GREEN INTERNATIONAL
Holdings Limited
格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2700)

Annual Report 2017

Green International Holdings Limited
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Qigang (*Chairman*)
(elected Chairman on 6 June 2017)
Mr. Zeng Xiangdi (*Chief Executive Officer*)
(appointed as director and Chief Executive Officer on 24 February 2017)
Mr. Yang Wang Jian
(stepped down as the Chairman on 6 June 2017)
Mr. Chen Hanhong
Ms. Eva Au
Mr. Wong Man Keung
(resigned as director and Chief Executive Officer on 10 January 2017)
Ms. Yang Jun (resigned on 12 June 2017)
Ms. Yang Ya (resigned on 12 June 2017)

Non-executive Directors

Ms. Yu Jiaoli
Ms. Ng Hui Yee Ethel (appointed on 25 April 2017 and resigned on 19 June 2017)

Independent Non-executive Directors

Mr. Wu Hong
Mr. David Tsoi (appointed on 12 June 2017)
Mr. Wang Chunlin (appointed on 12 June 2017)
Ms. Sun Zhili (appointed on 12 June 2017)
Mr. Low Chin Sin (resigned on 14 June 2017)
Mr. Ye Yunhan (resigned on 14 June 2017)
Professor Zhu Yi Zhun (resigned on 30 June 2017)
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)
Mr. Yeung King Wah, Kenneth
(resigned on 13 February 2017)

AUDIT COMMITTEE

Mr. David Tsoi (*Chairman*) (appointed as member on 12 June 2017 and elected chairman on 14 June 2017)
Mr. Wu Hong
Mr. Wang Chunlin (appointed on 12 June 2017)
Ms. Sun Zhili (appointed on 12 June 2017)
Mr. Low Chin Sin (chairman of committee until his resignation on 14 June 2017)
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)
Mr. Yeung King Wah, Kenneth
(resigned on 13 February 2017)

REMUNERATION COMMITTEE

Mr. David Tsoi (*Chairman*) (appointed as member on 12 June 2017 and elected chairman on 14 June 2017)
Mr. Wu Hong (appointed on 30 June 2017)
Mr. Wang Chunlin (appointed on 12 June 2017)
Ms. Sun Zhili (appointed on 12 June 2017)
Mr. Yu Qigang (appointed on 14 June 2017)
Mr. Low Chin Sin (chairman of committee until his resignation on 14 June 2017)
Mr. Yang Wang Jian (ceased on 14 June 2017)
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)

NOMINATION COMMITTEE

Mr. Yu Qigang (Chairman) (appointed as member and elected chairman on 7 June 2017)
Mr. Wu Hong (appointed on 30 June 2017)
Mr. David Tsoi (appointed on 12 June 2017)
Mr. Wang Chunlin (appointed on 12 June 2017)
Ms. Sun Zhili (appointed on 12 June 2017)
Mr. Yang Wang Jian (ceased to be member and chairman on 7 June 2017)
Mr. Low Chin Sin (resigned on 14 June 2017)
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)
Mr. Yeung King Wah, Kenneth
(resigned on 13 February 2017)

AUTHORIZED REPRESENTATIVES

Mr. Yu Qigang (appointed on 12 June 2017)
Mr. Chan Chun Kau (appointed on 12 June 2017)
Ms. Yang Jun (resigned on 12 June 2017)
Mr. Au Young Hin Lap (appointed on 1 May 2017 and resigned on 26 May 2017)
Mr. Chau Kin Cheung Alfred (appointed on 10 January 2017 and resigned on 1 May 2017)
Mr. Wong Man Keung (resigned on 10 January 2017)

COMPANY SECRETARY

Mr. Chan Chun Kau (appointed on 7 June 2017)
Mr. Au Young Hin Lap (appointed on 1 May 2017 and resigned on 26 May 2017)
Mr. Chau Kin Cheung Alfred (resigned on 1 May 2017)

AUDITORS
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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Cricket Square
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PRINCIPAL BANKERS
OCBC Wing Hang Bank, Limited
Bank of Communications Co., Limited

STOCK CODE
2700

WEB-SITE
http://www.irasia.com/listco/hk/greeninternational/

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Green International Holdings Limited (the "**Company**"), we hereby present the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017.

The Group had been loss-making since the financial year ended 31 December 2013. Since June 2017, the new management has been conducting an internal review of the Group's operations and key assets and liabilities items, adopted cost-control measures with the view of stopping losses and increasing enterprise efficiency, and sought to strengthen the Group's financial position through debt and equity fund-raisings. With the completion of the issue of convertible bonds in the principal sum of HK$147.2 million and the acquisition of Charm Eastern Limited in the first quarter of 2018, the new management is hopeful for a year ahead with a more solid capital base and better cash flow from operations.

On behalf of the Board, I would like to express our sincere thanks to our colleagues for their efforts and commitment.

Yu Qigang
Chairman of the Board

Hong Kong, 29 March 2018

OVERVIEW

The Company underwent significant changes in directorship and management personnel in or around June 2017, including the stepping down of the ex-Chairman and the appointment of the new Chairman, and the change of other directors and key financial, accounting, administrative and operation management roles.

Under the leadership of the new management from June 2017 onwards, the Group has been proactively seeking to explore business opportunities which are consistent with the business strategies of the Group and to raise additional funding to strengthen its financial position.

BUSINESS REVIEW

During the year under review, the Group was principally engaged in provision of (i) health and medical services, (ii) beauty and wellness services, and (iii) integrated financial services comprising money-lending, securities brokerage and asset management.

The Group reported total revenue for the year ended 31 December 2017 approximately HK$54,320,000 (2016: HK$46,960,000), representing an increase of approximately 15.7% as compared to the last year. Details of the total revenue by business segments for the years ended 31 December 2017 and 2016 are set out in Note 5 to the consolidated financial statements.

During the year of 2017, the Group continued to formulate business plans and strategies to develop its integrated financial services through three wholly-owned subsidiaries, namely (i) Green Capital (Hong Kong) Limited, a licensed money-lender in Hong Kong; (ii) Green Securities Limited, a licensed corporation licensed to carry out type-1 (dealing in securities) and type-4 (advising on securities) regulated activities in Hong Kong; and (iii) Green Asset Management Limited, a licensed corporation licensed to carry out type-9 (asset management) regulated activities in Hong Kong. During the year, the Group entered into negotiations with potential business partners in Hong Kong to explore business opportunities. However, the new management has taken a cautious approach in order to reduce risk exposure.

On 28 November 2017, the Company (as purchaser) entered into an acquisition agreement with Ample Reach Limited, pursuant to which the Company acquired Charm Eastern Limited, through which the Company was effectively acquiring 70% equity interest of Li County Phoenix Hospital Company Limited (“**Phoenix Opco**”) and Yiyang Zizhong Kidney Disease Hospital Company Limited (“**Zizhong Opco**”) for a total consideration of HK$75,015,625 (the “**Hospital Acquisition**”). The Hospital Acquisition was completed in January 2018. The Directors consider that the Hospital Acquisition (i) represents a good opportunity for the Group to leverage on its established experience and expertise in health, fitness and beauty industry and to diversify into medical service sector which has a higher entry barrier in terms of investment size and license requirement, and (ii) is expected to broaden the income stream and to contribute to the Group’s revenue in the long run.

The Group has been proactively seeking to raise funds to strengthen its financial position during the year ended under review, which are summarized as follows:

(i) On 13 February 2017, the Company entered into a subscription agreement with Zheyin Tianqin (Shenzhen) Investment Limited (“**Zheyin Tianqin**”) (as subscriber) in relation to the issue of 8% per annum convertible bonds carrying the right of conversion into shares at the conversion price of HK$0.20 per conversion share in an aggregate principal amount of HK$25,000,000 (“**Zheyin Tianqin 2017 CB**”) under the general mandate, which was completed on 3 March 2017;

(ii) On 14 June 2017, the Company entered into a loan agreement with Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**"), a company which is wholly-owned by Mr. Yu Qigang, a director and the chairman of the Company, pursuant to which the Company obtained a one-year loan in the principal amount of HK$60,000,000 (the "**First HK Yinger Loan**") at the interest rate of 4.8% per annum; and

(iii) On 3 October 2017, the Company entered into a second loan agreement with HK Yinger, a company which is wholly-owned by Mr. Yu Qigang, a director and the chairman of the Company, pursuant to which the Company obtained a six-month loan in the principal amount of HK$60,000,000 (the "**Second HK Yinger Loan**") at the interest rate of 6.5% per annum.

The following subsequent events occurred between the end of the financial year ended 31 December 2017 and the date hereof:

(i) On 26 January 2018, the Company entered into subscription agreements in respect of the issue by the Company of (1) 3% per annum convertible bonds in the principal amount of HK$120,000,000 ("**HK Yinger CB**") to HK Yinger under specific mandate; (2) 6% per annum convertible bonds in the principal amount of HK$60,000,000 ("**Zheyin Tianqin 2018 CB**") to Zheyin Tianqin under specific mandate; and (3) 6% per annum convertible bonds in the principal amount of HK$27,200,000 (the "**Investor CB**") to the Investor (Mr. Liu Dong) under general mandate. The maturity date of the above convertible bonds is the day falling on the second anniversary of the date of issue of the convertible bonds. The subscription of Investor CB was completed on 8 February 2018, raising net proceeds in the amount of approximately HK$26,800,000. The subscription of HK Yinger CB was completed on 23 March 2018, raising net proceeds in the amount of approximately HK$118,200,000. The net proceeds expected to be raised from the issue of the Zheyin Tianqin 2018 CB are approximately HK$59,100,000, if it proceeds to completion on or before the long stop date of 19 April 2018 (being one month after the obtaining of shareholders' approval at the Company's general meeting).

(ii) Further to the entering into by the Group of an acquisition agreement dated 28 November 2017, the acquisition of Charm Eastern Limited (in turn owning 70% equity interest of Phoenix Hospital and Zizhong Hospital) was completed in January 2018. On completion, HK$41,015,625 out of the total consideration of HK$75,015,625 was settled by the issue of three equal tranches of zero-coupon convertible bonds in the principal amount of HK$13,671,875 each, maturing respectively on 30 September 2018, 30 April 2019 and 30 September 2019.

(iii) Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CB on 1 March 2018, 125,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of Zheyin Tianqin based on the conversion price of HK$0.20 per conversion share at maturity. Pursuant to the exercise of the conversion rights attaching to the Investor CB on 2 March 2018, 160,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of the Investor based on the conversion price of HK$0.17 per conversion share. As a result of the above conversions, the issued share capital of the Company increased from 1,972,452,606 shares to 2,257,452,606 shares.

(iv) On 6 March 2018, the 3% per annum convertible bonds in the aggregate principal amount of HK$29,000,000 ("**2015 CB**") matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holders.

(v) At the extraordinary general meeting of the Company dated 19 March 2018, the increase of authorised share capital of the Company from HK$40,000,000 divided into 4,000,000,000 shares to HK$200,000,000 divided into 20,000,000,000 shares was approved by shareholders of the Company.

(vi) On 23 March 2018, the Company repaid the First and Second HK Yinger Loans in the aggregate principal amount of HK$120,000,000 due to HK Yinger by off-setting the net proceeds from the issue of HK Yinger CB by the Company in the amount of HK$118,200,000.

FINANCIAL REVIEW

The Group reported total revenue for the year ended 31 December 2017 of HK$54,320,000 (2016: HK$46,960,000), representing an increase of approximately 15.7% as compared to last year.

Health and Medical Business

During the year ended 31 December 2017, the Group reported revenue and operating loss from the health and medical business in the amounts of approximately HK$16,180,000 (2016: HK$11,237,000) and HK$18,405,000 (2016: HK$22,462,000), respectively. The increase in revenue and the decrease in the operating loss were mainly attributable to the launch of promotion and business development campaigns and the implementation of cost-control policies by the Group's clubhouse business in Shenzhen since June 2017.

Beauty and Wellness Business

During the year ended 31 December 2017, the Group reported revenue and operating loss from the beauty and wellness business in the amounts of approximately HK$38,089,000 (2016: HK$33,273,000) and HK$51,888,000 (2016: HK$57,481,000), respectively. The operation and financial performance of the beauty and wellness business of Shenzhen Marsa Guer Chain Enterprise Limited ("**Shenzhen Marsa**") was far from satisfactory, and have fallen short of the profit guarantee by a substantial margin. The operating loss from the beauty and wellness services business was mainly attributed by the provision for impairment of trademark user right and technical know-how amounting to HK$62,363,000 (2016: HK$64,972,000).

Financial Business

During the year ended 31 December 2017, the Group reported revenue and operating loss from the financial business of approximately HK$51,000 (2016: HK$Nil) and HK$4,040,000 (2016: HK$Nil), respectively. The new management is seeking to expand its financial business by exploring business opportunities with potential business partners in Hong Kong and China.

Finance (Cost)/Income, Net

The Group reported finance cost, net of approximately HK$1,387,000 (2016: finance income, net of approximately HK$11,090,000) for the year ended 31 December 2017. Details of the finance (cost)/income, net for the years ended 31 December 2017 and 2016 are set out in Note 8 to the consolidated financial statements.

Loss For The Year

The Group reported net loss for the year of approximately HK$322,239,000 (2016: HK$132,943,000), which was mainly attributable by (i) the operating loss from the health and medical business in the amount of approximately HK$18,405,000, the operating loss from the beauty and wellness business in the amount of approximately HK$51,888,000 (including the impairment loss of trademark user right and technical know-how in the amount of approximately HK$62,363,000), and the operating loss from the financial business in the amount of approximately HK$4,040,000; (ii) impairment loss of loan and interest receivables in the amount of approximately HK$30,597,000; (iii) impairment loss of promissory notes receivables in the amount of approximately HK$165,617,000 and the change in fair value of call options in the amount of approximately HK$11,040,000; and (iv) impairment loss of prepayments and other receivables of approximately HK$7,774,000. Details of impairment loss as mentioned above are as follows:

Impairment loss of trademark user right and technical know-how

On 20 May 2015, the Group completed the acquisition of Rainbow Star Global Limited ("**Rainbow Star**") pursuant to the sale and purchase agreement dated 21 November 2014, effectively acquiring a controlling interest of Shenzhen Marsa which is principally engaged in the provision of beauty and wellness services business in Shenzhen. However, the financial performance of Shenzhen Marsa did not achieve the profit guarantee as stated in the Company's announcement dated 21 November 2014 (the "**Marsa Announcement**").

The new management performed an impairment assessment and engaged an independent valuer to conduct impairment testing on the trademark user right and technical know-how as at the end of the reporting period. Based on the results of impairment testing prepared by the independent valuer which was determined based on (a) the five years cash flow projections which are discounted using the discount rate of 13%; (b) a terminal value calculated using a discount rate of 3%, and (c) the latest operation figures and business plans provided by the management of Shenzhen Marsa, the carrying amount of trademark user right and technical know-how as at 31 December 2017 was assessed at approximately HK$94,887,000, resulting in an impairment loss of trademark user right and technical know-how of approximately HK$62,363,000 (2016: HK$64,972,000) being recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

Impairment loss of loan and interest receivables

During the year of 2016, the Group granted interest-bearing loans to six borrowers (the "**Loan Receivables Borrowers**") under the terms of 3 to 12 months' periods with aggregate principal amount of approximately HK$24,304,400 (the "**Loan Receivables**").

The new management considered that the Loan Receivables were overdue beyond their respective expiry dates and no subsequent settlements were received by the Group from the Loan Receivables Borrowers (the "**Loan Receivables Defaults**"). Under the prudence approach in preparing the financial statements, an impairment loss of loan and interest receivables in the amount of approximately HK$30,597,000 (2016: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

In view of the Loan Receivables Defaults, the new management has been proactively seeking to recover these Loan Receivables. Demand letters were sent by the Group and its legal adviser to these Loan Receivables Borrowers. As the Loan Receivables were not repaid to the Group despite the demand letters, the Group issued writs of summons to each of the Loan Receivables Borrowers in March 2018.

Impairment loss of promissory note receivables and change in fair value of call options

Pursuant to the transactions disclosed in the Company's announcements dated 29 April 2016 and 30 June 2016, the Group owns: (a) a promissory note (the "**Winning Rose Promissory Note**") due on 29 April 2017 in the principal sum of HK$86,018,492 issued by Winning Rose Capital Inc. ("**Winning Rose**") secured by a share charge over 40% of the issued share capital of Jasper Jade Corporation (the "**Jasper Jade Share Charge**"); and (b) a promissory note (the "**Puregood Promissory Note**") due on 30 June 2017 in the principal sum of HK$79,598,533 issued by Puregood Express Inc. ("**Puregood**") secured by a share charge over 48% of the issued share capital of Gold Fountain Inc. (the "**Gold Fountain Share Charge**"). In addition, the Group owns (i) a call option (the "**Winning Rose Call Option**") to acquire, before 29 April 2017, certain shares of Jasper Jade Corporation (a wholly-owned subsidiary of Winning Rose) at the exercise price which is equivalent to the face value of Winning Rose Promissory Note; and (ii) a call option (the "**Puregood Call Option**") to acquire, before 30 June 2017, certain shares of Gold Fountain Inc. (a wholly-owned subsidiary of Puregood) at the exercise price which is equivalent to the face value of Puregood Promissory Note. The Group has also conditionally agreed to commit in certain investments if it opts to exercise the Winning Rose Call Option and the Puregood Call Option. The Winning Rose Call Option and the Puregood Call Option already lapsed on 29 April and 30 June 2017, respectively.

The new management of the Company conducted an internal review over the Winning Rose Promissory Note and the Puregood Promissory Note and sent demand letters to Winning Rose and Puregood (the "**Promissory Notes Borrowers**"), stating the Group's position that they have defaulted their contractual obligations under the Winning Rose Promissory Note and the Puregood Promissory Note (the "**Promissory Notes Defaults**") and demanding their immediate repayment. However, despite repeated demands, the Promissory Notes Borrowers did not make any repayment to the Group.

The new management considered that the Winning Rose Promissory Note and Puregood Promissory Note were overdue beyond their respective expiry dates falling in 2017 and no subsequent settlements were received by the Group from the Promissory Notes Borrowers. Under the prudence approach in preparing the financial statements, an impairment loss of promissory note receivables in the amount of approximately HK$165,617,000 (2016: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

In view of the Promissory Notes Defaults, the Group issued writs of summons to the Promissory Notes Borrowers in March 2018.

As the Winning Rose Call Option and the Puregood Call Option already lapsed on 29 April 2017 and 30 June 2017, respectively, the change in fair value of call options amounting to HK$11,040,000 (2016: HK$23,999,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

Impairment loss of prepayment and other receivables

As at 31 December 2017, prepayment in the amount of HK$4,000,000 was outstanding and overdue. Demand letter was sent by the Group to the debtor to demand its immediate repayment, but no settlement was received by the Group despite the demand. Under the prudence approach in preparing the financial statements, an impairment loss of prepayment in the amount of HK$4,000,000 (2016: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

As at 31 December 2017, other receivable in the amount of approximately HK$3,774,000 was outstanding and overdue. Under the prudence approach in preparing the financial statements, an impairment loss of other receivables in the amount of approximately HK$3,774,000 (2016: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

PRIOR YEAR ADJUSTMENT

Pursuant to the audited consolidated financial statements of the Company for the year ended 31 December 2017, the following items of 2016 were adjusted to the consolidated financial statements as prior year adjustments:

Consolidated Statement of Financial Position:

	2016	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Adjustment)	(Restated)
Non-current Assets:			
Derivative financial instruments:			
— Put option	6,150	(6,150)	–
— Early redemption option	12,743	(12,743)	–
Total	18,893	(18,893)	–
Non-current Liabilities:			
Convertible bonds	64,921	(25,956)	38,965
Contingent consideration payables	38,771	(38,771)	–
Financial liabilities at fair value through profit or loss	–	22,277	22,277
Total	103,692	(42,450)	61,242
Equity:			
Other reserves	83,404	(46,508)	36,896
Accumulated losses	(432,278)	70,065	(362,213)
Total	(348,874)	23,557	(325,317)

The restatement of the above items in the consolidated statement of financial position resulted in (i) the decrease in the non-current assets as at 31 December 2016 by approximately HK$18,893,000 to approximately HK$189,842,000; (ii) the decrease in the non-current liabilities as at 31 December 2016 by approximately HK$42,450,000 to approximately HK$93,191,000; and (iii) the increase in the equity as at 31 December 2016 by approximately HK$23,557,000 to approximately HK$244,782,000.

