2016 to 31 October 2019	HK$0.165	53,347	–	53,347
	(Note)	1 November 2017 to 31 October 2019	HK$0.165	53,347	–	53,347
		1 November 2018 to 31 October 2019	HK$0.165	53,346	–	53,346
Employees	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	–	–	–
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.752	550	(25)	525
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.752	550	(25)	525
Consultants	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	250,000	–	250,000
				426,140	(10,050)	416,090

Note:

(i) The grantee has been appointed as non-executive director on 23 January 2017.

31 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

The following table discloses movements of the Company's outstanding share options held by directors and its associates, employees and consultants during the year ended 31 December 2016:

Type of participates	Date of grant	Exercisable period	Adjusted exercise price	Number of Share Options (thousands) Outstanding at 1 January 2016	Adjustment on share consolidation	Granted during the year	Forfeited during the year	Outstanding at 31 December 2016
Directors and its associates	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	73,333	(55,000)	–	(10,000)	8,333
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.752	13,333	(10,000)	–	–	3,333
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.752	13,334	(10,000)	–	–	3,334
Employees	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	2,000	(1,500)	–	(500)	–
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.752	2,400	(1,800)	–	(50)	550
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.752	2,400	(1,800)	–	(50)	550
	1 November 2016	1 November 2016 to 31 October 2019	HK$0.165	–	–	53,347	–	53,347
		1 November 2017 to 31 October 2019	HK$0.165	–	–	53,347	–	53,347
		1 November 2018 to 31 October 2019	HK$0.165	–	–	53,346	–	53,346
Consultants	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	1,000,000	(750,000)	–	–	250,000
				1,106,800	(830,100)	160,040	(10,600)	426,140

On 7 July 2016, the exercise price for options granted on 6 January 2015 was adjusted upwards from HK$0.188 to HK$0.752 per share with effect from 7 July 2016 as a result of share consolidation and the total number of share options was adjusted downwards from 1,106,800,000 to 276,700,000.

The closing price of the Company's share immediately before 1 November 2016, the date of grant, was HK$0.162.

31 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
	Average exercise price in HK$ per share options	**Number of share options (thousands)**	Average exercise price in HK$ per share options	Number of share options (thousands)
At 1 January	**0.532**	**426,140**	0.188	1,106,800
Granted	**N/A**	**N/A**	0,165	160,040
Share consolidation	**N/A**	**N/A**	N/A	(830,100)
Forfeited	**0.752**	**(10,050)**	0.752	(10,600)
At 31 December	**0.526**	**416,090**	0.532	426,140

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price in HK$ per share option	Number of share options (thousands)	
		2017	2016
5 January 2018	0.752	**256,050**	266,100
31 October 2019	0.165	**160,040**	160,040
		416,090	426,140

31 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

The fair values for the share options granted were calculated using the Binomial model. The inputs into the model were as follows:

	6 January 2015	2 October 2015	1 November 2016
Share price on grant date	HK$1.88 (before share sub-division and consolidation)	HK$0.59	HK$0.162 (after share consolidation)
Exercise price	HK$1.88 (before share sub-division and consolidation)	HK$0.59	HK$0.165 (after share consolidation)
Expected volatility	58.69%	41.39%	37.24%
Expected life	3 years	1 year	3 years
Risk-free rate	0.92%	0.08%	0.63%
Expected dividend yield	1.7%	0.88%	0.00%
Early exercise multiple			
– Directors:	N/A	N/A	N/A
– Employees, consultants and service provider:	2.2X	2.2X	3.09X

Expected volatility was determined by using the historical volatility of the Company's share prices over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

In the opinion of directors of the Company, the fair value of services provided by certain consultants and a service provider cannot be measured reliably and therefore measured based on the fair value of share options granted.

During the year ended 31 December 2017 the Group recognised total share-based payment expenses of approximately HK$2,326,000 (2016: HK$3,548,000) in relation to share options granted by the Company, which were recorded in "administrative expenses".