SIGNIFICANT CHANGE IN ACCOUNTING POLICIES

As explained in Note 37 to the consolidated financial statements, the Marsa CB was classified as equity instrument in the prior year's consolidated financial statements. During the year under review, the new management is of the view that the Marsa CB should be recognised as financial liabilities at fair value through profit or loss instead. Hence, the Marsa CB is now stated at fair value in the consolidated financial statements of current year.

CONNECTED TRANSACTIONS

On 14 June 2017, the Company entered into a loan agreement with HK Yinger, a company which is wholly-owned by Mr. Yu Qigang, a director and the chairman of the Company, pursuant to which the Company obtained a one-year loan in the principal amount of HK$60,000,000 at the interest rate of 4.8% per annum.

On 3 October 2017, the Company entered into a second loan agreement with HK Yinger, a company which is wholly-owned by Mr. Yu Qigang, pursuant to which the Company obtained a six-month loan in the principal amount of HK$60,000,000 at the interest rate of 6.5% per annum.

No collateral on the Group's assets was required for the said loans. The Board (including the independent non-executive directors) was of the view that the provision of the loans by Mr. Yu Qigang to the Company was conducted on normal commercial terms or better so far as the Company is concerned. The loans were fully exempt from all disclosure, annual review, circular and shareholders' approval requirements.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE YEAR ENDED 31 DECEMBER 2017

On 3 March 2017, the Company issued the 8% per annum convertible bonds in an aggregate principal amount of HK$25,000,000 to Zheyin Tianqin carrying conversion right to convert into 125,000,000 shares at the conversion price of HK$0.20 per share and maturing on 3 March 2018, raising net proceeds in the amount of HK$25,000,000. As at 31 December 2017, the net proceeds were fully utilized as intended, including (i) approximately HK$8,500,000 for cash injection into the Group's health club business in China to support its ongoing operations; (ii) approximately HK$9,000,000 for legal and professional fees; (iii) approximately HK$5,000,000 for salaries and wages of the Group's management and staff; and (iv) approximately HK$2,500,000 for rental payment and other overhead and expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had total assets of approximately HK$199,769,000 (2016: HK438,787,000) and interest-bearing borrowings of approximately HK$116,575,000 (2016: HK$16,031,000), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 58.4% (2016: 3.7%).

As at 31 December 2017, the Group had net current liabilities of approximately HK$169,817,000 (2016: net current assets of approximately HK$148,131,000) consisted of current assets of approximately HK$66,237,000 (2016: HK$248,945,000) and current liabilities of approximately HK$236,054,000 (2016: HK$100,814,000), representing a current ratio of approximately 0.28 (2016: 2.47).

As at 31 December 2017, the Group had cash and bank balances (including trust and segregated accounts) of approximately HK$33,354,000 (2016: HK$28,521,000). As at 31 December 2017, the Group had cash and bank balances (excluding trust and segregated accounts), of approximately HK$26,458,000 (2016: HK$24,514,000).

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant. The Group was not engaged in any hedging measures during the year ended 31 December 2017.

CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the year ended 31 December 2017 and up to the date of this report.

(A) Share Capital

There were no changes in the share capital of the Company during the year ended 31 December 2017. Subsequent to the end of year 2017, on 5 March 2018, the issued share capital of the Company increased from 1,972,452,606 shares to 2,257,452,606 shares of HK$0.01 each due to conversion of certain convertible bonds.

At the extraordinary general meeting of the Company dated 19 March 2018, the increase of authorised share capital of the Company from HK$40,000,000 divided into 4,000,000,000 shares to HK$200,000,000 divided into 20,000,000,000 shares was approved by shareholders of the Company.

(B) Convertible Bonds

There were outstanding convertible bonds which are summarized as follows:

(i) Tai Cheng CB

On 8 May 2012, the Group acquired 55% equity interests in Tai Cheng International Limited ("**Tai Cheng**") for a total consideration of not exceeding HK$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong. The consideration of HK$30,000,000 (the remaining consideration of HK$100 was settled in cash) was settled by the issue of convertible bonds to Tai Cheng ("**Tai Cheng CB**") in three tranches of not exceeding HK$10,000,000 each (subject to the adjustments with reference of the actual profit of Tai Cheng of previous year).

The first tranche of Tai Cheng CB:

On 29 October 2013, the Company issued the first tranche of Tai Cheng CB in an aggregate principal amount of HK$6,163,639 (the "**1st Tai Cheng CB**") to Hong Kong Tai Shing Toys Trading Limited ("**Tai Shing**") which was supposed to mature on 29 October 2016. On 15 March 2017, the Company entered into a side letter with Tai Shing, pursuant to which the Company and Tai Shing agreed to cancel the 1st Tai Cheng CB in the principal amount of HK$6,163,639 in exchange for 2% per annum promissory note in the same principal amount issued by the Company, which was supposed to mature on 30 November 2017.

The second tranche of Tai Cheng CB:

On 13 October 2014, the Company issued the second tranche of Tai Cheng CB in an aggregate principal amount of HK$5,628,138 (the "**2nd Tai Cheng CB**") to Tai Shing carrying conversion right to convert into 13,727,165 shares at the conversion price of HK$0.41 per share (after adjustment) which was supposed to mature on 13 October 2017. The carrying value of the 2nd Tai Cheng CB as at 31 December 2017 was approximately HK$5,628,000.

The third tranche of Tai Cheng CB:

On 8 September 2015, the Company issued the third tranche of Tai Cheng CB in an aggregate principal amount of HK$477,241 (the "**3rd Tai Cheng CB**") to Tai Shing carrying conversion right to convert into 1,164,002 shares at the conversion price of HK$0.41 per share (after adjustment) which was supposed to mature on 8 September 2018. The carrying value of the 3rd Tai Cheng CB as at 31 December 2017 was approximately HK$431,000.

(ii) 2015 CB

On 6 March 2015, the Company issued the 3% per annum convertible bonds in the aggregate principal amount of HK$29,000,000 ("**2015 CB**") carrying conversion right to convert into 87,878,787 shares at the conversion price of HK$0.33 per share maturing on 6 March 2018. The carrying value of the 2015 CB as at 31 December 2017 was approximately HK$30,841,000. On 6 March 2018, the 2015 CB matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holders.

(iii) Marsa CB

On 21 November 2014, the Company entered into a sale and purchase agreement pursuant to which the Company acquired 100% equity interests of Rainbow Star at a maximum aggregate consideration of HK$217,000,000, out of which HK$54,250,000 was settled in cash and the remaining consideration of not more than HK$162,750,000 was supposed to be settled by three equal tranches of convertible bonds in the principal amount of HK$54,250,000 each (the "**1st Marsa CB**", the "**2nd Marsa CB**" and the "**3rd Marsa CB**" respectively and collectively referred to as the "**Marsa CB**").

Rainbow Star is an investment holding company, its principal asset being 70% indirect equity interests in Shenzhen Marsa which, together with its subsidiaries, are principally engaged in the provision of beauty and wellness related services.

Pursuant to the terms of the sale and purchase agreement (as supplemented by a supplemental agreement dated 16 December 2014), deposits in the aggregate amount of HK$20,000,000 were paid to the vendors (or their nominees) before 31 December 2014. The acquisition was completed in May 2015, after which the remaining cash consideration of HK$34,250,000 was paid and the 1st Marsa CB was issued to the vendors and/or their nominees. The 2nd Marsa CB was issued on the first anniversary of the date of issue of the 1st Marsa CB.

The Company's obligations under the Marsa CB are subject to the fulfillment of profit guarantee that the audited consolidated net profit after tax of Shenzhen Marsa for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than RMB20,000,000, failing which the Company shall have the right to redeem and cancel in whole or part of the Marsa CB at nominal sum by reference to the shortfall proportion (the "**PG Failure Cancellation Right**"). Shenzhen Marsa did not meet the profit guarantee for both 2015 and 2016 and accordingly, principal amounts of HK$36,298,675 and HK$41,978,650 are liable to be redeemed and cancelled by the Company in respect of the 1st and 2nd Marsa CBs, respectively. Shenzhen Marsa did not meet the profit guarantee for 2017 and accordingly, if and when the 3rd Marsa CB is to be issued, principal amount of HK$48,163,150 should be liable to be redeemed and cancelled by the Company in respect of the 3rd Marsa CB.

The Company shall have the right to redeem the 1st, 2nd and 3rd Marsa CBs (in part or in whole) by issuing shares of the Company at the conversion price of HKD$0.50 per share (the "**Share Redemption Election Right**") during the period commencing from the first business day immediately after the respective issue date of the 1st, 2nd and 3rd Marsa CBs (as the case may be) and ending on the business day immediately before their respective maternity rates.

The Company is seeking legal and financial advice to protect its legal right and interest. The accounting treatment and assumption of the 1st, 2nd and 3rd Marsa CBs are for the sole purpose of accounting presentation and shall in no way limit or prejudice the Company's legal right, which is hereby fully reserved against all parties.

In addition, if the audited consolidated net profit after tax of Shenzhen Marsa for all of the three years ending 31 December 2015, 2016 and 2017 are less than RMB20,000,000, the Company shall have the right to require the vendors to repurchase the 100% equity interest in Rainbow Star at the aggregate consideration already paid to them.

The first tranche of Marsa CB:

On 20 May 2015, the Company issued the 1st Marsa CB in an aggregate principal amount of HK$54,250,000 carrying conversion right to convert into 108,500,000 shares at the conversion price of HK$0.50 per share (after adjustment) maturing on 20 May 2018, out of which principal amount of HK$36,298,675 is liable to be redeemed and cancelled by the Company due to the failure to meet the profit guarantees for 2015. The net profit after tax of Shenzhen Marsa for the year ended 31 December 2015 was RMB6,618,000 (HK$8,226,000), representing an achievement ratio of 33.09% compared to the profit guarantee of RMB20,000,000. Assuming that the Company exercises the PG Failure Cancellation Right over the 1st Marsa CB, principal sum in the amount of HK$17,951,325 should remain after the cancellation, carrying conversion right to convert into 35,902,650 shares at the conversion price of HK$0.50 per share (subject to adjustments) if the Company exercises the Share Redemption Election Right over the 1st Marsa CB.

The second tranche of Marsa CB:

On 20 May 2016, the Company issued the 2nd Marsa CB in an aggregate principal amount of HK$54,250,000 carrying conversion right to convert into 108,500,000 shares at the conversion price of HK$0.50 per share (after adjustment) maturing on 20 May 2019, out of which principal amount of HK$41,978,650 is liable to be redeemed and cancelled by the Company due to the failure to meet the profit guarantees for 2016. The net profit after tax of Shenzhen Marsa for the year ended 31 December 2016 was RMB4,525,280 (HK$5,288,000), representing an achievement ratio of 22.62% compared to the profit guarantee of RMB20,000,000. Assuming that the Company exercises the PG Failure Cancellation Right over the 2nd Marsa CB, principal sum in the amount of HK$12,271,350 should remain after the cancellation, carrying conversion right to convert into 24,542,700 shares at the conversion price of HK$0.50 per share (subject to adjustments) if the Company exercises the Share Redemption Election Right over the 2nd Marsa CB.

The third tranche of Marsa CB:

The 3rd Marsa CB has not yet been issued by the Company, as the convertible bond liable to be redeemed and cancelled from the 1st and 2nd Marsa CBs due to the failure to meet the profit guarantees in the first two years has already exceeded the principal sum of the 3rd Marsa CB. The Company is seeking legal and financial advice to protect its legal right under the acquisition of Rainbow Star and the Marsa CB.

The net profit after tax of Shenzhen Marsa for the year ended 31 December 2017 was RMB2,244,000 (HK$2,695,000), representing an achievement ratio of 11.22% compared to the profit guarantee of RMB20,000,000. Assuming that the 3rd Marsa CB were to be issued but that the Company exercises the PG Failure Cancellation Right over the 3rd Marsa CB on or after issuance, principal amount of HK$48,163,150 should be liable to be redeemed and cancelled by the Company due to the failure to meet the profit guarantees for 2017 and principal sum in the amount of HK$6,086,850 should remain after the cancellation, carrying conversion right to convert into 12,173,700 shares at the conversion price of HK$0.50 per share (subject to adjustments) if the Company exercises the Share Redemption Election Right over the 3rd Marsa CB.

The carrying value of the 1st, 2nd and 3rd Marsa CBs as at 31 December 2017 was approximately HK$13,229,000.

(iv) Qianhai CB

On 15 April 2016, the Company issued the 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited in an aggregate principal amount of HK$12,000,000 (the "**Qianhai CB**") carrying conversion right to convert into 40,000,000 shares at the conversion price of HK$0.30 per share (after adjustment) maturing on 15 April 2019. The carrying value of the Qianhai CB as at 31 December 2017 was approximately HK$12,358,000.

(v) Ample Reach CB

On 31 January 2018, the Group acquired 100% interest in Charm Eastern Limited (in turn owning 70% equity interest in Phoenix Hospital and Zizhong Hospital) for a total consideration of HK$75,015,625. Phoenix Opco and Zizhong Opco are principally engaged in the provision of medical services in the People's Republic of China (the "**PRC**"). On completion, HK$41,015,625 out of the total consideration was settled by the issue of three equal tranches of zero-coupon convertible bonds in the principal amount of HK$13,671,875 each and maturing on 30 September 2018, 30 April 2019 and 30 September 2019, respectively, to Ample Reach Limited (the "**Ample Reach CB**"), carrying conversion right to convert into 234,375,000 shares at the conversion price of HK$0.175 per share subject to the fulfillment of profit guarantee.

(vi) Zheyin Tianqin 2017 CB

On 3 March 2017, the Company issued the 8% per annum convertible bonds in an aggregate principal amount of HK$25,000,000 to Zheyin Tianqin ("**Zheyin Tianqin 2017 CB**") carrying conversion right to convert into 125,000,000 shares at the conversion price of HK$0.20 per share and maturing on 3 March 2018. The carrying value of the Zheyin Tianqin 2017 CB as at 31 December 2017 was approximately HK$26,504,000.

Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CB on 1 March 2018, 125,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of Zheyin Tianqin based on the conversion price of HK$0.20 per conversion share.

(vii) Investor CB

On 8 February 2018, the Company issued the 6% per annum convertible bonds in an aggregate principal amount of HK$27,200,000 to the Investor (Mr. Liu Dong) carrying conversion right to convert into 160,000,000 shares at the conversion price of HK$0.17 per share and maturing on 10 February 2020. Pursuant to the exercise of the conversion rights attaching to the Investor CB on 2 March 2018, 160,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of the Investor, Smoothly Good Investment Development Limited, based on the conversion price of HK$0.17 per conversion share.

(viii) HK Yinger CB

On 23 March 2018, the Company issued the 3% per annum convertible bonds in an aggregate principal amount of HK$120,000,000 (the "**HK Yinger CB**") to the nominated entity(ies) of HK Yinger, Fluent Robust Limited, carrying conversion right to convert into 705,882,352 shares at the conversion price of HK$0.17 per share and maturing on the day falling on 23 March 2020, being the second anniversary of the date of issue of the convertible bonds.

CHARGES ON ASSETS

As at 31 December 2017, none of the Group's assets was pledged to secure any facilities and borrowings granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017.

HUMAN RESOURCES

As at 31 December 2017, the Group has 226 employees in Hong Kong and China. Employees' remuneration, promotion and salary increments are assessed based on both individuals' and the Group's performance, professional and working experiences and by reference to prevailing market practices and standards. Apart from the general remuneration package, the Group may also share options and discretionary bonus to eligible staff based on their performance and contribution to the Group. The Group regards high-calibre staff as one of the key factors to corporate success.

LITIGATIONS

Save as disclosed below, as at the date of this report, neither the Company nor any other member of the Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group:

(i) On 9 February 2017, the Company received a writ of summons dated 9 February 2017 issued by the High Court of Hong Kong. The plaintiff is Nu Kenson Limited ("**Nu Kenson**") and the Company is named as a defendant in the writ. Pursuant to the statement of claim attached to the writ, Nu Kenson sought, inter alia, the following reliefs: (i) a declaration that Nu Kenson is the legal and lawful owner and/or holder of the 8% coupon convertible bonds in the principal amount of HK$40,000,000 issued by the Company as disclosed in the Company's announcements dated 27 November 2015, 28 December 2015 and 15 January 2016 (the terms of which being amended as disclosed in the Company's announcements dated 16 January 2017 and 10 February 2017) (the "**1st 2016 CB**"); (ii) a declaration that Nu Kenson is entitled to a bond certificate in its name to be issued by the Company, to have its name entered into the register of bondholder by the Company, and to convert the 1st 2016 CB into Shares in accordance with its terms and conditions; (iii) specific performance of the 1st 2016 CB; and/or (iv) damages to be assessed. On 28 April 2017, the Company, Mr. Yang Yuezhou (the subscriber of the 1st 2016 CB) and Nu Kenson entered into a deed of settlement pursuant to which (inter alia), the Company paid HK$44,000,000 to Nu Kenson in full and final settlement of the principal amount and interest of the 1st 2016 CB and the legal proceedings arisen from the writ.

(ii) On 9 March 2018, the Company issued six writs of summons to the six Loan Receivables Borrowers in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the Loan Receivables in the aggregate principal amount of approximately HK$24,304,400, together with interest and cost.

(iii) On 14 March 2018, the Company issued two writs of summons to the two Promissory Notes Borrowers in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the promissory note receivables in the aggregate principal amount of HK$165,617,025, together with interest and cost.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: HK$Nil).

ADDITIONAL INFORMATION RELATING TO THE DISCLAIMER OF OPINION

The auditors of the Company issued disclaimer of opinion in the independent auditors' report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2017. In view of the disclaimer of opinion, the Board would like to provide the following additional information:

Impairment losses and uncertainties on opening balances

As disclosed in paragraphs (a) to (f) of the independent auditors' report, the auditors have been unable to obtain sufficient appropriate audit evidence to satisfy themselves as to whether the opening balances of the loan receivables, the promissory note receivables, the prepayment, deposits and other receivables, the call option derivative financial instrument, and the trademark user right and the technical know-how intangible assets as at 1 January 2017 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017.

The Company underwent significant changes in directorship and management personnel in or around June 2017, including the stepping down of the ex-Chairman and the appointment of the new Chairman, and the change of other directors and key financial, accounting, administrative and operation management roles. After taking over the Company's books and records left behind by the previous management, the new management decided to conduct a thorough review of the Group's operations and key assets and liabilities items with the view to enhancing enterprise efficiency and stopping losses. On key balance sheet items which have arisen as a result of acquisitions made under the decisions of the previous management, the new management and the new Board are determined to take a prudent approach in assessing recoverability and assumption making during impairment testing, with which the audit committee concurred.

So far as overdue receivables are concerned, the new management has taken actions since the second half of 2017 to seek to recover them by sending demand letters to the debtors to demand immediate repayment. For the majority of receivables which remain overdue despite repeated demands, the Company has engaged legal advisers to commence legal actions against the defaulting debtors. As the new management cannot ascertain the financial viability of the debtor counterparties, the Company's management is of the view that they should take a prudent approach to make full provision of these overdue receivables, with which the audit committee concurred.

During the audit process, the Company has carried out steps to assist the auditors in performing the audit work. To the extent the existing management can identify such documents in the books and records left behind by the previous management, documents evidencing the existence of the relevant receivables (such as the relevant agreements, memoranda signed by previous management on the purposes of loans, payment evidence, demand letters and Court documents) were provided to the Company's new auditors, HLB Hodgson Impey Cheng Limited ("**HLB**"). However, the existing management cannot locate sufficient appropriate evidence (such as financial statements, assets and liabilities breakdown analyses, income projections, asset fortification, personal/corporate guarantee, and/or signed repayment schedules of the debtor counterparties) to assess the recoverability of the receivables at the opening of the period ended 31 December 2017, nor did the existing management successfully procure audit confirmations as required by the auditors, resulting in uncertainties on the opening balance of the recoverable amounts and the exact timing of impairment of such receivables in the view of the Company's management with which the audit committee concurred.

So far as the trademark user right and technical know-how intangible assets which belonged to the cash generating unit ("**CGU**") represented by the health and medical business are concerned, the Company's management reviewed the latest financial figures and business projections provided by the subsidiary level management of the relevant CGU. The recoverable amount of the CGU was determined as its value in use, which was measured based on a five-year profit forecast provided by the subsidiary level management which was reviewed by the Company's management. The management then engaged an independent valuer to conduct a valuation on the relevant CGU to assess the recoverable amount for impairment testing purpose. As the health and medical business does not perform as well as the vendors previously projected to the Company, an impairment loss was then recorded to the extent the carrying value exceeds the recoverable amount. The audit committee concurred with the approach adopted by the Company's management regarding the impairment on these intangible assets.

The Company's former auditors, McMillan Woods SG CPA Limited ("**MMW**") was removed on the recommendation of the Company's audit committee, the proposal by the Board and the approval by the Company's shareholders (the "**Shareholders**") at an extraordinary general meeting held on 9 March 2018 (the "**EGM**"). Up to the date of this report, the Company has not received any written representations from MMW, nor has it received any confirmation on change of auditors from MMW notifying the Company of any matters that need to be brought to the attention of the Shareholders. Although ample opportunity was offered by the Company to MMW, MMW did not make any representation to the Company's audit committee or the Shareholders and did not turn up at the EGM regarding their removal. To the best of the information, understanding and knowledge of the Directors, no professional clearance letter was issued by MMW to HLB up to the date of this report.

On 5 March 2018, the Company received a fax (the "**Fax**") from MMW dated 5 March 2018 made to the attention of the Shareholders and the Board, the full content of which was disclosed in the Company's announcement dated 6 March 2018. The management is of the view that the Fax did not contain any matter of useful substance on the part of MMW apart from simply denying liabilities regarding their removal.

Material uncertainty relating to the going concern basis

The Directors adopted the going concern basis in the preparation of the consolidated financial statements and implemented measures in order to improve the working capital and liquidity and cash flow position of the Group. Details of the measures are disclosed in the Corporate Governance Report of this annual report. In particular, net proceeds of HK$27.2 million and HK$118.2 million were raised on completion of the Investor CB Subscription on 8 February 2018 and completion of the HK Yinger CB Subscription on 23 March 2018, respectively. The net proceeds expected to be raised from the issue of the Zheyin Tianqin 2018 CB are approximately HK$59.1 million, if it proceeds to completion on or before the long stop date of 19 April 2018 (being one month after the obtaining of shareholders' approval at the Company's general meeting). The acquisition of Charm Eastern Limited which was completed in January 2018 was also expected to contribute profit and positive cash flow to the Group for the year ending 31 December 2018. The conversion of the Zheyin Tianqin 2017 CB in the principal amount of HK$25 million and the conversion of the Investor Convertible Bonds in the principal amount of HK$27.2 million as announced by the Company on 5 March 2018 improved the equity base of the Company. In addition, the Company is in ongoing negotiations with banks, financial institutions, professional investors and our existing shareholders and creditors with the view to raising additional funds for the Group, whether by way of debt, equity or otherwise, and is generally optimistic on its capability in raising additional funds.

During the audit process, the Company provided cash flow projections of the Group for the auditors' review, but was unable to provide any offer letters issued by banks or financial institutions regarding loans or credit facilities of between HK$150 million to HK$200 million which are available for immediate drawdown by the Group. As disclosed in the Company's circular dated 28 February 2018, such loans or credit facilities are not feasible as the Company cannot provide real estate properties as collaterals.

After considering the management's presentation on the measures taken by the Group especially those subsequent to the financial period end as explained above, the audit committee concurred with the going concern presentation of the consolidated financial statements as adopted by the Company's management.

Action plan to remove the disclaimer of opinion

Regarding the disclaimer of opinion on going concern, the management will try its best to raise more funding by way of equity or debt for the remainder of 2018 with the view to continuously improving the Group's financial position and removing the disclaimer of opinion for the year ending 31 December 2018, barring unforeseen circumstances which may adversely affect the Company's financial position after the date hereof.

Regarding the disclaimer of opinion on the opening balances and impairment losses, these audit disclaimers are expected to recur for at least one more year during the year ending 31 December 2018 due to the inclusion of comparative year figures, barring unforeseen circumstances which may arise after the date hereof over the relevant balance sheet items, including without limitation the final outcome of the litigations over the receivables and the related enforcement actions against the defendants. The management will try its best to uphold the Company's legal rights and remedies through Court actions against the relevant defaulting parties.

EXECUTIVE DIRECTORS

Mr. Yu Qigang ("**Mr. Yu**"), aged 53, was appointed as an executive Director on 5 September 2013, the Chairman of the Board on 6 June 2017, the chairman of the nomination committee of the Company on 7 June 2017 and a member of the remuneration committee of the Company on 14 June 2017. He was a member of the Standing Committee of the Shenzhen Committee of Chinese Peoples' Political Consultative Conference during the fourth and fifth sessions from 2005 to 2015. He is the founder of Shenzhen Yinger Fashion Group Co., Ltd. and has over 25 years of operation and management experience in garment and fashion industries. He is an uncle of Ms. Yu Jiaoli, a non-executive Director.

Based on the disclosure of interests filing available to the Company, Mr. Yu regarded himself to be deemed, pursuant to Part XV of the Securities and Futures Ordinance, to be interested in (a) 987,697,627 Shares (representing 43.75% of the total issued share capital of the Company) held by Gold Bless International Invest Limited ("**Gold Bless**"), a company which is regarded as a controlled corporation of Mr. Yu; and (b) 705,882,352 underlying Shares attributed to convertible bonds of the Company in the principal amount of HK$120,000,000 held by Fluent Robust Limited ("**Fluent Robust**"), a wholly-owned subsidiary of Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**") which is regarded as a controlled corporation of Mr. Yu. Mr. Yu is also a director of HK Yinger.

Mr. Zeng Xiangdi ("**Mr. Zeng**"), aged 53, was appointed as an executive Director and Chief Executive Officer of the Company on 24 February 2017. Mr. Zeng graduated from Hunan College of Arts and Science. Mr. Zeng worked for the government in China for more than a decade and is a visiting professor of the Hunan College of Arts and Science. Mr. Zeng was an executive director of TC Orient Lighting Holdings Limited (a company listed on the Stock Exchange with stock code: 515) from 29 January 2015 to 16 November 2015. Mr. Zeng is a director of the following subsidiaries of the Company, namely, China Joy Holdings Limited, Faithful China Enterprises Limited, Charm Eastern Limited and Greatwide Corporation Limited.

Mr. Yang Wang Jian ("**Mr. Yang**"), aged 61, was appointed as an executive Director and Chairman of the Board on 7 November 2011, resigned from both positions on 8 November 2012, became a senior consultant of the Company on 1 December 2012, re-appointed as an executive Director and Chairman of the Board on 5 September 2013, stepped down from the position of Chairman of the Board on 6 June 2017, ceased to act as the chairman of the nomination committee of the Company on 7 June 2017, and ceased to act as a member of the remuneration committee of the Company on 14 June 2017. He has over 30 years of experience in international finance and investment. He was the managing director of Corporate Finance International Ltd. and a director of Uni Core Holdings Corporation (Stock Symbol: UCHC), a company listed on the OTC Bulletin Board in the United States. He was a member of the Standing Committee of the Shenzhen Committee of Chinese Peoples' Political Consultative Conference during the fourth and fifth sessions from 2005 to 2015. He graduated from the University of International Business and Economics (formerly known as the College of Beijing Economics and Foreign Trade), with a bachelor's degree in economics.

Based on the disclosure of interests filing available to the Company, Mr. Yang regarded himself to be deemed, pursuant to Part XV of the SFO, to be interested in 987,697,627 Shares (representing 43.75% of the total issued share capital of the Company) held by Gold Bless.

PROFILE OF DIRECTORS

Mr. Chen Hanhong ("**Mr. Chen**"), aged 66, was appointed as an executive Director on 1 July 2013. He has over 20 years of experience in the management and investment industries. He is a director of Shenzhen Eli Eco-technology Co., Limited, a company whose shares are quoted on the National Equities Exchange and Quotations (NEEQ) of China with stock code 835400. He completed the Tsinghua Executive Master in Business Administration Research and Advanced Study Class organized by the Research Institute of Tsinghua University in Shenzhen. Mr. Chen is a director of the following subsidiaries of the Company, namely, Sino Front Limited, Victory Ford (HK) Limited, Cheerful Top Group Limited, Tai Cheng International Limited, Asia Agricultural Products Exchange Group Limited, Green Capital (Hong Kong) Limited, Big Point Investment Limited, Green Securities Limited, Green Asset Management Limited, Rainbow Star Global Limited, Eternal Spirit Developments Limited, Harmonic Felicity Limited, China Joy Holdings Limited, Faithful China Enterprises Limited, Charm Eastern Limited and Greatwide Corporation Limited. Mr. Chen is a director of HK Yinger and Fluent Robust, both being the controlled corporations of Mr. Yu.

Ms. Eva Au ("**Ms. Au**"), aged 52, was appointed as an executive Director on 5 June 2015. She was appointed as a committee member of the 4th and 5th Standing Committee of the Shenzhen Committee of the Chinese People's Political Consultative Conference. She is currently the vice president of Shenzhen Overseas Chinese International Association. Ms. Au was awarded as the "Top Ten Most Influential Leaders" of the cosmetic industry in Shenzhen and Hong Kong, and a permanent honorary council member of Shenzhen Charity Foundation in 2006. Ms. Au graduated from the Department of Chinese Language and Literature and Department of Mass Communication of Shenzhen University in 1987, and obtained a Master of Business Administration degree from the University of Technology, Sydney in 1999. She has a wide knowledge in healthcare and medical management. Ms. Au is a director of the following subsidiaries of the Company, namely, Shenzhen Marsa Guer Chain Enterprise Limited, Marsa Investment Holdings Limited, Marsa Management Limited and Health Gold Holdings Limited.

NON-EXECUTIVE DIRECTOR

Ms. Yu Jiaoli ("**Ms. Yu**"), aged 28, was appointed as a non-executive Director on 1 July 2013. Ms. Yu is currently a designer of Shenzhen Yinger Fashion Group Co., Limited. Ms. Yu graduated from Guangzhou Science and Technology Trade Vocational College majoring in fashion design in 2012. Ms. Yu is a niece of Mr. Yu Qigang, an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Hong ("**Mr. Wu**"), aged 58, was appointed as an independent non-executive Director on 7 November 2011, a member of the audit committee of the Company on 7 November 2011, a member of the remuneration committee and nomination committee of the Company on 30 June 2017.

Mr. Wu is currently a professor and dean of the College of Design at Shenzhen University in the PRC. He has many years of experience in the field of design, and has worked in both the academic field and in commercial areas in the PRC. Mr. Wu graduated from Chinese National Academy of Arts with a doctoral degree in art and design.

Mr. David Tsoi ("**Mr. Tsoi**"), aged 70, was appointed as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Company on 12 June 2017. Mr. Tsoi was appointed as the chairman of the audit committee and the remuneration committee of the Company on 14 June 2017.

Mr. Tsoi is currently a director of Alliott, Tsoi CPA Limited. Mr. Tsoi obtained a master's degree in business administration from the University of East Asia, Macau (currently known as University of Macau) in 1986. Mr. Tsoi is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, a chartered certified accountant registered with the Association of Chartered Certified Accountants, and a chartered professional accountant and certified general accountant certified by the Chartered Professional Accountants of British Columbia, Canada. Mr. Tsoi is also registered as a certified tax adviser with The Taxation Institute of Hong Kong. Mr. Tsoi is a fellow of The Institute of Chartered Accountants in England and Wales, a fellow member of The Society of Chinese Accountants & Auditors, and a fellow member of CPA Australia. Mr. Tsoi was formerly an independent non-executive director of CRRC Corporation Limited (formerly known as CSR Corporation Limited) (stock code: 1766), Loto Interactive Limited (stock code: 8198, formerly known as MelcoLot Limited), Enviro Energy International Holdings Ltd. (stock code: 1102) and Anxin-China Holdings Limited (stock code: 1149). Mr. Tsoi is currently an independent non-executive director of Guru Online (Holdings) Limited (stock code: 8121), VPower Group International Holdings Limited (stock code: 1608), Universal Technologies Holdings Limited (stock code: 1026), Tianli Holdings Group Limited (stock code: 117), and Everbright Grand China Assets Limited (stock code: 3699) the shares of which are all listed on the Stock Exchange.

Mr. Wang Chunlin ("**Mr. Wang**"), aged 54, was appointed as an independent non-executive Director, a member of the audit committee, remuneration committee and nomination committee of the Company on 12 June 2017.

Mr. Wang graduated from the University of International Business and Economics in Beijing in 1986 and has since attained a master's degree in business administration from Murdoch University in Australia and a master's degree in International Shipping and Transport Logistics from the Hong Kong Polytechnic University. Mr. Wang was formerly an executive director of Pacific Basin Shipping Limited (a company listed on the Stock Exchange with stock code: 2343).

Ms. Sun Zhili ("**Ms. Sun**"), aged 50, was appointed as an independent non-executive Director, a member of the audit committee, remuneration committee and nomination committee of the Company on 12 June 2017.

Ms. Sun obtained a bachelor's degree from Nanjing Normal University and a master's degree from the University of Houston. Ms. Sun has extensive experience in the corporate finance and investment banking field, including experience in corporate governance, mergers and acquisitions and investor relation management. Ms. Sun is currently an independent non-executive director of Century Ginwa Retail Holdings Limited (a company listed on the Stock Exchange with stock code: 162) and Huili Resources (Group) Limited (a company listed on the Stock Exchange with stock code: 1303). Ms. Sun was previously a vice president of Bosideng International Holdings Limited (a company listed on the Stock Exchange with stock code: 3998) and an executive director and chief financial officer of China Mass Media Corporation (a company listed on the New York Stock Exchange).

REPORT OF THE DIRECTORS

The board (the "**Board**") of directors (the "**Directors**") of Green International Holdings Limited (the "**Company**") presents the annual report and the audited consolidated financial statements of the Company together with its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

During the year under review, the Group was principally engaged in provision of (i) health and medical services, (ii) beauty and wellness services, and (iii) integrated financial services comprising money-lending, securities brokerage and asset management. The principal activities of its principal subsidiaries are more particularly set out in Note 35 to the consolidated financial statements.

BUSINESS REVIEW

Details of business review of the Group for the year ended 31 December 2017 are set out in the section headed "Management Discussion and Analysis" of this annual report.

SEGMENT INFORMATION

Details of the Group's segmental information for the year ended 31 December 2017 are set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the accompanying consolidated financial statements. The Board does not recommend the payment of a final dividend for the years ended 31 December 2017 and 2016.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and of the assets and liabilities of the Group for the past five financial years is set out in the section headed "Five-year Financial Summary" of this annual report.

SHARE CAPITAL

There were no movements in the Company's issued share capital during the year ended 31 December 2017.

CONVERTIBLE BONDS

Details of the convertible bonds issued by the Company during the year ended 31 December 2017 and outstanding convertible bonds as at 31 December 2017 are set out in Note 24 to the consolidated financial statements and the section headed "Management Discussion and Analysis" of this annual report.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity and Note 35 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2017 and 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
Share premium	**544,946**	544,946
Accumulated losses	**(680,968)**	(362,213)
	(136,022)	182,733

The Company's reserves available for distribution to shareholders at 31 December 2017 and 2016 were HK$Nil and approximately HK$182,733,000, respectively.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year ended 31 December 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2017 are set out in Note 14 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Yu Qigang *(Chairman)* (elected Chairman on 6 June 2017)
Mr. Zeng Xiangdi *(Chief Executive Officer)* (appointed as Director and Chief Executive Officer on 24 February 2017)
Mr. Yang Wang Jian (stepped down as the Chairman on 6 June 2017)
Mr. Chen Hanhong
Ms. Eva Au
Mr. Wong Man Keung (resigned as Director and Chief Executive Officer on 10 January 2017)
Ms. Yang Jun (resigned on 12 June 2017)
Ms. Yang Ya (resigned on 12 June 2017)

Non-executive Directors

Ms. Yu Jiaoli
Ms. Ng Hui Yee Ethel (appointed on 25 April 2017 and resigned on 19 June 2017)

Independent Non-executive Directors

Mr. Wu Hong
Mr. David Tsoi (appointed on 12 June 2017)
Mr. Wang Chunlin (appointed on 12 June 2017)
Ms. Sun Zhili (appointed on 12 June 2017)
Mr. Low Chin Sin (resigned on 14 June 2017)
Mr. Ye Yunhan (resigned on 14 June 2017)
Professor Zhu Yi Zhun (resigned on 30 June 2017)
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)

Biographical Details of Directors

Brief biographical details of Directors are set out in the section headed "Profile of Directors" of this annual report.

Director's Service Contracts

Details of the terms of director's service contracts are summarized as follows:

Executive Directors	Service agreement commencement date	Service period	Notice period for termination by either party
Mr. Yu Qigang	1 June 2017	3 years	1 month
Mr. Zeng Xiangdi	1 June 2017	3 years	1 month
Mr. Yang Wang Jian	5 September 2016	3 years	1 month
Mr. Chen Hanhong	1 June 2017	3 years	1 month
Ms. Eva Au	1 June 2017	3 years	1 month

Non-executive and Independent Non-executive Directors	Appointment letter commencement date	Service period	Notice period for termination by either party
Ms. Yu Jiaoli	1 July 2017	1 year	1 month
Mr. Wu Hong	7 November 2017	1 year	1 month
Mr. David Tsoi	12 June 2017	1 year	1 month
Mr. Wang Chunlin	12 June 2017	1 year	1 month
Ms. Sun Zhili	12 June 2017	1 year	1 month

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a 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.

Emoluments of the Directors and the Five Highest Paid Individuals

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Note 10 to the consolidated financial statements.

Directors' Right to Acquire Shares or Debentures

Save as the Company's share option scheme disclosed in Note 23 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

Save for the First HK Yinger Loan, the Second HK Yinger Loan and the HK Yinger CB Subscription Agreement as disclosed in the section headed "Management Discussion and Analysis" in which (i) Mr. Yu Qigang is considered to be interested by virtue of his shareholding in HK Yinger; (ii) Ms. Yu Jiaoli is considered to be interested by virtue of her family relationship with Mr. Yu; and (iii) Mr. Chen Hanhong is considered to be interested by virtue of his directorship in HK Yinger, no contracts of significance, to which the Company or its subsidiaries 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.

Directors' Interests in Competing Businesses

None of the Directors and management shareholders of the Company nor any of their respective associates had an interest in a business which competes or may compete with the business of the Group during the year ended 31 December 2017.

Model Code for Securities Transactions by Directors

The Company follows the model code (the "**Model Code**") as the code of conduct for Directors in their dealings in the Company's securities. Details of the Model Code are set out in the section headed "Corporate Governance Report" of this annual report.

Confirmation of Independence by Independent Non-executive Directors

Each of the incumbent independent non-executive Directors has provided an annual confirmation of his/her independence.

CONNECTED TRANSACTIONS

On 14 June 2017, the Company entered into a loan agreement with Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**"), a company which is wholly-owned by Mr. Yu Qigang, a director and the chairman of the Company, pursuant to which the Company obtained a one-year loan in the principal amount of HK$60,000,000 at the interest rate of 4.8% per annum.

On 3 October 2017, the Company entered into a second loan agreement with HK Yinger, a company which is wholly-owned by Mr. Yu Qigang, pursuant to which the Company obtained a six-month loan in the principal amount of HK$60,000,000 at the interest rate of 6.5% per annum.

No collateral on the Group's assets was required for the said loans. The Board (including the independent non-executive Directors) was of the view that the provision of the loans by Mr. Yu Qigang to the Company was conducted on normal commercial terms or better so far as the Company is concerned. The loans were fully exempt from all disclosure, annual review, circular and shareholders' approval requirements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, the interests or short positions of the directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Long positions in shares and underlying shares of the Company and its associated corporations

Name of Director	Capacity	Long positions in shares and underlying shares	Approximate percentage of total issued shares *(Note 5)*
Mr. Yang Wang Jian	Interest of controlled corporations	987,697,627 *(Note 1)*	50.07%
	Beneficial owner	9,000,000 *(Note 2)*	0.46%
Mr. Yu Qigang *(Note 3)*	Interest of controlled corporations	987,697,627	50.07%
Ms. Eva Au *(Note 4)*	Beneficial owner	65,100,000	3.30%

Notes:

1. According to disclosure of interest filings, these 987,697,627 shares were beneficially owned by Gold Bless International Invest Limited ("**Gold Bless**"), a company whose issued shares were reportedly registered: (a) as to 65% in the name of Mr. Yang Wang Jian, who was also a director of Gold Bless; (b) as to 20% in the name of Mr. Yu Qigang; and (c) as to 15% in the name of Winning Top Investments Limited ("**Winning Top**"), which was reportedly wholly-owned by Mr. Yu Qigang.