32 CASH GENERATED FROM OPERATIONS

	2017 HK$'000	2016 HK$'000
Profit/(loss) before income tax	35,920	(564,487)
Adjustments for:		
Depreciation of property, plant and equipment	3,169	4,938
Interest expense	76	29,890
Changes in fair value of investment properties	(15,499)	11,374
Gain on disposal of property, plant and equipment	(29,877)	(101)
Write-off on property, plant and equipment	–	10,037
Impairment loss on property, plant and equipment	–	2,764
Interest income	(15,428)	(8,328)
Share-based payments	2,326	3,548
Change in fair value of financial assets at fair value through profit or loss	8,024	–
Changes in derivative financial instrument	–	(29,300)
(Reversal of)/provision for rebates and discounts	(2,754)	239,619
(Reversal of)/provision for investment project deposit	(123)	15,962
Discount of trade receivable	–	1,050
Gain on disposal of a subsidiary	–	(475)
Gain on dissolution of subsidiaries	(84)	–
Share of net profit of an associate accounted for using the equity method	(6,130)	–
Provision for inventory write-down	5,947	96,510
Operating cash flows before changes in working capital	(14,433)	(186,999)
Decrease in trade and other receivables	38,065	105,911
Decrease in inventories	96,765	394,532
Increase/(decrease) in trade and other payables	46,735	(167,459)
Cash generated from operations	167,132	145,985

32 CASH GENERATED FROM OPERATIONS *(CONTINUED)*

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2017	2016
	HK$'000	HK$'000
Net book amount *(Note 15)*	**13,663**	429
Gain on disposal of property, plant and equipment *(Note 9)*	**29,877**	101
Proceeds from disposal of property, plant and equipment	**43,540**	530

Note:

Non-cash transactions

During the year ended 31 December 2016, bank borrowings amounting to HK$801,811,000 was repaid by net-off with the pledged bank deposits of HK$784,904,000 and pledged deposits placed for life insurance of HK$16,907,000.

(A) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

This section sets out an analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for each of the years presented.

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Obligations under finance leases	**250**	341
Borrowings – repayable within one year and interest bearing at variable interest rates	**15,032**	–
	15,282	341

32 CASH GENERATED FROM OPERATIONS *(CONTINUED)*

(A) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(CONTINUED)*

	Other payables – Accrued interest HK$'000	Obligations under finance leases HK$'000	Bank borrowing HK$'000	Bonds HK$'000	Total HK$'000
As at 1 January 2016	1,889	475	1,440,867	123,746	1,566,977
Interest accrued	21,436	–	–	8,454	29,890
Cash flows	(23,325)	(134)	(639,056)	(132,200)	(794,715)
Non-cash movements	–	–	(801,811)	–	(801,811)
As at 31 December 2016	–	341	–	–	341
Interest accrued	76	–	–	–	76
Cash flows	–	(91)	15,032	–	14,941
As at 31 December 2017	76	250	15,032	–	15,358

33 OPERATING LEASE COMMITMENTS

The Group leases various office and warehouses under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2017 HK$'000	2016 HK$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**1,759**	1,574
In the second to fifth years inclusive	**6,241**	1,545
Over five years	**3,009**	–
	11,009	3,119

34 CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the construction and acquisition of property, plant and equipment	**55,320**	–

35 ASSETS PLEDGED AS SECURITY

Assets with the following carrying amounts have been pledged to secure the banking facilities granted to the Group. Details of arrangement with banking facilities are set out in Note 29.

	2017 HK$'000	2016 HK$'000
Investment property	**91,000**	–

36 TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

(a) On 7 January 2016, the Company acquired an additional 15% of the issued shares of a subsidiary of the Group, HF Development (Asia) Limited for a purchase consideration of approximately HK$2,000. The Group recognised an increase in non-controlling interests of HK$146,000 and a decrease in equity attributable to owners of the Company of HK$148,000.

(b) On 13 June 2016, the Company acquired an additional 49% of the issued shares of Hang Fat Ginseng E-Commerce Company Limited for a purchase consideration of approximately HK$2,452,000. The Group recognised a decrease in non-controlling interests of HK$2,448,000 and a decrease in equity attributable to owners of the Company of HK$4,000.