   Mr. Yang was deemed to be interested in all the 987,697,627 shares held by Gold Bless pursuant to Part XV of the SFO. These deemed interest duplicated with those of Mr. Yu as described in note (3) below and those of Gold Bless. Under Part XV of the SFO, Gold Bless is regarded as an associated corporation of the Company.

2. According to disclosure of interest filings, 9,000,000 underlying shares may be issued upon full exercise of the share options granted to Mr. Yang on 11 May 2012 under the share option scheme of the Company adopted on 2 September 2006.

3. According to disclosure of interest filings, Mr. Yu Qigang was deemed to be interested in all the 987,697,627 shares held by Gold Bless pursuant to Part XV of the SFO. These deemed interest duplicated with those of Mr. Yang as described in note (1) above and those of Gold Bless.

4. According to disclosure of interest filings, 65,100,000 underlying shares may be issued upon full exercise of the conversion rights attached to those principal sum of the convertible bonds (the "**Marsa CB**") which were issued by the Company and registered in the name of Ms. Eva Au. The repayment obligations of the Marsa CB are subject to the satisfaction of the profit guarantee in respect of the profit of Shenzhen Marsa Guer Chain Enterprise Limited ("**Shenzhen Marsa**") for the years ended 31 December 2015, 2016 and 2017, respectively, under the acquisition of Rainbow Star Global Limited in 2015 and the Company's right of redemption and cancellation of such principal sum of the Marsa CB by reference to the shortfall proportion if the profit guarantee is not satisfied. In addition, the conversion rights attached to the Marsa CB is only exercisable after the Company exercised its said right of redemption and cancellation by reference to the satisfaction and/or shortfall proportion of the said profit guarantee of Shenzhen Marsa. Shenzhen Marsa did not meet the profit guarantees for all three years of 2015, 2016 and 2017 and certain principal amounts of the Marsa CB are liable to be redeemed and cancelled by the Company.

5. The percentages are calculated based on the total number of 1,972,452,606 issued shares as at 31 December 2017.

SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares and underlying shares of the Company

Name of substantial shareholder	Capacity in which the shares or underlying shares are held	Long positions in shares and underlying shares	Approximate percentage of total issued shares *(Note 5)*
Gold Bless *(Note 1)*	Beneficial owner	987,697,627	50.07%
Zheyin Tianqin *(Note 2)*	Beneficial owner	125,000,000	6.34%
Mr. Xia Yongqin *(Note 2)*	Interest of controlled corporation	125,000,000	6.34%
Chung Sum Sang *(Note 3)*	Beneficial owner	119,120,930	6.04%
Keytone Assets Investment Inc. *(Note 4)*	Beneficial owner	116,279,070	5.90%
Cai Zhengshun *(Note 4)*	Interest of controlled corporation	116,279,070	5.90%

Notes:

1. According to disclosure of interest filings, these 987,697,627 shares were beneficially owned by Gold Bless, a company which is deemed to be a controlled corporation of Mr. Yu and Mr. Yang. The interest in shares of Gold Bless therefore duplicated with those of Mr. Yu and Mr. Yang as described in notes (1) and (3) of the section regarding directors' interests in securities above. Under Part XV of the SFO, Gold Bless is regarded as an associated corporation of the Company.

2. According to disclosure of interest filings, 125,000,000 underlying shares may be issued upon full exercise of the conversion rights attached to the convertible bonds registered in the name of Zheyin Tianqin (Shenzhen) Investment Limited ("**Zheyin Tianqin**"), which was reportedly owned as to 100% by Mr. Xia Yongqin. Mr. Xia is deemed to be interested in the same block of underlying shares interested by Zheyin Tianqin pursuant to Part XV of the SFO.

3. According to disclosure of interest filings, 119,120,930 underlying shares may be issued upon full exercise of the conversion rights attached to those principal sum of Marsa CB which were registered in the name of Chung Sum Sang. The repayment obligations of the Marsa CB are subject to the satisfaction of the profit guarantee in respect of the profit of Shenzhen Marsa for the years ended 31 December 2015, 2016 and 2017, respectively, under the Rainbow Star acquisition and the Company's right of redemption and cancellation of such principal sum of the Marsa CB by reference to the shortfall proportion if the profit guarantee is not satisfied. In addition, the conversion rights attached to the Marsa CB is only exercisable after the Company exercised its said right of redemption and cancellation by reference to the satisfaction and/or shortfall proportion of the said profit guarantee of Shenzhen Marsa. Shenzhen Marsa did not meet the profit guarantees in all three years of 2015, 2016 and 2017 and certain principal amounts of the Marsa CB are liable to be redeemed and cancelled by the Company.

4. According to the disclosure of interest filings made by the relevant person, Keytone Assets Investment Inc. (which was purportedly owned as to 100% by Cai Zhengshun) was reported as the beneficial owner of 116,279,070 underlying shares, which appeared to coincide with the number of underlying shares reportedly disposed of by Chung Sum Sang on 29 August 2016 according to Chung Sum Sang's disclosure of interest filing. Chung Sum Sang's interest in underlying shares were believed to relate to the conversion rights attached to those principal sum of the Marsa CB which were registered in the name of Chung Sum Sang. The repayment obligations of the Marsa CB are subject to the satisfaction of the profit guarantee in respect of the profit of Shenzhen Marsa for the years ended 31 December 2015, 2016 and 2017, respectively, under the Rainbow Star acquisition and the Company's right of redemption and cancellation of such principal sum of the Marsa CB by reference to the shortfall proportion if the profit guarantee is not satisfied. In addition, the conversion rights attached to the Marsa CB is only exercisable after the Company exercised its said right of redemption and cancellation by reference to the satisfaction and/or shortfall proportion of the said profit guarantee of Shenzhen Marsa. Shenzhen Marsa did not meet the profit guarantees in all three years of 2015, 2016 and 2017 and certain principal amounts of Marsa CB are liable to be redeemed and cancelled by the Company.

5. The percentages are calculated based on the total number of 1,972,452,606 issued shares as at 31 December 2017.

Other than disclosed above, as at 31 December 2017, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

Details of movements of the share options granted under the share option scheme(s) for the year ended 31 December 2017 are set out as follows:

	2017		2016	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 January	**0.32**	**55,800,000**	0.32	55,800,000
Lapsed	**0.32**	**(32,800,000)**	–	–
At 31 December	**0.32**	**23,000,000**	0.32	55,800,000

	2017	2016
— Number of share options exercisable at year ended	**23,000,000**	55,800,000
— Range of exercise prices	**0.32**	0.32
— Weighted average remaining contractual life	**4.35 years**	5.35 years

CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue attributable to the Group's five largest customers combined was less then 30% of the Group's total purchases and sales, respectively.

MANAGEMENT CONTRACTS

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

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 33 to the consolidated financial statements, at no time during the year had the Company or any of its subsidiaries entered into any contract of significance with any controlling shareholder of the Company or any entities beneficially owned by such controlling shareholder(s).

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the sufficiency of public float requirement under the Listing Rules at any time during the year and up to the date of this annual report.

CORPORATE GOVERNANCE

The Company has published its Corporate Governance Report, details of which are set out in the section headed "Corporate Governance Report" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group considers the importance of environmental affairs and believes business development and environment affairs are highly related. The Group recognizes its corporate responsibility regarding environmental and social sustainability. The Group implements green office practices such as promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. Going forward, the Group will continue to promote environmental and social sustainability through various initiatives consistent with its policies and relevant laws and regulations.

The Company has published its Environmental, Social and Governance Report, details of which are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2017 have been reviewed by the audit committee of the Company.

AUDITORS

The consolidated financial statements for the years ended 31 December 2016 and 2015 were audited by McMillan Woods SG CPA Limited ("**MMW**"). At the extraordinary general meeting of the Company held on 9 March 2018, MMW was removed as the external auditors of the Company and its subsidiaries and HLB Hodgson Impey Cheng Limited ("**HLB**") was appointed as the external auditors of the Company and its subsidiaries. The consolidated financial statements for the year ended 31 December 2017 were audited by HLB whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB as the auditors of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in the section headed "Management Discussion and Analysis" of this annual report.

CORPORATE GOVERNANCE PRACTICE

The Board believes that good governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Following the management changeover in June 2017 (the "**Management Changeover**"), the new management is taking measures with the view to periodically reviewing the Group's corporate governance practices to ensure its continuous compliance with the CG Code. In particular, internal reviews were conducted, new management manuals were being compiled and training for directors and senior management was conducted to enhance the governance level of the Group. Save as the deviations explained below, to the best of the information, knowledge and belief of the incumbent management, the Company was in compliance with the code provisions set out in the CG Code for the year ended 31 December 2017 (the "**Year**"):

(i) With respect to Code Provision A.1.5, minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. The new management noted that the minutes of some of the board meetings in the Year prior to the Management Changeover failed to record in sufficient detail the matters considered, the reasons for making the decisions and any dissenting views. Upon the revelation of such deviations, the Board spoke with the relevant directors who attended the relevant meetings and recorded the matters, reasoning and dissenting views discussed at those meetings by way of supplemental attendance notes or memoranda. The Board has also set up policies to ensure that all future minutes shall record in sufficient detail the matters considered and decisions reached. After the adoption of such remedial measures, the Company regards that it has now complied with Code Provision A.1.5.

(ii) With respect to Code Provision A.2.5, the chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established. With respect to Code Provision A.2.6, the chairman should encourage (a) all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer; and (b) directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus. The new management noted that the Company has not maintained full records of its internal control and corporate governance practices for the Year prior to the Management Changeover. The Company is in the process of compiling a new set of internal control procedures to reinforce its governance level to seek to ensure compliance with Code Provisions A.2.5 and A.2.6.

(iii) With respect to Code Provision A.6.1, every newly appointed director of the Company should receive a comprehensive, formal and tailored induction on appointment and should subsequently receive briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his or her responsibilities under statue and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies. With respect to Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and directors should provide a record of the training they received to the issuer. The new management noted that not all Directors might have received formal induction and training, nor were written records of their training maintained as required under the CG Code prior to the Management Changeover. In December 2017, the Company compiled training materials for the purpose of updating all Directors on topics such as common law Directors' duties, the Listing Rules, Hong Kong Code on Takeovers and Mergers and the Securities and Futures Ordinance. In addition, the Company has set up policies to ensure that regular training will be provided to the Directors in future. After the provision of training and the adoption of the said policy, the Company regards that it has complied with Code Provisions A.6.1 and A.6.5.

(iv) With respect to Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings. At the annual general meeting of the Company held on 30 June 2017 (the "**AGM**"), three independent non-executive Directors were absent and one non-executive Director did not manage to attend the AGM physically due to other business engagements but was connected to the AGM venue by teleconferencing facilities.

(v) With respect to Code Provision C.1.2, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The new management noted that certain Directors might not have been provided with any monthly updates during the Year prior to the Management Changeover. The Company is in the process of compiling a new set of internal control procedures to reinforce its governance level to seek to ensure compliance with Code Provision C.1.2.

(vi) With respect to Code Provisions C.2.1 and C.2.2, (a) the board should conduct a review of the effectiveness of the risk management and internal control systems of the issuer and its subsidiaries at least annually; (b) the review should cover all material controls, including financial, operational and compliance controls and risk management functions; and (c) such annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting function. Since the Management Changeover in June 2017, the new management has been conducting an ongoing review of our internal control systems, particularly relating to the usage of chops, internal approval process for effecting payment and approving expenditures, bank signatories and subsidiary level management. The Company is in the process of compiling a new set of internal control procedures to reinforce its governance level to seek to ensure compliance with Code Provisions C.2.1 and C.2.2.

(vii) With respect to Code Provision C.2.5, an issuer should have an internal audit function and issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. Subsequent to the Management Changeover, the management considered that given the size and scale of our operations, it is more appropriate for the Company to outsource its internal audit function to external service provider.

(viii) With respect to Code Provision E.1.2, an issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence. The external auditors of the Company, McMillan Woods SG CPA Limited ("**MMW**"), did not attend the AGM on 30 June 2017. Upon the recommendation of the Company's audit committee and the Board, shareholders of the Company resolved to remove MMW as the Company's auditors at the Company's extraordinary general meeting on 9 March 2018.

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

The Company adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. Having made specific enquiry with the incumbent Directors, each of them confirmed that he/she has complied with the Model Code during the year ended 31 December 2017.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the leadership and control of the Group and collectively responsible for promoting success of the Group by directing and supervising the Group's affairs. The Board also formulates objectives, overall corporate strategies and business plans, and oversees the financial and management performance of the Group. Senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group, which include the implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business. Approval has to be obtained from the Board prior to any significant transactions entered into by senior management on behalf of the Group.

Specifically in relation to corporation governance function, the Board is responsible for the corporation governance function as a whole. During the reporting period and up to the date of this report, the Board had performed the following duties:

(i) Developing and reviewing relevant corporate governance policy and practice of the Company;

(ii) Reviewing and inspecting continuous professional development and training of the Directors and senior management;

(iii) Reviewing and monitoring the policies and practices of the Company being in compliance with the statutory and other regulatory provisions;

(iv) Developing, reviewing and checking code and provision of conducts applicable to the Directors and employees; and

(v) Reviewing that the Company being in compliance with the CG Code and corporate governance reporting requirements.

All Directors have full and timely access to all relevant information in relation to the Group as well as the advice from and services provided by the company secretary of the Company (the "**Company Secretary**"), if and when required, with a view to ensure that the procedures are in compliance and all applicable rules and regulations are followed. Mr. Chan Chun Kau ("**Mr. Chan**"), aged 44, was appointed as the company secretary of the Company on 7 June 2017. Mr. Chan graduated from Trinity College, Cambridge University of England with a bachelor degree in computer science and laws. Mr. Chan is a solicitor in Hong Kong and is a partner of two law firms in Hong Kong, namely Cheung and Choy, Solicitors and J.S. Gale & Co., and the sole proprietor of Lawrence Chan & Co.. Mr. Chan has attained not less than 15 hours of relevant professional training during the year 2017.

There are established procedures for the Directors upon reasonable request, to seek independent advice in appropriate circumstances for them to discharge their duties and responsibilities, at the Company's expenses.

Composition

The Board currently comprises five (5) executive Directors, one (1) non-executive Director and four (4) independent non-executive Directors from different businesses and professional fields. The Directors, including independent non-executive Directors, have brought a balance of valuable and diversified businesses and professional expertise, experiences and independent judgment to the Board for its efficient and effective management of the Group's business.

The Board, during the Year and up to the date of this report, has comprised the following Directors:

Executive Directors

Mr. Yu Qigang *(Chairman)* (elected Chairman on 6 June 2017)
Mr. Zeng Xiangdi *(Chief Executive Officer)* (appointed as director and Chief Executive Officer on 24 February 2017)
Mr. Yang Wang Jian (stepped down as the Chairman on 6 June 2017)
Mr. Chen Hanhong
Ms. Eva Au
Mr. Wong Man Keung (resigned as director and Chief Executive Officer on 10 January 2017)
Ms. Yang Jun (resigned on 12 June 2017)
Ms. Yang Ya (resigned on 12 June 2017)

Non-executive Directors

Ms. Yu Jiaoli
Ms. Ng Hui Yee Ethel (appointed on 25 April 2017 and resigned on 19 June 2017)

Independent Non-executive Directors

Mr. Wu Hong
Mr. David Tsoi (appointed on 12 June 2017)
Mr. Wang Chunlin (appointed on 12 June 2017)
Ms. Sun Zhili (appointed on 12 June 2017)
Mr. Low Chin Sin (resigned on 14 June 2017)
Mr. Ye Yunhan (resigned on 14 June 2017)
Professor Zhu Yi Zhun (resigned on 30 June 2017)
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)

The profiles of each Director are set out in the section headed "Profile of Directors" of this annual report.

Chairman and Chief Executive

The key role of Chairman of the Board is to provide leadership to the Board. In performing his duties, Chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities. The Chairman of the Board also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Group.

The key role of Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and the business of the Group. The duties of Chief Executive Officer mainly include:

(i) providing leadership and supervising the effective management of the Group;

(ii) monitoring and controlling the financial and operational performance of various divisions; and

(iii) implementing the strategies and policies adopted by the Group, setting and implementing objectives and development plans.

Mr. Yang Wang Jian stepped down as the Chairman of the Board on 6 June 2017. Mr. Yu Qigang was appointed as the Chairman of the Board on 6 June 2017.

Mr. Wong Man Keung resigned as the Chief Executive Officer of the Company on 10 January 2017. On 24 February 2017, Mr. Zeng Xiangdi was appointed as the Chief Executive Officer of the Company.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed at least three (3) independent non-executive Directors, of whom Mr. David Tsoi (appointed on 12 June 2017), Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017) and Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017) have appropriate professional qualifications and related experience in financial matters.

The Company has received written annual confirmation from each of incumbent independent non-executive Director regarding their independence pursuant to the requirements of Rule 3.13 of the Listing Rules. In the light of these confirmations, the Company considers all incumbent independent non-executive Directors to be independent in accordance with the guidelines set out in the Listing Rules.

Each of the incumbent independent non-executive Directors has entered into a letter of appointment with the Company for a period of one (1) year which could be terminated by either party giving to the other one (1) month's written notice.

Appointment and Re-election of Directors

The Board retains the functions of selecting and approving candidates to become Board members. Directors who are appointed by the Board are subject to retirement by rotation in accordance with the Company's articles of association (the "**Articles of Association**").

In accordance with the Articles of Association, any Director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third (1/3), shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every three (3) years. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors (including those appointed for a specific term) so to retire in every year shall be those who have been longest in office since their last re-election or appointment, but as between persons who became the Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Any Director appointed by the Directors either to fill a casual vacancy on the Board or as an addition to the existing Board shall not be taken into account in determining which particular Directors or the number of the Directors who are to retire by rotation.

Induction and Continuing Professional Development for Directors

The new management noted that not all Directors might have received formal induction and training, nor were written records of their training maintained as required under the CG Code prior to the Management Changeover. In December 2017, the Company compiled training materials for the purpose of updating all Directors on topics such as common law Directors' duties, the Listing Rules, Hong Kong Code on Takeovers and Mergers and the Securities and Futures Ordinance. In addition, the Company has set up policies to ensure that regular training will be provided to the Directors in future.

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, the Directors participated in the following continuous professional development activities:

Directors	**Type of trainings** *(Notes)*
Executive Directors:	
Mr. Yu Qigang *(Chairman)* (elected Chairman on 6 June 2017)	(a) and (b)
Mr. Zeng Xiangdi *(Chief Executive Officer)* (appointed as Director and Chief Executive Officer on 24 February 2017)	(a) and (b)
Mr. Yang Wang Jian (stepped down as the Chairman on 6 June 2017)	(a) and (b)
Mr. Chen Hanhong	(a) and (b)
Ms. Eva Au	(a) and (b)
Mr. Wong Man Keung (resigned as Director and Chief Executive Officer on 10 January 2017)	N/A
Ms. Yang Jun (resigned on 12 June 2017)	unknown
Ms. Yang Ya (resigned on 12 June 2017)	unknown
Non-executive Directors:	
Ms. Yu Jiaoli	(a) and (b)
Ms. Ng Hui Yee Ethel (appointed on 25 April 2017 and resigned on 19 June 2017)	(b)
Independent Non-executive Directors:	
Mr. Wu Hong	(a) and (b)
Mr. David Tsoi (appointed on 12 June 2017)	(a) and (b)
Mr. Wang Chunlin (appointed on 12 June 2017)	(a) and (b)
Ms. Sun Zhili (appointed on 12 June 2017)	(a) and (b)
Mr. Low Chin Sin (resigned on 14 June 2017)	unknown
Mr. Ye Yunhan (resigned on 14 June 2017)	(a)
Professor Zhu Yi Zhun (resigned on 30 June 2017)	unknown
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)	N/A
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)	unknown

Notes:

(a): attending seminars and/or training sessions

(b): reading newspapers, journals and updates relating to economy, general business or directors' duties and responsibilities, etc.

Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance for the Directors and senior management of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Throughout the Year, no claim had been made against the Directors and the officers of the Company.

Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing the Group's financial statements. The financial statements for the year ended 31 December 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The responsibilities of the external auditors, HLB Hodgson Impey Cheng Limited ("**HLB**"), are set out in the Independent Auditors' Report of this annual report.

Going Concern Basis

The consolidated financial statements have been prepared on a going concern. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in view of the fact that:

- the Group incurred a loss of approximately HK$322,239,000 during the year ended 31 December 2017 and had total liabilities in excess of total assets by an amount of approximately HK$80,069,000 and had net current liabilities of approximately HK$169,817,000 as at 31 December 2017; and

- the Group had promissory note payables of approximately HK$6,287,000 that were outstanding as at 31 December 2017 and were due for repayment (subject to legal advice, to be obtained from the Company's legal adviser) within the next twelve months after 31 December 2017.

The Directors adopted the going concern basis in the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(1) Alternative sources of external funding

On 26 January 2018, the Company entered into (1) a subscription agreement (the "**HK Yinger CB Subscription Agreement**") with Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**") pursuant to which the Company conditionally agreed to issue to HK Yinger convertible bonds in the principal amount of HK$120,000,000 (the "**HK Yinger Convertible Bonds**"); (2) a subscription agreement (the "**Zheyin Tianqin CB Subscription Agreement**") with Zheyin Tianqin (Shenzhen) Investment Limited ("**Zheyin Tianqin**") pursuant to which the Company conditionally agreed to issue to Zheyin Tianqin convertible bonds in the principal amount of HK$60,000,000 (the "**Zheyin Tianqin Convertible Bonds**"); and (3) a subscription agreement (the "**Investor CB Subscription Agreement**") with Mr. Liu Dong (the "**Investor**") pursuant to which the Company conditionally agreed to issue to the Investor convertible bonds in the principal amount of HK$27,200,000 (the "**Investor Convertible Bonds**").

The Investor CB Subscription and the HK Yinger CB Subscription were completed on 8 February 2018 and 23 March 2018, raising net proceeds for the Group in the amount of approximately HK$26,800,000 and HK$118,200,000 respectively. The net proceeds expected to be raised from the issue of the Zheyin Tianqin 2018 CB are approximately HK$59,100,000, if it proceeds to completion on or before the long stop date of 19 April 2018 (being one month after the obtaining of shareholders' approval at the Company's general meeting).

(2) Attainment of profitable and positive cash flow operations

On 28 November 2017, the Company entered into the acquisition agreement with the vendor of Charm Eastern Limited ("**Charm Eastern**"), pursuant to which the Company conditionally agreed to acquire from the vendor 100% shareholding interest in Charm Eastern for the consideration of HK$75,015,625. The transaction was completed in January 2018 and since then, Charm Eastern has become a subsidiary of the Group. Charm Eastern is an investment holding company and its subsidiaries are principally engaged in the provision of medical services.

(3) Further debt and equity fund raisings

The Company is in ongoing negotiations with banks, financial institutions, professional investors and our existing shareholders and creditors with the view to raising additional funds for the Group, whether by way of debt, equity or otherwise. In the light of the successful completion of the Investor CB Subscription and the HK Yinger CB Subscription, the Company is generally optimistic on its capability in raising additional funds.

In the opinion of the Directors, in light of the various measures and arrangements implemented before or after the end of the reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements of the Group have been prepared on a going concern basis notwithstanding the fact that the Group incurred a continuous loss of HK$322,239,000 during the year ended 31 December 2017. As at 31 December 2017, the Group has cash and cash equivalent of approximately HK$26,458,000. While this cash level may not be sufficient to support the operating expenses of the Group in the next twelve months, the Directors are nevertheless of the view that the Group is able to maintain itself as a going concern in the coming year by taking into consideration, amongst other things, the following arrangements:

1. Management will continue to control the operating costs and launch new services to attract new customers with an aim to attain better operating cash flows; and

2. The Group is in ongoing negotiations to raise additional funds to support the operation and investment of the Group as necessary and appropriate.

Based on the measures mentioned above, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Board Meetings

Regular Board meetings should be held at least four (4) times a year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group.

Notices of regular Board meetings should be served to all Directors at least fourteen (14) days before the meetings while reasonable notice is generally given for other Board meetings.

For committee meetings, notices should be served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information should normally be sent to all Directors before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. All Directors should be given the opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also have separate and independent access to senior management whenever necessary.

Apart from the regular Board meetings, the Board met on other occasions from time to time when a board-level decision on a particular matter was required.

Minutes of all Board meetings, recording sufficient details of matters considered and decisions reached, should be kept by the secretary of the meetings, and are open for inspection by the Directors.

During the Year, thirty-two (32) Board meetings were held and the individual attendance of each Director is set out below:

Directors	Attendance
Executive Directors:	
Mr. Yu Qigang *(Chairman)* (elected Chairman on 6 June 2017)	32/32
Mr. Zeng Xiangdi *(Chief Executive Officer)* (appointed as director and Chief Executive Officer on 24 February 2017)	25/25
Mr. Yang Wang Jian (stepped down as the Chairman on 6 June 2017)	27/32
Mr. Chen Hanhong	32/32
Ms. Eva Au	27/32
Mr. Wong Man Keung (resigned as director and Chief Executive Officer on 10 January 2017)	1/1
Ms. Yang Jun (resigned on 12 June 2017)	17/20
Ms. Yang Ya (resigned on 12 June 2017)	17/20
Non-executive Directors:	
Ms. Yu Jiaoli	32/32
Ms. Ng Hui Yee Ethel (appointed on 25 April 2017 and resigned on 19 June 2017)	5/7

Directors	Attendance
Independent Non-executive Directors:	
Mr. Wu Hong	28/32
Mr. David Tsoi (appointed on 12 June 2017)	11/11
Mr. Wang Chunlin (appointed on 12 June 2017)	10/11
Ms. Sun Zhili (appointed on 12 June 2017)	9/11
Mr. Low Chin Sin (resigned on 14 June 2017)	18/21
Mr. Ye Yunhan (resigned on 14 June 2017)	17/21
Professor Zhu Yi Zhun (resigned on 30 June 2017)	21/23
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)	18/23
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)	5/5

BOARD COMMITTEES

The Board has established three (3) committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference.

The majority of the members of each Board committee are independent non-executive Directors. 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 expenses.

Audit Committee

During the Year, the Audit Committee comprises the following members:

Members of Audit Committee

Mr. David Tsoi *(Chairman)* (appointed as member on 12 June 2017 and elected chairman on 14 June 2017)
Mr. Wu Hong
Mr. Wang Chunlin (appointed on 12 June 2017)
Ms. Sun Zhili (appointed on 12 June 2017)
Mr. Low Chin Sin (chairman of committee until his resignation on 14 June 2017)
Mr. Ye Yunhan (resigned on 14 June 2017)
Professor Zhu Yi Zhun (resigned on 30 June 2017)
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)

As at the date of this report, the Audit Committee comprises four (4) independent non-executive Directors, namely, Mr. David Tsoi (chairman of the Audit Committee). Mr. Wu Hong, Mr. Wang Chunlin and Ms. Sun Zhili.

None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The primary functions of the Audit Committee include:

(i) reviewing of the financial statements and reports and considering of any significant or unusual items raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(ii) reviewing of the adequacy and effectiveness of the Company's financial reporting systems, risk management and internal control systems and associated procedures;

(iii) reviewing and monitoring of the external auditors' independence and objectivity and the effectiveness of the audit; and

(iv) reviewing of the relationship with the external auditors by reference to the work performed by the auditors, its fees and terms of management, and the making of recommendation to the Board on the appointment, reappointment and removal of external auditors.

The work performed by the Audit Committee during the Year includes:

(i) reviewing of the relationship with the external auditors by reference to the work performed by the auditors, its fees and terms of management, and make recommendation to the Board on the reappointment of external auditors;

(ii) reviewing of the annual and interim results and reports of the Company as to whether they are in compliance with the accounting standards and relevant requirements in relation to financial reporting under the Listing Rules and other laws;

(iii) reviewing of matters relating to risk management and internal control systems, and the plans and objectives of the internal audit function established by the Company; and

(iv) reviewing of the Group's accounting principles and practices, financial reporting and statutory compliance matters.

During the Year, the Audit Committee convened two (2) meetings. Members and their attendances are as follows:

Name of Members	Attendance
Mr. David Tsoi *(Chairman)* (appointed as member on 12 June 2017 and elected chairman on 14 June 2017)	1/1
Mr. Wu Hong	1/2
Mr. Wang Chunlin (appointed on 12 June 2017)	1/1
Ms. Sun Zhili (appointed on 12 June 2017)	1/1
Mr. Low Chin Sin *(Chairman)* (resigned on 14 June 2017)	1/1
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)	1/1
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)	0/0

Remuneration Committee

During the Year, the Remuneration Committee comprises the following members:

Members of Remuneration Committee

Mr. David Tsoi *(Chairman)* (appointed as member on 12 June 2017 and elected chairman on 14 June 2017)
Mr. Wang Chunlin (appointed on 12 June 2017)
Ms. Sun Zhili (appointed on 12 June 2017)
Mr. Yu Qigang (appointed on 14 June 2017)
Mr. Wu Hong (appointed on 30 June 2017)
Mr. Low Chin Sin (chairman of committee until his resignation on 14 June 2017)
Mr. Yang Wang Jian (ceased on 14 June 2017)
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)

As at the date of this report, the Remuneration Committee comprises the Chairman of the Board, Mr. Yu Qigang, and four (4) independent non-executive Directors, namely, Mr. David Tsoi (chairman of the Remuneration Committee), Mr. Wu Hong, Mr. Wang Chunlin and Ms. Sun Zhili.

The primary functions of the Remuneration Committee include:

(i) reviewing, recommending and approving the remuneration policy and structure and remuneration packages of executive Directors and senior management;

(ii) reviewing, recommending and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(iii) determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management;

(iv) reviewing, recommending and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(v) establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her close associates will participate in deciding his/her own remuneration, whose remuneration shall be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

The work performed by the Remuneration Committee during the Year includes:

(i) reviewing of the remuneration policy of the Directors and senior management;

(ii) assessing the performance of executive Directors;

(iii) reviewing and determining, with delegated responsibility from the Board, the remuneration package of each Director and the Company Secretary including bonus payment, pension right and compensation payable; and

(iv) approving the forms of the service agreement for each executive Director and the appointment letter for each non-executive Director and independent non-executive Director.

During the Year, the Remuneration Committee convened three (3) meetings. Members and their attendances are as follows:

Name of Members	Attendance
Mr. David Tsoi *(Chairman)* (appointed as member on 12 June 2017 and elected chairman on 14 June 2017)	2/2
Mr. Wang Chunlin (appointed on 12 June 2017)	2/2
Ms. Sun Zhili (appointed on 12 June 2017)	2/2
Mr. Yu Qigang (appointed on 14 June 2017)	2/2
Mr. Wu Hong (appointed on 30 June 2017)	1/2
Mr. Low Chin Sin (chairman of committee until his resignation on 14 June 2017)	1/1
Mr. Yang Wang Jian (ceased on 14 June 2017)	1/1
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)	2/2
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)	0/0

Remuneration Paid to Members of Senior Management

Details of remuneration paid to members of senior management (including directors) fell within the following bands:

	Number of Individuals
HK$Nil — HK$1,000,000	17
HK$1,000,001 or above	2

Nomination Committee

During the Year, the Nomination Committee comprises the following members:

Members of Nomination Committee

Mr. Yu Qigang *(Chairman)* (appointed as member and elected chairman on 7 June 2017)
Mr. David Tsoi (appointed on 12 June 2017)
Mr. Wang Chunlin (appointed on 12 June 2017)
Ms. Sun Zhili (appointed on 12 June 2017)
Mr. Wu Hong (appointed on 30 June 2017)
Mr. Yang Wang Jian (ceased to be member and chairman on 7 June 2017)
Mr. Low Chin Sin (resigned on 14 June 2017)
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)

As at the date of this report, the Nomination Committee comprises the Chairman of the Board, Mr. Yu Qigang (also chairman of the Nomination Committee), and four (4) independent non-executive Directors, namely, Mr. David Tsoi, Mr. Wu Hong, Mr. Wang Chunlin and Ms. Sun Zhili.

The primary functions of the Nomination Committee include:

(i) reviewing the criteria and procedures of selection of the Directors and senior management, and providing suggestions;

(ii) conducting extensive search for qualified candidates for the Directors and senior management;

(iii) reviewing the Board diversity policy and the progress on achieving the objectives set for implementing the said policy; and

(iv) assessing the candidates for the Directors and senior management and providing the relevant recommendations.

The nomination procedures and the process and criteria adopted by the Nomination Committee include:

(i) taking into account, during the course of the nomination process of new Directors, a range of diversity perspectives including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, as part of the selection criteria;

(ii) identifying individuals suitably qualified to become Board members, selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships; and

(iii) assessing the independence of independent non-executive Directors.

During the Year, the Nomination Committee convened four (4) meetings. Members and their attendances are as follows:

Name of Members	**Attendance**
Mr. Yu Qigang *(Chairman)* (appointed as member and elected chairman on 7 June 2017)	3/3
Mr. David Tsoi (appointed on 12 June 2017)	2/2
Mr. Wang Chunlin (appointed on 12 June 2017)	2/2
Ms. Sun Zhili (appointed on 12 June 2017)	2/2
Mr. Wu Hong (appointed on 30 June 2017)	1/1
Mr. Yang Wang Jian (ceased to be member and chairman on 7 June 2017)	1/1
Mr. Low Chin Sin (resigned on 14 June 2017)	2/3
Mr. Wong Ka Wai (appointed on 13 February 2017 and retired on 30 June 2017)	3/3
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)	0/0

ANNUAL GENERAL MEETING

Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Three independent non-executive Directors did not attend the annual general meeting held on 30 June 2017 due to other work commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the risk management and internal control systems of the Group and in reviewing its effectiveness, is committed to implementing an effective and sound risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group. Since June 2017, the new management has been conducting an internal review with the view to enhancing internal control measures relating to asset safeguarding, authorization process for use or disposition of assets, maintenance of accounting records, financial reporting procedures and legal and regulatory compliance. These measures and procedures are designed to provide a reasonable, but not absolute, assurance on the accuracy of information presented by the Company, identification of systematic loopholes, and fairness and transparency on the making of management decisions.

Since June 2017, the new management and the Board, whether through the Audit Committee or otherwise, has been conducting an internal review with the view to assessing and improving the effectiveness of the Group's risk management and internal control systems, covering aspects including financial, operational, compliance as well as risk management functions. The new management considered that given the size and scale of our operations, it is more appropriate for the Company to outsource its internal audit function to external service provider.

AUDITORS

The consolidated financial statements for the years ended 31 December 2016, 2015 and 2014 were audited by McMillan Woods SG CPA Limited ("**MMW**"). At the extraordinary general meeting of the Company held on 9 March 2018, MMW was removed as the external auditors of the Company and its subsidiaries and HLB was appointed as the external auditors of the Company and its subsidiaries. The consolidated financial statements for the year ended 31 December 2017 were audited by HLB whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

AUDITORS' REMUNERATION

A summary of services provided by the external auditors for the year ended 31 December 2017 and their corresponding remuneration are as follows:

Nature of service	**Amount**
	HK$'000
Audit service provided by HLB	1,000

SHAREHOLDERS' RIGHTS

Procedure for shareholders to put forward enquiries to the Board

The Company's website provides the email address, telephone and facsimile numbers to enable the Shareholders to make any enquiries and concerns to the Board. Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling.

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist himself may do so in the same manner, and all reasonable expenses incurred by the requisitionist as a result of the failure of the Board shall be reimbursed to the requisitionist by the Company.

Procedures for shareholders to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, However, shareholders may request the Company to convene an extraordinary general meeting following the procedures under Article 58 of the Articles of Association as set out above.

Pursuant to Article 88 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

If a shareholder wishes to propose a person for election as a director of the Company at a general meeting, he/she shall deposit a written notice at the Company's head office at Suite 2208-09, 22/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, in compliance with Article 88 and containing all details as required by Rule 13.51(2) of the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognizes the importance of continuing communications with the Shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and the Shareholders is through the publication of financial reports, announcements and circulars on the websites of the Company and the Stock Exchange, and the publication of press releases, notices and other information on the Company's website.

The Company and its registrars serve the Shareholders with respect to share registration matters.

The Company's general meetings provide a forum for the Shareholders to exchange views with the Board. Board members and management of the Company are available to answer the Shareholders' questions and explain the procedures of vote taking by poll. Information and documents relating to the proposed resolutions are sent to Shareholders before the general meetings in accordance with the notice periods and deadlines prescribed by the Articles of Association and the Listing Rules.

All Shareholders' communications, including interim and annual reports, announcements, circulars and press releases as well as the Shareholders' communication policy and the procedures for the election of Directors by the Shareholder(s) are available on the Company's website at http://www.irasia.com/listco/hk/greeninternational/.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the Shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2169 0813 during normal business hours, by fax at (852) 2169 0663 or by e-mail at ir@green-international.com.

ABOUT THE ESG REPORT

Green International Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), is pleased to present this Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") to provide an overview of the Group's management of significant issues affecting its business operations, including environmental, social and governance aspects. The ESG Report has been reviewed and approved by the board of the Company (the "**Board**").

PREPARATION BASIS, REPORTING FRAMEWORK AND SCOPE

The ESG Report was prepared in accordance with the ESG Reporting Guide (the "**ESG Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") and has complied with "comply or explain" provision in the Listing Rules.

This Report summarizes the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material by the Group — (i) operation of clubhouse business; and (ii) provision of beauty and wellness services in the People's Republic of China (the "**PRC**"). With the aim to optimize and improve the disclosure requirements in the ESG Report, the Group has taken initiatives to formulate ESG-related policies, record relevant data as well as implement and monitor measures. The ESG Report shall be published both in Chinese and English on the respective websites of the Stock Exchange and the Company. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

REPORTING PERIOD

The ESG Report demonstrates our sustainability initiatives during the reporting period from 1 January 2017 to 31 December 2017 (the "**Reporting Period**").

CONTACT INFORMATION

The Group welcomes your feedback on the ESG Report for our sustainability initiatives. Please contact us by email to cs@green-international.com.

INTRODUCTION

The Group is principally engaged in the health and medical services, toys and equipment trading, beauty and wellness services, and the provision of integrated financial services comprising money-lending, securities brokerage and asset management during the Reporting Period.

The Board has an overall responsibility of the ESG strategy and reporting as set out in the ESG Guide. Sustainable development is an integral part of the Group's business strategy in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group is committed to maintaining its operations in a responsible and value-optimizing manner for its key stakeholders and community as a whole by incorporating ESG considerations into its operations. The Group's sustainability strategy is based on the compliance with the applicable legal requirements, principle of sustainability and opinions from its key stakeholders. The Group has established and implemented various policies to manage and monitor the risks related to the environment, employment, operating practices and the community at large. Details of the management approaches to sustainable development of different areas are illustrated in the ESG Report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands that stakeholder engagement is one of the key drivers in the continuous improvement of its performance. Hence, the Group values materiality identification and assessment and has developed multiple communication channels to a broad spectrum of its key stakeholders in order to provide them with the opportunity to express views on sustainability performance and future strategies of the Group. The Group has identified its key stakeholders and established various platforms and methods of communication so as to meet their concerns and expectations relating to the ESG issues from time to time in line with the ESG Guide.