(c) On 30 November 2016, the Company acquired an additional 35% of the issued shares of Pak Shing Pharmaceutical Limited for a purchase consideration of approximately HK$351,000. The Group recognised a decrease in non-controlling interests of HK$201,000 and a decrease in equity attributable to owners of the Company of HK$150,000.

(d) On 30 November 2016, the Company acquired an additional 45% of the issued shares of Hang Fat Tsukino Katsura (Hong Kong) Limited for a purchase consideration of HK$226,000. The Group recognised a decrease in non-controlling interests of HK$224,000 and a decrease in equity attributable to owners of the Company of HK$2,000.

36 TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS *(CONTINUED)*

ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES (CONTINUED)

All the consideration mentioned above (HK$3,031,000 in total) for acquisition of additional interest in subsidiaries were settled through current account maintained with non-controlling shareholders.

The effect of changes in the ownership interest of the above companies on the equity attributable to owners of the company during the year is summarised as follows:

	2016 HK$'000
Carrying amount of non-controlling interests acquired	2,727
Consideration settled through amount due to non-controlling interests	(3,031)
Excess of consideration paid recognised within equity	(304)

37 RELATED PARTY TRANSACTIONS

As at 1 January 2016, the Group is controlled by Cervera Holdings Limited ("**Cervera**"), which is owned as to 63% by Mr. Yeung Wing Yan, 30% by Mr. Yeung Wing Kong and 7% by Ms Fu Fung Sau. On the same date, the ultimate controlling party of the Group was Mr. Yeung Wing Yan.

On 21 February 2016, the Company entered into a subscription agreement with Super Generation, which agreed to conditionally subscribe for 31,200,000,000 shares to be allotted by the Company. On completion of subscription together with the placement of shares on 17 May 2016, Super Generation owns 60% of the Company's shares. Subsequent to the completion of share placement and consolidation as set out in Note 30, Super Generation owns 45.9% of the Company's shares as at 31 December 2016.

The ultimate parent of the Group is Super Generation. The ultimate controlling party of the Group is Mr. George Lu.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or joint control. Members of key management and their close family member are also considered as related parties. For purpose of related party disclosure, the Group has identified the related parties both before and after the change of control of the Company.

37 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(A) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

(i) In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with its related parties. All the transactions were carried out based on the terms agreed between the transacting parties. They are summarised as follows:–

	2017	2016
	HK$'000	HK$'000
Rental expense paid	**147**	756

(ii) On 1 June 2015, the Group and Hang Fat Capital Limited ("**HFC**"), a related company, entered into a lease agreement with an independent third party for lease of an office premise at a monthly rent of HK$328,000 for the period from 1 June 2015 to 31 May 2018. HFC is under control of Mr. Yeung Wing Yan, a former executive director of the Company. Pursuant to a supplementary agreement entered between the Group and HFC, the usage of the office premises and related expense would be equally shared between the two parties.

The Group also shared 50% of the capital expenditure incurred for leasehold improvements, furniture and equipment of the aforementioned office premise. For the year ended 31 December 2016, the Group recognised HK$1,682,000 as property, plant and equipment arising from the office premise.

On 17 February 2016, both parties entered into another supplementary agreement to dispose of leasehold improvement and furniture, fixture and equipment at the office premise at a consideration of approximately HK$1,434,000.

(iii) During the year ended 31 December 2017, the Group shared certain area of a leased premise in the PRC with HJIT, the associate of the Group, without charging any expenses to HJIT. The Group also transferred leasehold improvement of HK$2,316,000 to HJIT at cost, without mark-up.

37 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(B) YEAR-END BALANCES

	2017 HK$'000	2016 HK$'000
Receivable from an associate	**2,316**	–

The amount is unsecured, interest-free and repayable on demand.