Key Stakeholders	Expectations	Engagement Channels
Regulatory Bodies and Government Authorities	— Compliance with laws, rules, regulations and practices — Business ethics — Community participation	— On-site inspections — Annual and interim reports, announcements and circulars — Website — Compliance management — Meetings — Seminars and conferences
Shareholders and Investors	— Financial performance — Sustainable development — Return on investment — Information disclosures and corporate transparency — Protection of interests and fair treatments	— General meetings — Annual and interim reports, announcements and circulars — Website — Press releases — Newsletters — Meetings and interviews with investors and analysts
Employees	— Remuneration and benefits — Equal opportunity — Career development — Self-actualization — Health and safety	— Performance reviews — New hire orientation — Conferences — Training programmes, seminars and briefing sessions — Employees activities — Newsletters — Emails and other electronic communications
Customers	— Safe and quality products and services — Relationship management — Information transparency — Business integrity and conduct — Data privacy	— Brochures and leaflets — Website — Annual and interim reports, announcements and circulars — Emails and customer service hotlines — Feedbacks — Regular meetings — Daily operations

Key Stakeholders	Expectations	Engagement Channels
Suppliers and Business Partners	— Long-term partnership — Cooperation — Fairness and openness — Sharing of resources — Mutual trust and synergies — Product and services quality and safety — Corporate reputation — Environmental responsibilities — Supply chain responsibilities	— Contracts and agreements — Business meetings, supplier conferences and interviews — Reviews and assessments — Quotations and tendering process
Industry Associations	— Sharing of experience — Cooperation — Fair competition	— Industry conferences — Site visits
Financial Institutions	— Compliance with laws and regulations	— Business consulting — Information disclosures — Regular reporting
Media	— Information transparency — Media communication	— Website — Interviews — Media conferences — Press releases
Public and Community	— Career opportunities — Community involvement — Environmental responsibilities — Social responsibilities and contributions	— Volunteering activities — Charity and social investments — Annual and interim reports, announcements and circulars

ENVIRONMENTAL ASPECTS

Environmental protection is one of the key focuses of the Group in fulfilling its social responsibilities. The Group is committed to minimizing the environmental impacts while maintaining a high quality of services to its customers. To demonstrate its commitment to sustainable development, the Group has established relevant environmental policies to manage the emissions and maintain green operations.

The Group was in strict compliance with the Environmental Protection Law of the PRC and other applicable laws and regulations in the PRC. During the Reporting Period, the Group was not aware of any material non-compliance issue in relation to the environmental laws.

ASPECT A1: EMISSIONS

Air Pollutants Emission

The air pollutants emitted by the Group were mainly generated from vehicles. Emission control is essential to reduce the impacts to the environment. To mitigate the air pollutants emission from vehicles, the Group has prioritized local suppliers to avoid the additional transport incurred from the use of non-local suppliers.

During the Reporting Period, the Group's air pollutants emission was as follows:

Air pollutants	Unit	Clubhouse business	Provision of beauty and wellness services	Total
Nitrogen oxides (NO_x)	kg	0.58	12.68	13.26
Sulphur dioxide (SO_2)	kg	0.18	4.09	4.27
Particulate matter (PM)	kg	0.11	2.38	2.49

Greenhouse Gas ("GHG") Emission

GHG is considered as one of the major contributors to climate change and global warming. Energy consumption accounted for a major part of the Group's GHG emission. The Group has managed the carbon footprint by adopting energy saving initiatives. Policies and procedures adopted on energy saving are mentioned in the "Use of Resources" section of the ESG Report.

During the Reporting Period, the Group's GHG emission was as follows:

GHG emission	**Unit**	**Clubhouse business**	**Provision of beauty and wellness services**	**Total**
Scope 1[1]	tonnes of $CO^{2}e$	5.17	120.02	125.19
Scope 2[2]	tonnes of $CO^{2}e$	1,666.15	220.70	1,886.85
Total	tonnes of $CO^{2}e$	1,671.32	340.72	2,012.04
Intensity	tonnes of $CO^{2}e$/employee[3]	16.07	3.70	10.27

Hazardous and Non-hazardous Wastes

The Group advocates natural and pollution-free philosophy in service delivery. All products are sourced from pure natural ingredients and would not generate any hazardous waste. For non-hazardous waste, domestic waste was the major non-hazardous waste generated from the Group's operations. As it was the first year required to disclose the data, the amount of non-hazardous waste generated from the provision of beauty and wellness services was not recorded. In order to better formulate measures to reduce the non-hazardous waste generation, the Group will take initiatives to record relevant data in the coming year. In spite of this, the Group has applied the 4R Principle (i.e. Reduce, Reuse, Replace and Recycle) to implement a variety of waste reduction measures. In order to reduce the packaging materials waste, packaging materials were re-used as storage boxes if possible, carton boxes used in transportation process were re-used and products with less or eco-friendly packaging materials were procured. The Group also strives to reduce paper waste by working towards a paperless office. Reporting and instructive documentations were disseminated through electronic means such as emails and WeChat. Information being saved in electronic format is highly recommended. Whenever paper consumption was necessary, employees were encouraged to use double sides of paper to maximize the utilization of paper.

During the Reporting Period, the non-hazardous waste generated by the Group was as follows:

Non-hazardous waste	**Unit**	**Clubhouse business**	**Provision of beauty and wellness services**	**Total**
Total	tonnes	108.00	N/A*	108.00
Intensity	tonnes/employee[4]	1.04	N/A*	1.04

[1] Scope 1: Direct emission from sources that are owned or controlled by the Group.

[2] Scope 2: Indirect emissions from the generation of purchased electricity and purchased gas consumed by the Group.

[3] The intensity refers to tonnes of carbon dioxide equivalent ($CO^{2}e$) per the total number of employees at the end of the Reporting Period.

[4] The intensity refers to tonnes of non-hazardous waste per the total number of employees at the end of the Reporting Period.

* N/A refers to not available.

ASPECT A2: USE OF RESOURCES

As the Group's businesses belong to green industry, the Group places a great emphasis on environmental protection to ensure effective and efficient uses of energy and resources. The Group aims to promote resources saving and implement various energy and water saving measures in order to improve the resources saving performance and achieve operational optimization.

Energy Consumption

The major sources of the Group's energy consumption were the electricity and fuel consumption. In view of the scarcity of resources, the Group has advocated various energy conservation strategies. The Group has purchased low-power electrical appliances and energy-saving products, such as refrigerators and washing machines with energy-saving labels, in which less energy is consumed during their operations. The air-conditioning in service stores has been controlled by the property management office and operated only during business hours. Furthermore, it has been maintained at an appropriate temperature (e.g. 26 degrees Celsius) to minimize electricity consumption. In order to strengthen energy saving awareness of our employees, energy saving slogans have been posted at the entrances and power control switches to encourage employees to save energy.

During the Reporting Period, the Group's energy consumption was as follows:

Energy consumption	Unit	Clubhouse business	Provision of beauty and wellness services	Total
Purchased electricity	MWh	2,064.20	328.16	2,392.36
Petrol	MWh	21.06	489.13	510.19
Natural gas	MWh	1,328.18	N/A^	1,328.18
Total	MWh	3,413.44	817.29	4,230.73
Intensity	MWh/employee[5]	32.82	8.88	21.59

^ N/A refers to not applicable.

5 The intensity refers to MWh per the total number of employees at the end of the Reporting Period.

Water Consumption

Water is another important resource used by the Group in its daily operations. The Group endeavours to conserve water effectively and promote water saving awareness and best practices. To achieve this goal, the Group has installed manual-controlled water taps to reduce unnecessary water consumption and equipped water-saving devices in all flush toilets. In order to motivate employees to save water, water-saving slogans have been posted around the water consuming areas.

During the Reporting Period, the Group's water consumption was as follows:

Water consumption	Unit	Clubhouse business	Provision of beauty and wellness services	Total
Total	m^3	39,902.00	8,086.00	47,988.00
Intensity	m^3/employee[6]	383.67	87.89	244.84

ASPECT A3: THE ENVIRONMENT AND NATURAL RESOURCES

The businesses of the Group belong to green industry, and its products are made from pure natural ingredients that the impacts on the environment and natural resources is minimal. No hazardous waste or industrial wastewater was generated or discharged from the Group's business operations, and no significant impacts of activities on the environment and natural resources were observed. In spite of this, the Group strives to continually improve its environmental performance by implementing waste reduction measures and resources saving initiatives. The Group also embraces green purchasing practices and best practicable technologies to conserve natural resources where applicable.

In order to ensure employees are well aware of their responsibility as global citizens and encourage them to live an environmental-friendly lifestyle, the Group has provided employee training regularly to promote knowledge of environmental protection, including conservation of water and electricity, optimal use of resources and waste classification for disposal.

6 The intensity refers to m^3 per the total number of employees at the end of the Reporting Period.

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

ASPECT B1: EMPLOYMENT

The Group believes people are important assets and the keys to maintain its competitiveness. The Group is committed to maintaining a safe and equal working environment for our employees, providing development opportunities and promoting employees' health and well-beings. The commitment is incorporated into staff handbook. The staff handbook covers the Group's standards in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare.

The Group was in strict compliance with the Labour Law of the PRC, the Labour Contract Law of the PRC and other applicable laws and regulations in the PRC. During the Reporting Period, the Group was not aware of any material non-compliance with those applicable laws and regulations relating to the employment. Disputes raised by current and ex-employee will be handled by the Company's legal advisers to uphold the Company's legal right.

Recruitment and Promotion

The Group strives to create a diverse and inclusive workplace where all its employees are treated with dignity and respect. The Group promotes fair competition and prohibits discrimination or harassment against any employee on their race, ethnicity, social class, nationality, religion, disability, gender, sexual orientation, marital status, age, membership in trade union, political party or any status protected by law.

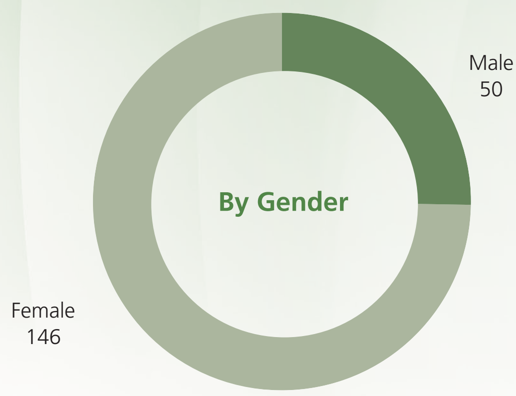
The Group is devoted to helping its employees to demonstrate their capabilities in line with their own career ambitions and the business objectives of the Group. Fair and impartial performance appraisals would be conducted to rank and adjust job positions in accordance with the Group's rules and regulations.

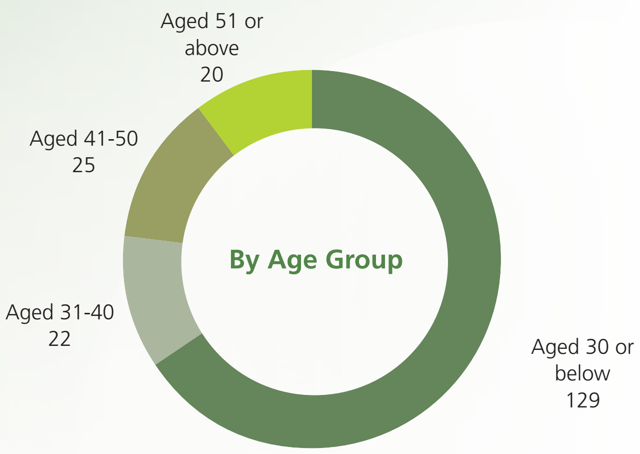
Compensation and Welfare

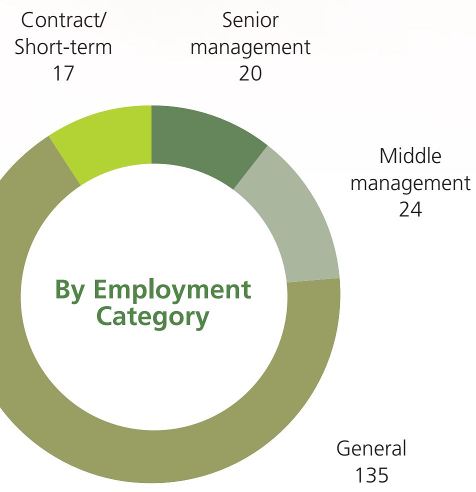
The Group was in strict compliance with relevant laws and regulations to provide remuneration not less than the applicable statutory minimum wage, overtime compensation and social insurance to employees. Employees are also entitled to various fringe benefits such as statutory holidays, paid annual and maternity leaves, etc.

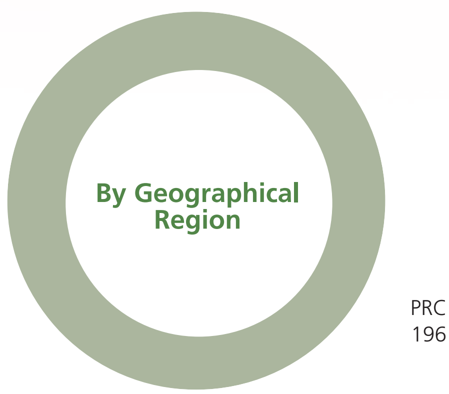
The Group would be in strict compliance with relevant laws and regulations whenever compensation to employees at work was required.

At the end of the Reporting Period, the PRC employee compositions (in numbers of employees) by gender, employee category, age group and geographical region were as follows:









The PRC employee turnover rates by gender and age group during the Reporting Period were as follows:

Employment	Turnover rate (%)
By gender[7]	
— Male	33.61
— Female	23.56
By age group[8]	
— 30 or below	15.05
— 31-40	56.67
— 41-50	48.48
— 51 or above	22.22
Overall[9]	26.22

ASPECT B2: HEALTH AND SAFETY

The Group places the highest priority on securing health and safety of all employees and strives to provide and maintain a safe and healthy working environment for employees to protect them from work-related injuries by implementing occupational health and safety policies. The Group was in strict compliance with the Law of the PRC on Prevention and Control of Occupational Diseases and other applicable laws and regulations in the PRC. During the Reporting Period, the Group did not identify any case of work-related fatality.

Management of Workplace and Equipment

All the service stores of the Group have obtained sanitation permits from the governmental authorities. All service personnel have completed health certification prior to employment in accordance to the statutory public sanitation standards. To further assure sanitation and health in the service delivery, employees are provided with protective equipment such as masks and gloves.

To enhance the quality of indoor air, all service areas are equipped with ventilation and fresh air systems. The air outlets are cleaned regularly to reduce the dust level and increase efficiency of the ventilation system.

7 Turnover rate refers to total number of the PRC employee turnover of the gender group per average number of the PRC employees of the corresponding gender group during the Reporting Period.

8 Turnover rate refers to total number of the PRC employee turnover of the age group per average number of the PRC employees of the corresponding age group during the Reporting Period.

9 Turnover rate refers to total number of the PRC employee turnover per the average number of the PRC employees during the Reporting Period.

The Group also places a great emphasis on the safety of the instruments by requiring instrument suppliers to provide relevant testing certificates, conducting regular functional and safety checks on the instruments, arranging maintenance of all electrical appliances and conducting safety checks regularly.

The Group reserves no effort to minimize the risk of fire by installing equipment such as emergency lights, fire extinguishers, fire alarms and fire hydrants that have been tested and approved by the fire service authority.

Staff Training

It is important for employees to be aware of the safety risks associated with relevant equipment and products. Hence, the Group has provided employee training on the operating methodologies and procedures of equipment and products handling in accordance with the relevant manuals. Apart from the training related to equipment and products handling, emergency training has also been arranged to enhance employees' awareness of danger and enable them to take immediate action in case of harmful incidents. The emergency training includes contingency procedures in the event of sudden safety incidents, fire prevention knowledge and regular fire drills through coordination with the property management office.

Work-Life Balance

The Group recognizes the importance of maintaining appropriate work-life balance. Hence, we have organized a range of leisure activities, including regular dinner parties and team building activities such as farm outing and sightseeing tours, for our employees to release work pressure and promote a healthy lifestyle.

ASPECT B3: DEVELOPMENT AND TRAINING

The Group considers the skills and knowledge of our employees as the key elements of sustainable development of the Group. The Group has continued to offer training programs and job rotation based on employees' willingness, potential competence and business development needs. The training programs include in-house and external training courses, seminars, workshops and conferences, regular sharing sessions, peer learning, on-the-job coaching and the self-study of training materials compiled by the Company management.

Taken into consideration the needs of our employees in various departments, the training programs offered can be divided into two main categories. The induction training is provided for newly joined employees. It covers corporate culture, work procedures and service skills required by the job positions. The training can enable newly recruited employees to strengthen sense of belongings and familiarize job responsibilities. The on-the-job training is provided for existing employees. The training includes operations of new equipment, new products and new treatment, in order to provide employees with updated market and industry information and enhance their skills in discharging their duties. Employees were also encouraged to attain relevant examination and obtain relevant certificates to enhance personal performance and provide a wide spectrum of in-house and external training and development courses, seminars, workshops and conferences.

ASPECT B4: LABOUR STANDARDS

The Group is committed to supporting the effective abolition of child labour. The Group has strictly complied with the Labour Contract Law of the PRC and other relevant laws and regulations in the PRC. The Group has formulated regulations on managing the prohibition of child labour. Applicants were required to present their identity cards for age verification. Individuals under the age of 16 or without identification documents would be disqualified from employment.

Apart from prohibition of child labour, the Group also upholds the elimination of all forms of forced labour and compulsory labour in accordance with legislations. All work should be performed on voluntary basis. The Group is committed not to detaining employees' personal documents, nor collecting deposit upon recruitment, nor withholding wages, nor forcing overtime work, nor forcing employees to work through debt, threat, illegal restriction of personal freedom, etc. In addition, the Group has strictly executed the standard employment contract issued from the local authority of where the Group's business was operating.

During the Reporting Period, the Company did not violate any laws and regulations related to recruitment of child labour or forced labour practices.

OPERATING PRACTICES

ASPECT B5: SUPPLY CHAIN MANAGEMENT

In order to manage and mitigate the environmental and social risks in the supply chain, the Group has selected suppliers and products carefully and maintained stable relationship with qualified suppliers through strict selection criteria and supplier assessment. The Group has also integrated sustainability into supply chain by purchasing products and equipment that cause minimal impact on the environment. During the Reporting Period, the Group had 22 suppliers from the PRC.

Selection Criteria and Requirements

The Company has formulated suppliers' selection criteria and relevant rules for management of suppliers' compliance with the defined requirements. Apart from product quality and price, environmental protection and social responsibility are taken into considerations in selecting new suppliers. The suppliers with the highest performance-to-price ratio and the best overall performance would be selected.

In order to promote environmental awareness amongst suppliers and minimize the environmental impacts in the procurement processes, the procurement contracts and agreements had included evaluation of the suppliers' environmental performance. For example, the Group requests its suppliers to select low-energy consumption means for reasonable planning of goods delivery and storage.

Suppliers Assessments

The Group conducted regular assessments of its suppliers in accordance with the latest legislations and standards. The assessments cover the qualification, product quality, price, environmental protection and after-sales service.

According to the risk rankings associated with the types of supplied products, the stringent level of the supplier evaluation process would vary to address the risks. The Group has established diverse and stringent procedures for the selection of suppliers with a regular monitoring and periodic review as key assessments of sustainability of its suppliers.

Green Procurement

The Group recognizes its responsibility to source sustainable products and equipment to deliver high quality services. In the procurement process, suppliers have been requested to submit testing certificates of their products to conform that they do not contain any substances hazardous to the environment and human body. In addition, the Group requires suppliers to consider ESG performance and to implement green management. All suppliers have been engaged in production under statutory environmental standards while some suppliers have also attained the certification of ISO14001 environmental management system. In selection of equipment, the Group has emphasized green procurement and put its priority in purchasing environment-friendly equipment such as low-power and energy-saving electrical appliances, in order to reduce energy consumption and minimize the impacts on the environment.

ASPECT B6: PRODUCT RESPONSIBILITY

The Group regards services and products qualities as key competitive advantages of its business and makes every effort to improve the service quality while strengthening communications with its customers to offer excellent customer experience. The Group strictly complies with the Product Quality Law of the PRC and Law of the PRC on Protection of Consumer Rights and Interests. During the Reporting Period, the Group was not aware of any material non-compliance related to product responsibility.

Quality Assurance Processes

Standard Working Procedures

All services delivered by the Group would be accompanied with the standardized treatment handbooks, which included the details of the service delivery process. Service personnel are required to execute the requirements defined in the handbooks and service delivery processes to ensure all services stores provide consistent quality services. In addition, service personnel were provided with comprehensive and professional training programs to ensure that they clearly understood the requirements defined in handbooks and were qualified to deliver responsive and attentive services to customers.

Procured Product Quality

The comprehensive procurement management system helps screening out undesirable products. The Group has prioritized the procurement of products which are environment-friendly or composed of pure natural ingredients. The Group has also required suppliers to provide testing certificates of their products to confirm that they do not contain any substances hazardous to the environment and human body.

Equipment Safety

Apart from the services and products quality, the Group places a great emphasis on the quality and safety of the equipment used in the service delivery process. Responsible employees should operate the equipment in accordance with the national standards, operating handbooks and manuals. In addition, the Group has conducted equipment safety checks and maintenance on a regular basis.

Complaints and Opinions Handling

The Group aims at providing excellent and professional services to enhance customer satisfactions. The opinions from customers can drive its continuous improvement programs and are vital to its pursuit of excellence. Customers were requested to conduct satisfaction evaluation after completion of services. To further monitor our customers' satisfactions, each store manager would contact customers by after-sales phone calls or WeChat follow up to conduct customer satisfaction survey. The data was recorded and analyzed to improve customer services.

In the event of receiving complaint, the Group would take prompt actions and carry out remediation plans according to the complaint handling procedures. Headquarter would keep record of the case of complaint and confirm the remediation plan according to the type of the complaint. Relevant department heads would mediate with the customers, analyze the cause of non-conforming service and adopt corrective and preventive measures to avoid recurrence.

During the Reporting Period, the Group did not identify any complaint or violation related to relevant legislations of product responsibility.

Fair Marketing and Promotion

The Company upholds the principle of fair competition and prohibits any improper business conduct such as disseminating false, misleading and incomplete information.

All external advertisements were produced in accordance with the relevant request and scope of legislations. Before release on the website, public WeChat platform and advertising placements, they are reviewed by the Group's management to make sure that it is free from any false or misleading information.

Customer Data Protection and Privacy

The Group believes data privacy and information security is the key principle embedded in its business operations. Personal information of the customers is stored in the internal membership management system. The system can only be accessed by authorized person and is not connected to external network in order to ensure that information is kept confidential. According to the Group's terms and conditions, prior written approval must be obtained from relevant customer whenever such information is required to be utilized by third party.

The Group strongly ensures a high standard of information security and confidentiality of personal data. Employees are required to fully comply with the data privacy laws and regulations in the collection, processing, use and keeping of personal data, and to sign confidentiality agreement and fully abide by the terms and conditions on prohibiting from any unauthorized access or disclosure of confidential information to third party, as well as any direct and indirect uses of the Group's intellectual properties or customer information for the interests of employees or other personnel.

ASPECT B7: ANTI-CORRUPTION

All employees must adhere to the ethical consideration when engaging in the Group's business activities. The Group requires all employees to maintain their conduct concerning obedience to the law, integrity, honesty and professionalism. The Group's requirements towards anti-corruption and business ethics, incorporated in our code of conduct, are communicated and reinforced to all employees. The Group has conducted anti-corruption trainings and requested all employees to fully abide by the business ethics, which included commitment of not receiving any inappropriate monetary rewards, not negotiating or requesting any kinds of bribery or other improper benefits from the Company's business partners, and avoiding any conflict of interests at work, etc. The Group was in strict compliance with the Criminal Law of the PRC and other applicable laws and regulations.

Anti-Corruption Procurement Management

In order to provide a fair and transparent platform for securing the best suppliers for procurement of all equipment, services and products, a comprehensive procurement process is in place for standardizing the procedures in tendering for procurement, selection of suppliers, price comparison and settlement, etc. Tenders are required to go through the standardized approval process, and information of each tender has to be reported in details and authentically.

To provide the suppliers with equal opportunities for transactions and promote procurement activities based on mutual trust, the Group has incorporated integrity dealing terms into the procurement contracts. The integrity dealing terms prohibit the selling party to lower the quality of the products, falsify the reported quantities, provide to the buying party with banquets, gifts, rebates, commissions, entertainments or other forms of bribing benefits for the sake of selling the products, increasing quantities of transactions and raising the transaction prices.

In selection of suppliers, the Group would conduct evaluation on the performance of suppliers and purchase the products of the highest performance-to-price ratio. Different approval processes would be executed in accordance with the contract risks. In connection with different contract amount, the review and approval process would be completed by different levels of the management team prior to execution, in order to strengthen supervision of the procurement process.

Independent Financial Accounting Management

In order to maintain an accurate financial accounting management to protect the rights and interests of the shareholders of the Company, an independent audit of the Company's financial information is conducted and financial audit report is prepared by the independent external auditors every year.

Whistle-blowing Procedures

The Group's whistle-blowing procedure encourages and enables its employees to confidentially and anonymously report on observed and suspected non-compliance and questionable practices through telephone or email. Employees can whistle-blow for the suspected corruption, bribery, embezzlement, fraudulence, extortion, money-laundering and other incidents breaching integrity.

All whistle-blowing reports are investigated to the fullest extent possible. Relevant department would conduct investigation and review with the related personnel. In case of proven allegation, the related personnel would be subject to disciplinary actions.

During the Reporting Period, no legal cases concerned with bribery, corruption, extortion, fraud and money laundering-related laws and regulations were brought against the Group.

COMMUNITY

ASPECT B8: COMMUNITY INVESTMENT

As a socially responsible corporate citizen, the Group is constantly aware of the community needs and has actively participated in local community's activities. The Group has appointed departments and store managers to establish good relationship with communities by collecting opinions from the community groups and formulating improvement plans. The improvement plans were reported to the headquarter for approval and final execution. The Group strives to make contributions to programmes that have a positive impact on community development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Pages
A. Environmental			
A1: Emissions			
General Disclosure		"Environmental Aspects"	53-54
KPI A1.1	The types of emissions and respective emissions data	"Emissions — Air Pollutants Emission"	53
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	"Emissions — Greenhouse Gas Emission"	54
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	Not applicable to the Group's business	54
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	"Emissions — Hazardous and Non-hazardous Wastes"	54
KPI A1.5	Description of measures to mitigate emissions and results achieved	"Emissions — Greenhouse Gas Emission"	53
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	"Emissions — Hazardous and Non-hazardous Wastes"	54
A2: Use of Resources			
General Disclosure		"Use of Resources"	55-56
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	"Use of Resources — Energy Consumption"	55
KPI A2.2	Water consumption in total and intensity	"Use of Resources — Water Consumption"	56
KPI A2.3	Description of energy use efficiency initiatives and results achieved	"Use of Resources — Energy Consumption"	55
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	"Use of Resources — Water Consumption"	56
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Not applicable to the Group's business	N/A
A3: The Environment and Natural Resources			
General Disclosure		"The Environment and Natural Resources"	56
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	No significant impact of activities on the environment and natural resources are noted.	56

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Pages
B. Social			
Employment and Labour Practices			
B1: Employment			
General Disclosure		"Employment"	57
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	"Employment"	58
KPI B1.2	Employee turnover rate by gender, age group and geographical region	"Employment"	59
B2: Health and Safety			
General Disclosure		"Health and Safety"	59-60
KPI B2.1	Number and rate of work-related fatalities	No case of work-related fatality was noted.	59
KPI B2.2	Lost days due to work injury	—	—
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	"Health and Safety"	59-60
B3: Development and Training			
General Disclosure		"Development and Training"	60
KPI B3.1	The percentage of employees trained by gender and employee category	—	—
KPI B3.2	The average training hours completed per employee by gender and employee category	—	—
B4: Labour Standards			
General Disclosure		"Labour Standards"	61
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	"Labour Standards"	61
KPI B4.2	Description of steps taken to eliminate such practices when discovered	"Labour Standards"	—
Operating Practices			
B5: Supply Chain Management			
General Disclosure		"Supply Chain Management"	61-62
KPI B5.1	Number of suppliers by geographical region	"Supply Chain Management"	61
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	"Supply Chain Management"	61-62

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Pages
B6: Product Responsibility			
General Disclosure		"Product Responsibility"	62-64
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	—	—
KPI B6.2	Number of products and service related complaints received and how they are dealt with	No complaint regarding product responsibility was noted.	63
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	—	—
KPI B6.4	Description of quality assurance process and recall procedures	"Product Responsibility — Quality Assurance Process"	62-63
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	"Product Responsibility — Customers Data Protection and Privacy"	64
B7: Anti-Corruption			
General Disclosure		"Anti-corruption"	64-65
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	No concluded legal cases regarding corruption was noted.	65
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	"Anti-corruption — Whistle-blowing Procedures"	65
Community			
B8: Community Investment			
General Disclosure		"Community Investment"	65
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	—	65
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	—	—

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TO THE SHAREHOLDERS OF
GREEN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Green International Holdings Limited (the "**Company**") and its subsidiaries (collective referred to as the "**Group**") set out on page 74 and 162 which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of the significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Bases for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASES FOR DISCLAIMER OF OPINION

(a) Opening balances and comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2017. However, we have been unable to obtain sufficient appropriate audit evidence about whether the opening balances as at 1 January 2017 of the assets of the Group described in paragraphs (b) to (f) below contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. Since opening balances of these assets enter into the determination of the financial performance and cash flows of the Group for the current year, we were unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 31 December 2017 reported in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the net cash flows for the year ended 31 December 2017 reported in the consolidated statement of cash flows.

In addition, as any adjustments that would be required may have consequential significant effects on those assets of the Group as at 31 December 2016 and its results and cash flows for the year ended 31 December 2016 presented as comparative figures in the consolidated financial statements, we were unable to determine the possible effects of these matters on the comparability of the current year's figures and the comparative figures presented in the consolidated financial statements.

(b) Impairment loss of loan receivables

As disclosed in Note 20 to the consolidated financial statements, the outstanding balances of loan receivables as at 31 December 2017 were long overdue beyond their respective maturity dates and no subsequent settlements were received by the Group from the respective borrowers after the end of the financial reporting period. On 9 March 2018, the Group issued writs of summons to the borrowers of these loan receivables. In the opinion of directors of the Company, the likelihood of the Group recovering the monies owed under these loans was uncertain and hence a provision for full impairment of these loans, including accrued interests, amounting to approximately HK$30,597,000 was recognised as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017.

However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of loan receivables of the Group as at 1 January 2017 of HK$26,068,000 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment loss on loan receivables, including accrued interests, amounting to approximately HK$30,597,000 was free from material misstatement. Any adjustment found to be necessary to the impairment loss would have consequential impact on the Group's net liabilities as at 31 December 2017 and its loss and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

(c) Impairment loss of promissory note receivables

As disclosed in Note 17 to the consolidated financial statements, the outstanding balances of promissory notes as at 31 December 2017 were past due and no subsequent settlements were received by the Group from the respective note holders after the end of the financial reporting period. On 14 March 2018, the Group issued writs of summons to each of the defaulting parties. In the opinion of the directors of the Company, the likelihood of the Group recovering the monies owed under these notes was uncertain and hence a provision for full impairment of the promissory notes, including accrued interests, amounting to approximately HK$165,617,000 was recognised as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017.

However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of the promissory note receivables of the Group as at 1 January 2017 of HK$154,218,000 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment loss on the note receivables, including accrued interests, amounting to approximately HK$165,617,000 was free from material misstatement. Any adjustment found to be necessary to the impairment loss would have consequential impact on the Group's net liabilities as at 31 December 2017 and its loss and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

(d) Impairment loss of prepayment, deposits and other receivables

As disclosed in Note 21 to the consolidated financial statements, the balances of prepayment, deposits and other receivables as at 31 December 2017 include balances amounting to HK$7,774,000 which were long outstanding and no subsequent utilization or settlements of these balances occurred after the end of the financial reporting period. In the opinion of the directors of the Company, the likelihood of the Group utilizing or recovering these outstanding balances was uncertain and hence a provision for full impairment of the prepayment, deposits and other receivables, amounting to approximately HK$7,774,000, was recognised as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017.

However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of the prepayment, deposits and other receivables of the Group as at 1 January 2017 of HK$24,742,000 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment loss on the prepayment, deposits and other receivables, amounting to approximately HK$7,774,000 was free from material misstatement. Any adjustment found to be necessary to the impairment loss would have consequential impact on the Group's net liabilities as at 31 December 2017 and its loss and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

(e) Impairment loss of derivative financial instruments of call option

As disclosed in Note 17 to the consolidated financial statements, the directors of the Company are of the opinion that the fair value of the call option derivative financial instrument was zero as at 31 December 2017, based on their assessment of the contractual terms of the call option and the relevant facts and circumstances as at 31 December 2017. Accordingly, a loss on decrease in fair value of the call option derivative financial instrument of approximately HK$11,040,000 was recognised in consolidated statement of profit or loss of the Group for the year ended 31 December 2017.

However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balance of the call option derivative financial instrument as at 1 January 2017 of HK$11,040,000 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions made by the Group when estimating the fair value of the call option as at 31 December 2016. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the fair value loss on the call option, amounting to approximately HK$11,040,000, was free from material misstatement. Any adjustment found to be necessary to the fair value loss would have consequential impact on the Group's net liabilities as at 31 December 2017 and its loss and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

(f) Impairment loss of trademark user right and technical know-how

As disclosed in Note 15 to the consolidated financial statements, in view of continuous losses in the beauty and wellness business, the Group performed an impairment assessment as at 31 December 2017 of the trademark user right and technical know-how intangible assets which belonged to the cash generating unit ("**CGU**") represented by the beauty and wellness business. The recoverable amount of the CGU as at 31 December 2017 was determined as its value in use, which was measured based on cash flow projections prepared using financial budgets approved by management which covered a period of five years and represented management's best estimate of the range of economic conditions that will exist over the five years' period. The carrying amount of the CGU which contained the trademark user right and technical know-how intangible assets exceeded its recoverable amount, resulting in an impairment loss on trademark user right and technical know-how of approximately HK$62,363,000 being recognised in the consolidated profit or loss of the Group for the year ended 31 December 2017.

However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of trademark user right and technical knowhow intangible assets of the Group as at 1 January 2017 of HK$157,250,000 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. We were unable to be satisfied that certain key bases and assumptions adopted in the preparation of the financial budgets upon which the measurement of the value in use of the CGU as at 31 December 2016 was based were reasonable and supportable. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment loss on trademark user right and technical know-how intangible assets, amounting to approximately HK$62,363,000, was free from material misstatement. Any adjustment found to be necessary to the impairment loss would have consequential impact on the Group's net liabilities as at 31 December 2017 and its loss and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

As disclosed in Note 2.3 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$323,029,000 for the year ended 31 December 2017, and its total liabilities were in excess of its total assets by an amount of approximately HK$80,069,000 as at 31 December 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the Company.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay or extend existing borrowings upon their maturities through cash flows from operations and financial support from a director's controlled corporation and other financial institutions. Because of the significance of these matters, we were unable to satisfy ourselves as to whether the use of going concern assumption in the preparation of the consolidated financial statements was appropriate. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The consolidated financial statements do not include any of these adjustments that would result from the failure to continue to operate as a going concern.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2017.

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

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants 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 has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and to issue an auditors' report. 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. However, because of the matters described in the Bases for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Report on Other Matters under sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence as described in the Bases for Disclaimer of Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and

- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	54,320	46,960
Direct costs and operating expenses	7	(9,819)	(8,813)
Gross profit		44,501	38,147
Other income and gains, net	6	2,039	883
Gain on disposal of a subsidiary		–	3,005
Selling expenses		(33,912)	(29,940)
Administrative expenses		(69,590)	(60,995)
Fair value changes of derivative financial instruments			
— Early redemption option		–	(9,803)
— Call options	17	(11,040)	(23,999)
— Financial liabilities at fair value through profit or loss	24(b)	9,048	–
Impairment loss of trademark user right and technical know-how	15(a)	(62,585)	(64,972)
Impairment loss of property, plant and equipment	14	–	(406)
Impairment loss of loan and interest receivables		(30,597)	–
Impairment loss of promissory note receivables	17	(165,617)	–
Impairment loss of prepayments, deposits and other receivables		(7,774)	–
Finance (cost)/income, net	8	(1,387)	11,090
Loss before income tax	7	(326,914)	(136,990)
Income tax	9	4,675	4,047
Loss for the year		(322,239)	(132,943)
Loss for the year attributable to:			
— Equity holders of the Company		(323,029)	(134,537)
— Non-controlling interests		790	1,594
		(322,239)	(132,943)
Loss per share for loss for the year attributable to the equity holders of the Company			
— Basic and diluted (HK$ cents)	12	(16.38)	(6.82)

The notes on pages 80 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
Loss for the year	**(322,239)**	(132,943)
Other comprehensive income/(expense), net of tax		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences		
— Exchange differences arising during the year	**(3,783)**	3,632
— Reclassification adjustments relating to foreign operations disposed of during the year	**460**	(240)
	(3,323)	3,392
Total comprehensive expense for the year	**(325,562)**	(129,551)
Total comprehensive (expense)/income for the year attributable to:		
— Equity holders of the Company	**(326,812)**	(130,722)
— Non-controlling interests	**1,250**	1,171
	(325,562)	(129,551)

The notes on pages 80 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	14	37,291	30,927
Trademark user right and technical know-how	15	94,887	157,250
Other intangible assets	15	1,354	1,665
		133,532	189,842
Current assets			
Inventories	16	7,899	3,463
Promissory note receivables	17	–	154,218
Derivative financial instruments			
— Call options	17	–	11,040
Trade receivables	19	178	186
Loan receivables	20	–	26,068
Prepayments, deposits and other receivables	21	24,087	24,742
Tax recoverable		719	707
Bank balances — trust and segregated accounts	22	6,896	4,007
Bank balances (general accounts) and cash	22	26,458	24,514
		66,237	248,945
Total assets		199,769	438,787

The notes on pages 80 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	23	**19,725**	19,725
Reserves		**(106,472)**	219,629
		(86,747)	239,354
Non-controlling interests		**6,678**	5,428
Total equity		**(80,069)**	244,782
LIABILITIES			
Non-current liabilities			
Convertible bonds	24(a)	**12,358**	38,965
Bonds payable	25	**8,516**	16,031
Financial liabilities at fair value through profit or loss	24(b)	**13,229**	22,277
Deferred tax liabilities	27	**9,681**	15,918
		43,784	93,191
Current liabilities			
Trade payables	28	**9,545**	6,558
Other payables, accruals and deposits received	29	**53,366**	38,054
Convertible bonds	24(a)	**63,404**	54,223
Promissory note payables	30	**6,287**	–
Loan from a related company	33(c)	**101,772**	–
Tax payable		**1,680**	1,979
		236,054	100,814
Total liabilities		**279,838**	194,005
Total equity and liabilities		**199,769**	438,787
Net current (liabilities)/assets		**(169,817)**	148,131
Total assets less current liabilities		**(36,285)**	337,973

On behalf of the Board

Yu Qigang
Director

Zeng Xiangdi
Director

The notes on pages 80 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to the equity holders of the Company									
	Share capital	Share premium	Share-based equity reserve*	Convertible bonds-equity component reserve*	Put option reserve*	Exchange reserve*	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2016	19,725	544,946	11,394	57,498	5,910	5,796	(301,527)	343,742	4,257	347,999
Loss for the year	–	–	–	–	–	–	(134,537)	(134,537)	1,594	(132,943)
Other comprehensive income/(expense) for the year	–	–	–	–	–	3,815	–	3,815	(423)	3,392
	–	–	–	–	–	3,815	(134,537)	(130,722)	1,171	(129,551)
Issue of convertible bonds	–	–	–	1,312	–	–	–	1,312	–	1,312
Issue of convertible bonds	–	–	–	1,225	–	–	–	1,225	–	1,225
Fair value change of put option	–	–	–	–	240	–	–	240	–	240
Convertible bonds equity reserve written back pursuant to profit guarantee	–	–	–	(3,786)	–	–	3,786	–	–	–
	–	–	–	(1,249)	240	–	3,786	2,777	–	2,777
As at 31 December 2016, previously stated	19,725	544,946	11,394	56,249	6,150	9,611	(432,278)	215,797	5,428	221,225
Effect of prior year adjustments *(Note 37)*	–	–	–	(40,358)	(6,150)	–	70,065	23,557	–	23,557
As at 31 December 2016 and 1 January 2017, restated	**19,725**	**544,946**	**11,394**	**15,891**	**–**	**9,611**	**(362,213)**	**239,354**	**5,428**	**244,782**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(323,029)**	**(323,029)**	**790**	**(322,239)**
Other comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**(3,783)**	**–**	**(3,783)**	**460**	**(3,323)**
	–	**–**	**–**	**–**	**–**	**(3,783)**	**(323,029)**	**(326,812)**	**1,250**	**(325,562)**
Redemption of convertible bonds	**–**	**–**	**–**	**(4,276)**	**–**	**–**	**4,274**	**(2)**	**–**	**(2)**
Issue of convertible bonds	**–**	**–**	**–**	**713**	**–**	**–**	**–**	**713**	**–**	**713**
Lapse of share option	**–**	**–**	**(6,698)**	**–**	**–**	**–**	**6,698**	**–**	**–**	**–**
	–	**–**	**(6,698)**	**(3,563)**	**–**	**–**	**10,972**	**711**	**–**	**711**
As at 31 December 2017	**19,725**	**544,946**	**4,696**	**12,328**	**–**	**5,828**	**(674,270)**	**(86,747)**	**6,678**	**(80,069)**

* The other reserves as presented in the consolidated statement of financial position are comprised of these reserve accounts.