(C) Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	2017 HK$'000	2016 HK$'000
Key management (include directors)		
Salaries and other short-term employee benefits	**10,484**	9,686
Share-based payments	**2,319**	2,317
	12,803	12,003

(D) In August 2015, the Company's subsidiary, Hang Fat Ginseng Trading Company Limited ("**HFG Trading**"), entered into a life insurance policy with an insurance company to insure an ex-director. Under the policy, the beneficiary and policy holder is HFG Trading and the total insured sum is US$6,000,000 (approximately HK$46,500,000), HFG Trading is required to pay an upfront deposit of US$2,586,000 (approximately HK$20,061,000) including a premium charge at the inception of the policy amounting to US$500,000 (approximately HK$3,875,000).

The life insurance product was assigned to a bank to secure the general banking facilities granted to the Group as at 31 December 2015. During the year ended 31 December 2016, the life insurance product was terminated and the surrender value of HK$16,907,000 was used to settle the bank borrowings.

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 31 December 2016 and 2017, the details of the Group's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital		Proportion of ownership interest held by the Company		Principal activities
		2017	2016	**2017**	2016	
Flying Century Limited	Hong Kong	**HK$10**	HK$10	**100%**	100%	Property and other assets holding
Fortune Gaining Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Property holding and leasing
Luck Power Development Limited	Hong Kong	**HK$10**	HK$10	**100%**	100%	Property holding and leasing
Luck Power (Hong Kong) Limited	Hong Kong	**HK$10**	HK$10	**100%**	100%	Property holding and leasing
Fortune Topping Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Property holding
Hang Fat Holdings Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Provision of administrative service
Hang Fat Ginseng (2014) Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food
Hang Fat Ginseng (2015) Limited	Hong Kong	**Nil** *(Note b)*	HK$10,000	**Nil** *(Note b)*	100%	Trading of ginseng and dried food
Hang Fat Ginseng Company Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food
Hang Fat Ginseng (Hong Kong) Company Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Provision of financing services for the Group
Hang Fat Ginseng Importer (2013) Limited	Hong Kong	**Nil** *(Note a)*	HK$10,000	**Nil** *(Note a)*	100%	Retailing and wholesaling of American Ginseng and other product
Hang Fat Ginseng Importer Limited	Hong Kong	**Nil** *(Note a)*	HK$10,000	**Nil** *(Note a)*	100%	Retailing and wholesaling of American Ginseng and other product
Hang Fat Ginseng (Retail) Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food
Hang Fat Ginseng Trading Company Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital		Proportion of ownership interest held by the Company		Principal activities
		2017	2016	**2017**	2016	
Hang Fat Importer Limited	Hong Kong	**Nil** *(Note a)*	HK$10,000	**Nil** *(Note a)*	100%	Retailing and wholesaling of American Ginseng and Other Product
Hang Fat Ginseng Global Importer Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food
滙尊溫泉	the PRC	**RMB 108,000,000**	Nil	**51%**	N/A	Hot spring project

Note:

a On 7 April 2017, the Group disposed of the entire share capital of these companies through dissolution.

b On 25 August 2017, the Group disposed of the entire share capital of this company through dissolution.

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

(A) NON-CONTROLLING INTERESTS

Set out below is summarised financial information for HJIT, the subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	2017 HK$'000
Summarised balance sheet	
Current assets	**18,850**
Current liabilities	**(41,128)**
Current net liabilities	**(22,278)**
Non-current assets	**151,878**
Net assets	**129,600**
Accumulated non-controlling interests	**7,200**

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

(A) NON-CONTROLLING INTERESTS (CONTINUED)

	2017 HK$'000
Summarised cash flows	
Cash flows to investing activities	**(106,228)**
Cash flows from financing activities	**124,524**
Effect of change of foreign exchange rate	**477**
Net increase in cash and cash equivalents	**18,773**

As 滙尊溫泉 was yet to commence business during the year ended 31 December 2017, and no profit/(loss) was therefore generated. No summarised profit or loss is presented.

39 EVENTS AFTER THE REPORTING PERIOD

(A) DISPOSAL OF SUBSIDIARIES

On 26 September 2017, the Group entered into provisional sales and purchase agreements with certain third parties for the Disposals at a consideration of HK$62,500,000 (Note 26). The Disposals was completed on 19 January 2018. Gain on disposal of the Disposal group of HK$3,274,000 was recognised in the consolidated profit of loss in year 2018.

(B) PROVISION OF LOANS

On 4 January 2018, 20 February 2018 and 28 February 2018, the Group entered into loan agreements with certain third parties for the provision of loans of HK$20,000,000, HK$48,000,000 and HK$57,500,000 respectively, which are secured, bearing a fixed interest rate ranged from 15% to 18% per annum and are repayable within one year from the dates of inception of the loans.

40 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Interests in subsidiaries *(note)*	**615,093**	491,684
Current assets		
Other receivables	**1,128**	1,077
Cash and cash equivalents	**8,083**	131,109
	9,211	132,186
Total assets	**624,304**	623,870
Equity		
Equity attributable to owners of the Company		
Capital and reserves		
Share capital	**68,016**	68,016
Reserves	**549,748**	551,145
Total equity	**617,764**	619,161
Current liabilities		
Other payables	**6,540**	4,709
Total liabilities	**6,540**	4,709
Total equity and liabilities	**624,304**	623,870

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2018 and are signed on its behalf by:

George Lu
DIRECTOR

Wong Kwok Ming
DIRECTOR

Note:

The interests in subsidiaries included investment cost in an unlisted subsidiary of HK$1,000 and deemed contribution to subsidiaries amounting to HK$1,645,093,000 (2016: HK$1,521,684,000), net of provision of impairment loss on interests in subsidiaries of HK$1,030,000,000 (2016: HK$1,030,000,000). Impairment charge for interests in subsidiaries amounting to nil (2016: HK$480,000,000) was recognised in the statement of profit or loss during the year ended 31 December 2017.

40 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

MOVEMENT OF RESERVES:

	Share premium HK$'000	Share options reserve HK$'000	Retained earnings/ (accumulated deficits) HK$'000	Total HK$'000
As at 1 January 2016	936,493	71,361	(533,738)	474,116
Loss and total comprehensive loss for the year	–	–	(513,472)	(513,472)
Recognition of equity-settled share-based payments	–	3,548	–	3,548
Lapse of share options	–	(2,910)	2,910	–
Issuance of new shares	614,000	–	–	614,000
Expenses incurred in connection with new shares	(27,047)	–	–	(27,047)
As at 31 December 2016	1,523,446	71,999	(1,044,300)	551,145
Loss and total comprehensive loss for the year	–	–	(3,723)	(3,723)
Recognition of equity-settled share-based payments	–	2,326	–	2,326
Lapse of share options	–	(1,849)	1,849	–
As at 31 December 2017	1,523,446	72,476	(1,046,174)	549,748

41 BENEFITS AND INTEREST OF DIRECTORS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The remuneration of every director and the chief executive for the year ended 31 December 2017 is set out below:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kinds	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
		(Note (x))		*(Note (xi))*			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman and the Chief Executive Officer							
George Lu *(Note (i))*	–	624	1,326	–	18	–	1,968
Executive directors							
Yeung Wing Kong *(Note (ix))*	–	1,526	–	245	12	–	1,783
Wong Kwok Ming *(Note (i))*	–	374	–	–	18	–	392
Non-executive directors							
Yeung Wai Fai Andrew *(Note (v))*	–	2,496	1,040	2,182	18	–	5,736
Shen Wei *(Note (iv))*	30	–	–	–	–	–	30
Independent non-executive directors							
Li Wei *(Note (i))*	176	–	–	–	–	–	176
Wu Wai Leung Danny *(Note (vi))*	176	–	–	–	–	–	176
Yuen Chee Lap Carl *(Note (vi))*	176	–	–	–	–	–	176
Total	558	5,020	2,366	2,427	66	–	10,437

41 BENEFITS AND INTEREST OF DIRECTORS *(CONTINUED)*

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(CONTINUED)*

The remuneration of every director and the chief executive for the year ended 31 December 2016 is set out below:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kinds	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
		(Note (x))		*(Note (xi))*			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman and the Chief Executive Officer							
George Lu *(Note (i))*	–	374	–	–	12	–	386
Yeung Wing Yan *(Note (ii))*	–	2,800	–	–	11	–	2,811
Executive directors							
Yeung Wing Kong *(Note (ix))*	–	2,200	733	420	18	–	3,371
Fu Fung Sau *(Note (iii))*	–	550	–	–	–	–	550
Wong Kwok Ming *(Note (i))*	–	225	–	–	11	–	236
Non-executive directors							
Shen Wei *(Note (iv))*	225	–	–	–	–	–	225
Shin Yick Fabian *(Note (vii))*	–	–	–	–	–	–	–
Independent non-executive directors							
Li Wei *(Note (i))*	110	–	–	–	–	–	110
Wong Senta *(Note (iii))*	66	–	–	–	–	–	66
Wu Wai Leung Danny *(Note (vi))*	147	–	–	–	–	–	147
Yuen Chee Lap Carl *(Note (vi))*	147	–	–	–	–	–	147
Kwok Lam Kwong Larry *(Note (viii))*	25	–	–	–	–	–	25
Cheung Chung Wai Billy *(Note (viii))*	25	–	–	–	–	–	25
Total	745	6,149	733	420	52	–	8,099

41 BENEFITS AND INTEREST OF DIRECTORS *(CONTINUED)*

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (REGARDED AS KEY MANAGEMENT COMPENSATION) (CONTINUED)

Notes:

(i) George Lu, Wong Kwok Ming and Li Wei were appointed on 17 May 2016. George Lu became the Chairman and the Chief Executive Officer of the Company with effect from 17 May 2016.

(ii) Yeung Wing Yan resigned on 5 July 2016. He ceased to be the Chairman and the Chief Executive Officer of the Company with effect from 17 May 2016.

(iii) The directors resigned on 17 May 2016.

(iv) The director was appointed on 17 May 2016 and resigned on 23 January 2017.

(v) The director was appointed on 23 January 2017.

(vi) The directors were appointed on 29 February 2016.

(vii) The director was appointed on 6 January 2016 and resigned on 3 February 2016.

(viii) The director resigned on 22 February 2016.

(ix) The director resigned on 31 August 2017.

(x) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the company or its subsidiary undertakings.

(xi) Includes housing allowances and estimated money value of other non-cash benefits: share options, car, insurance premium and club membership.

(B) DIRECTORS' RETIREMENT BENEFITS AND TERMINATION BENEFITS

None of the directors received or will receive any retirement benefits or termination benefits during the year (2016: Nil).

(C) CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the year ended 31 December 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: Nil).

(D) INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS, CONTROLLED BODIES CORPORATE BY AND CONNECTED ENTITIES WITH SUCH DIRECTORS

As at 31 December 2017, there were no loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors (2016: Nil).

(E) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 37 to the financial statements, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

Five-year Financial Summary

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note (b))	(Note (b))	(Note (b))		(Note (a))
RESULTS					
Revenue	**197,062**	354,385	835,531	1,219,651	762,970
Profit/(loss) before income tax	**35,920**	(564,487)	(396,856)	230,740	152,939
Income tax (expense)/credit	**(59)**	38,625	(41,664)	(25,416)	(24,326)
Profit/(loss) for the year	**35,861**	(525,862)	(438,520)	205,324	128,613
Attributable to:					
– Owners of the Company	**35,861**	(525,710)	(438,396)	205,353	128,613
– Non-controlling interests	**–**	(152)	(124)	(29)	–
	35,861	(525,862)	(438,520)	205,324	128,613

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**795,734**	639,222	2,333,556	3,152,184	1,012,857
Total liabilities	**(123,031)**	(19,321)	(1,823,290)	(2,063,142)	(770,657)
Net assets	**672,703**	619,901	510,266	1,089,042	242,200
Equity attributable to owners of the Company	**665,503**	619,904	507,390	1,089,070	242,200
Non-controlling interests	**7,200**	(3)	2,876	(28)	–
	672,703	619,901	510,266	1,089,042	242,200

Note:

(a) The results and summary of assets and liabilities as at and for the year ended 31 December 2013 which were extracted from the Prospectus have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout those years.

(b) Revenue for the years ended 31 December 2015, 2016 and 2017 represents the revenue, net of reversal/(provision) for rebates and discounts.