The notes on pages 80 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash used in from operations	31	**53,479**	(54,310)
Profits tax paid		**(1,872)**	(2,636)
Net cash used in operating activities		**51,607**	(56,946)
Cash flows from investing activities			
Additions to property, plant and equipment		**(13,622)**	(9,190)
Increase in loan receivables		**(760)**	(26,600)
Interest received		**30**	28
Proceeds from disposal of property, plant and equipment		**240**	–
Net cash inflow on disposal of a subsidiary		**–**	282
Net cash used in investing activities		**(14,112)**	(35,480)
Cash flows from financing activities			
Interest paid		**(2,583)**	–
Net proceeds from issuance of convertible bonds		**25,000**	52,000
Net proceeds from issuance of bonds		**3,960**	6,500
Prepayment of bonds payable		**(14,000)**	–
Redemption of convertible bonds		**(44,000)**	–
Net cash (used in)/generated from financing activities		**(31,623)**	58,500
Net decrease in cash and cash equivalents		**5,872**	(33,926)
Cash and cash equivalents at 1 January		**24,514**	53,129
Effects of exchange rate changes on balances denominated in foreign currencies		**(3,928)**	5,311
Cash and cash equivalents at 31 December	22	**26,458**	24,514

The notes on pages 80 to 162 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. Its registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1–1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2006.

The Group was principally engaged in provision of (i) health and medical services, (ii) beauty and wellness services, (iii) integrated financial services comprising money-lending, securities brokerage and asset management during the year under review.

The Directors consider Gold Bless International Invest Limited, a company incorporated in the British Virgin Islands (the "**BVI**"), to be immediate and ultimate holding company of the Company.

These consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), and all values are rounded to the nearest thousand ("**HK$'000**") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 29 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing Rules and the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) relating to the preparation of consolidated financial statements.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Basic of preparation of consolidated financial statements

Going concern basis

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in view of the fact that:

- the Group incurred a loss of approximately HK$322,239,000 during the year ended 31 December 2017 and had total liabilities in excess of total assets by an amount of approximately HK$80,069,000 and had net current liabilities of approximately HK$169,817,000 as at 31 December 2017; and

- the Group had promissory note payables of approximately HK$6,287,000 that were outstanding as at 31 December 2017 and were due for repayment (subject to legal advice, to be obtained from the Company's legal adviser) within the next twelve months after 31 December 2017.

The Directors adopted the going concern basis in the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(1) Alternative sources of external funding

On 26 January 2018, the Company entered into (1) a subscription agreement (the "**HK Yinger CB Subscription Agreement**") with Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**") pursuant to which the Company conditionally agreed to issue to HK Yinger convertible bonds in the principal amount of HK$120,000,000 (the "**HK Yinger Convertible Bonds**"); (2) a subscription agreement (the "**Zheyin Tianqin CB Subscription Agreement**") with Zheyin Tianqin (Shenzhen) Investment Limited ("**Zheyin Tianqin**") pursuant to which the Company conditionally agreed to issue to Zheyin Tianqin convertible bonds in the principal amount of HK$60,000,000 (the "**Zheyin Tianqin Convertible Bonds**"); and (3) a subscription agreement (the "**Investor CB Subscription Agreement**") with Mr. Liu Dong (the "**Investor**") pursuant to which the Company conditionally agreed to issue to the Investor convertible bonds in the principal amount of HK$27,200,000 (the "**Investor Convertible Bonds**").

The Investor CB Subscription and the HK Yinger CB Subscription were completed on 8 February 2018 and 23 March 2018, raising net proceeds for the Group in the amount of approximately HK$26,800,000 and HK$118,200,000, respectively. The net proceeds expected to be raised from the issue of the Zheyin Tianqin 2018 CB are approximately HK$59,100,000, if it proceeds to completion on or before the long stop date of 19 April 2018 (being one month after the obtaining of shareholders' approval at the Company's general meeting).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Basic of preparation of consolidated financial statements *(Continued)*

Going concern basis *(Continued)*

(2) Attainment of profitable and positive cash flow operations

On 28 November 2017, the Company entered into the acquisition agreement with the vendor of Charm Eastern Limited ("**Charm Eastern**"), pursuant to which the Company conditionally agreed to acquire from the vendor 100% shareholding interest in Charm Eastern for the consideration of HK$75,015,625. The transaction was completed in January 2018 and since then, Charm Eastern has become a subsidiary of the Group. Charm Eastern is an investment holding company and its subsidiaries are principally engaged in the provision of medical services.

(3) Further debt and equity fund raisings

The Company is in ongoing negotiations with banks, financial institutions, professional investors and our existing shareholders and creditors with the view to raising additional funds for the Group, whether by way of debt, equity or otherwise. In the light of the successful completion of the Investor CB Subscription, the HK Yinger CB Subscription, the Company is generally optimistic on its capability in raising additional funds.

In the opinion of the Directors, in light of the various measures and arrangements implemented before or after the end of the reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements of the Group have been prepared on a going concern basis notwithstanding the fact that the Group incurred a continuous loss of HK$322,239,000 during the year ended 31 December 2017. As at 31 December 2017, the Group has cash and cash equivalent of approximately HK$26,458,000. While this cash level may not be sufficient to support the operating expenses of the Group in the next twelve months, the Directors are nevertheless of the view that the Group is able to maintain itself as a going concern in the coming year by taking into consideration, amongst other things, the following arrangements:

1. Management will continue to control the operating costs and launch new services to attract new customers with an aim to attain better operating cash flows; and

2. The Group is in ongoing negotiations to raise additional funds to support the operation and investment of the Group as necessary and appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Basic of preparation of consolidated financial statements *(Continued)*

Going concern basis *(Continued)*

(3) Further debt and equity fund raisings (Continued)

Based on the measures mentioned above, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2.4 Adoption of new standards and amendments

The following new standard, amendments are mandatory for the first time for the financial year beginning on 1 January 2017.

HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The Group's liabilities arising from financing activities consist of obligation under finance lease. A reconciliation between the opening and closing balances of these items is provided in Note 31 to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Adoption of new standards and amendments *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 2 (Amendments)	Classifications and measurement of share-based payment transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[4]
HKAS 28 (Amendments)	Investments in associates and joint ventures[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle
HKFRS 1 (Amendments)	First time adoption of Hong Kong Financial Reporting Standards[1]
HKAS 40 (Amendments)	Transfers of investment property[1]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[2]
HKFRS 9 (Amendments)	Clarification to HKFRS 9 Financial Instrument[2]
HKFRS 15 (Amendments)	Clarification to HKFRS 15 Revenue From Contracts with Customers[1]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2021.

HKFRS 9 Financial Instruments

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets. Specifically, pursuant to HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments:

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Adoption of new standards and amendments *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 Financial Instruments, Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39 under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). As at 31 December 2017, the Group's financial liabilities that are designated at fair value through profit or loss are convertible bonds. There are no significant impact on the Group's accounting for financial liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

Except for the potential early recognition of credit losses based on the expected credit loss model in relation to the Group's financial assets measured at amortised costs, additional disclosure in respect of loans, trade and other receivables including any significant judgements and estimation made, and enhanced disclosures about the Group's risk management activities, the management of the Group anticipates that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2017.

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Adoption of new standards and amendments *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

(a) Identify the contract(s) with a customer

(b) Identify the performance obligations in the contract

(c) Determine the transaction price

(d) Allocate the transaction price to each performance obligation

(e) Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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.

The Group's revenue recognition policies are disclosed in Note 2. Management has assessed the effects of applying the new standard on the Group's financial statements and does not expect a significant impact on the recognition of revenue.

HKFRS 16 Leases

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the statement of financial position. Instead, all long-term leases must be recognised in the statement of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the statement of financial position. In the income statement, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019. HKFRS 16 will primarily affect the accounting for the Group's operating leases. At 31 December 2017, the Group had non-cancellable operating lease commitments of HK$38,538,000. Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

Management is in the process of making an assessment of the impact of other new standards, amendments to standards and interpretations and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2.7 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions. The chief executive officer of the Company is empowered by the Board to manage the assets and activities of the Company.

2.9 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where the items are re-measured. 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 recognised in the consolidated statement of profit or loss.

(c) *Group companies*

The results and financial positions of all group companies (none of which has a currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

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

- income and expenses for each statement of profit or loss 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

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Foreign currency translation *(Continued)*

(d) Disposal and partial disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interests in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interests to associates, joint ventures or financial assets), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.10 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated 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 the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	3 years or the lease period, whichever is shorter
Plant and machinery	5–10 years
Office equipment, furniture and fixtures	3 years
Transportation vehicles	3–5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Property, plant and equipment *(Continued)*

Construction in progress is stated at cost less accumulated impairment losses. Cost includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalised of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for construction in progress.

2.11 Other intangible assets

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets that have indefinite useful lives are not subject to amortisation, but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Otherwise, amortisation is calculated using the straightline method to reduce their costs to their residual values over their estimated useful lives.

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.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and loans receivables) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bonds

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Convertible bonds of compound financial instrument which do not contain an equity component are accounted for as financial liabilities at fair value through profit or loss include derivative instruments and conversion rights embedded in a convertible bond. Both are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognized immediately in the consolidated statement of profit and loss account.

Other financial liabilities

Other financial liabilities (including bonds payable, trade and other payables, promissory note payables and loan from a related party) are subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, (where appropriate), a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.14 Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts (if any). In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

2.17 Current and deferred income tax

Tax expense comprises current and deferred tax. 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.

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 jurisdictions where the Company and its 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.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or a 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 substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and deferred income tax *(Continued)*

Deferred income tax assets arising from deductible temporary differences associated with such investments are recognised only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

2.18 Employee benefits

(a) *Pension obligations*

(i) *Hong Kong*

The Group participates in a mandatory provident fund scheme (the "MPF scheme"), which is a defined contribution scheme, for its employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in an independent administered fund.

Both the Group and the employees are required to contribute 5% of the employee's relevant income, subject to a maximum of HK$1,500 per employee per month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund is available.

(ii) *The People's Republic of China (the "**PRC**")*

The Group participates in a defined contribution scheme administrated by the relevant authorities of the PRC. Contributions to the scheme are calculated as a percentage of employees' salaries and the Group has no further payment obligations once the contributions have been paid. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Employee benefits *(Continued)*

(c) Share-based compensation plan

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. 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 reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.21 Revenue recognition

Revenue is measured of the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts.

(a) *Revenue from sales of goods*

Revenue from sales of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under other payables, accruals and deposits received as current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue recognition *(Continued)*

(b) Revenue from clubhouse and beauty and wellness business

Revenue from the clubhouse and beauty and wellness business is recognised when the services have been provided to the customers. Prepayments from customers in respect of the membership schemes which are considered to be unearned at the reporting date are classified as receipts in advance and recognised within other payables, accruals and deposits received in the consolidated statement of financial position.

(c) Commission income from brokerage services

Brokerage commission income is recognized on a trade basis when the relevant sale or purchase of securities transactions is executed.

(d) Commission income from placing and underwriting services

Placing and underwriting commission is recognized in accordance with the terms of the underlying agreement or deal mandate when the relevant significant act has been completed.

(e) Handling and settlement fee income

Handling and settlement fee income is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(f) Interest income

Interest income is recognised using the effective interest method. When a loan and 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.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Related parties *(Continued)*

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

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to each other);

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

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third party and the other entity is an associate of the third party;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Close family members of an individual are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of the person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC with its transactions mainly denominated in HK$ and RMB. The Group is therefore exposed to foreign exchange risk arising from RMB, primarily with respect to HK$ which is the Company's functions and the Group's presentation currency. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities or net investments in foreign operations are denominated in a currency that is not an entity's functional currency.

The Board are of the view that the Group's risk exposure to currency fluctuations to be minimal. Therefore, the Group had not implemented any foreign exchange derivative contracts, hedging or any other policies or methods to manage such exposure during the year under review. The Directors will continue to monitor the foreign exchange risk of the Group and take appropriate actions if necessary if there are any significant changes in situation.

(b) Credit risk

The carrying amounts of promissory note receivables, trade receivables, loan receivables, prepayments deposits and other receivables and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2017 and 2016, the majority of bank balances are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality.

The Group also has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors.

Money lending business

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's loan receivables at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts. As at 31 December 2017, the directors of the Company are of the opinion that impairment loss of loan and interest receivables of HK$30,597,000 is necessary in respect of these balances were overdue beyond their respective expiry dates and no subsequent settlements were received by the Group from the borrowers.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Money lending business (Continued)

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. The Group holds collateral against receivable and interest receivables. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

Provision of brokerage services

In order to manage the credit risk in the accounts receivable due from clients arising from business dealing in securities, individual credit evaluations are performed on all clients. Trade receivables from cash clients generally settled in two days after trade date, credit risk arising from trade receivables due from cash clients is considered minimal. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced. Market conditions and adequacy of securities collateral and monitored by management on a daily basis.

In respect of amounts receivable from clearing houses, credit risks are considered low as the Group normally enters into transactions with clearing houses which are registered with regulatory bodies.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has net liabilities of HK$80,069,000 as at 31 December 2017. As stated in Note 2.3, these events or conditions, along with other matters as set forth in Note 2.3, indicate that a material uncertainly exists that may cast significant doubt on the Group's ability to continue as a going concern.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both principal and interest cash outflows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

	Weighted average interest rate %	On demand or within 1 year *HK$'000*	1 to 2 years *HK$'000*	Over 2 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
At 31 December 2017						
Trade payables	–	9,545	–	–	9,545	9,545
Other payables and accruals	–	29,078	–	–	29,078	29,078
Convertible bonds	5.5%	65,082	14,880	–	79,962	75,762
Loan from a related company	5.5%	105,480	–	–	105,480	101,772
Promissory note payables	2%	6,287	–	–	6,287	6,287
Financial liabilities at fair value through profit or loss	2%	–	–	37,762	37,762	13,229
Bonds payable	5.6%	–	14,000	–	14,000	8,516
		215,472	28,880	37,762	282,114	244,189

	Weighted average interest rate %	On demand or within 1 year *HK$'000* (Restated)	1 to 2 years *HK$'000* (Restated)	Over 2 years *HK$'000* (Restated)	Total undiscounted cash flow *HK$'000* (Restated)	Carrying amount *HK$'000* (Restated)
At 31 December 2016						
Trade payables	–	6,558	–	–	6,558	6,558
Other payables and accruals	–	18,202	–	–	18,202	18,202
Convertible bonds	5.7%	55,699	–	46,996	102,695	93,188
Financial liabilities at fair value through profit or loss	2%	–	–	87,852	87,852	22,277
Bonds payable	6.7%	–	24,000	–	24,000	16,031
		80,459	24,000	134,848	239,307	156,256

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Cash flow and fair value interest rate risk

Except for cash and cash equivalents, the Group has no other significant interest-bearing assets at floating rates. The Group's loan receivable bear interest at fixed rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group has no significant interest-bearing liabilities at floating rates. As at 31 December 2017, the Groups has convertible bonds, bonds payable, promissory note payables and loan from a related company (2016: convertible bonds and bonds payable) carried interest at fixed rates. Save as disclosed above, the Group does not have any other interest bearing borrowings. The details of convertible bonds, bonds payable, promissory note payables and loan from a related company are disclosed in Notes 24, 25, 30 and 33(c) respectively.

The Group dose not use derivative financial instruments to hedge its cash flow and fair value interest rate risk.

3.2 Fair value measurements of financial instruments

(i) Fair value estimation on a recurring basis

The table below analyses financial instruments carried at fair value at the end of each reporting period, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value measurements of financial instruments *(Continued)*

(i) Fair value estimation on a recurring basis (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2017 and 2016.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
2017				
Financial liabilities at fair value through profit or loss *(Note 24(b))*	–	–	13,229	13,229
2016				
Derivative financial instruments				
Call options *(Note 18)*	–	11,040	–	11,040
Financial liabilities at fair value through profit or loss (Restated) *(Note 24(b))*	–	–	22,277	22,277

As one or more of the significant inputs to fair value the derivative financial instruments is derived from observable market data, they are included in Level 2.

There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2017 and 2016.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value measurements of financial instruments *(Continued)*

(i) *Fair value estimation on a recurring basis* (Continued)

Derivative financial instruments are measured at fair value as at 31 December 2017. The following table gives information about how the fair values of these financial instruments are determined.

Financial liabilities	Fair value as at 31 December **2017** **HK$'000**	2016 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
— Financial liabilities at fair value through profit or loss *(Note 24(b))*	13,229	22,277	Level 3	Generating a large number of possible random price paths using Mote Carlo simulation to calculate the average present value of the extra payoff from the simulated parths	Discount rate adopted: 2017: 14.11%-14.76% Share price volatility: 2017: 38.39 *(Note)*

Note:

An increase in the discount rate adopted in isolation would result in a decrease in fair value measurement of derivative components of convertible bonds.

Reconciliation of Level 3 fair value measurements:

	HK$'000
As 1 January 2015, 31 December 2015 and 31 December 2016, as previously stated	–
Effect of prior year adjustments *(Note 37)*	22,277
At 31 December 2016 (restated) and 1 January 2017	**22,277**
Fair value change	**(9,048)**
At 31 December 2017	**13,229**

The following table summarises the quantitative information about the significant unobservable inputs used in level 2 and 3 fair value measurements as at 31 December 2016.

Call option	**Unobservable inputs**	**Changes in unobservable inputs**	**Approximate changes in fair value**
Winning Rose Call option	Spot price of the target group	+10% –10%	Increase of HK$4,970,000 Decrease of HK$3,080,000
	Volatility of earnings of similar businesses	+10% –10%	Increase of HK$770,000 Decrease of HK$380,000
Puregood Call option	Spot price of the target group	+10% –10%	Increase of HK$4,420,000 Decrease of HK$3,129,000
	Volatility of earnings of similar businesses	+10% –10%	Increase of HK$652,000 Decrease of HK$871,000

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value measurements of financial instruments *(Continued)*

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities are determined as follows:

a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Fair value of financial liabilities that are not measured at fair value (but fair value disclosure are required):

	Fair value			2017	
	Level 1	Level 2	Level 3	Total *HK$'000*	Carrying amount *HK$'000*
Financial liabilities:					
Convertible bonds	–	–	70,329	70,329	75,762
Promissory note payables	–	–	6,818	6,818	6,287

As at 31 December 2017, the fair value of convertible bonds and promissory note payables of approximately HK$70,329,000 and HK$6,818,000. The fair value of liabilities component of convertible bonds and promissory note payables were valued by an independent valuer. The convertible bonds was calculated by discounting the future cash flow at market rate and including some unobservable inputs. See Note 24 for the details information of convertible bonds.

Below is a summary of the valuation technique used and the key inputs to the valuation of convertible bonds:

	Valuation technique	Significant unobservable inputs	
Convertible bonds	Binominal model	Risk free rate	1% to 1.12%
		Volatility	35.46% to 38.36%
		Discount rate	11.91% to 12.03%
Promissory note payables	Discounted cash flows approach	Risk free rate	0.63%
		Discount rate	11.5%

There were no transfers between all levels in both years.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Capital risk management

The Group manages its capital to ensure that entities in the Group 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 debt (which includes bank loan) and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits/accumulated losses.

The Group monitor its capital structure on the basis of gearing ratio. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the issue of new shares as well as the issue of new debt.

The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Debt *(i)*	**205,566**	131,496
Equity *(ii)*	**86,747**	239,354
Gearing ratio	**N/A**	54.9%

(i) Debt includes convertible bonds, bonds payable, financial liabilities at fair value through profit or loss, promissory note payables and loan from a related company.

(ii) Equity includes all capital and reserves of the Group.

In addition, one subsidiary of the Group holds a license granted by the Securities and Futures Commission (the "**SFC**") which is required to meet the regulatory liquid capital requirements under Securities and Futures (Financial Resources) Rules ("**FRR**") adopted by the SFC. Under the FRR, a regulated entity must maintain liquid capital (assets and liabilities adjusted as determined by FRR) in excess of $3 million or 5% of total adjusted liabilities, whichever is higher. The subsidiary has complied with the liquid capital requirements imposed by FRR during the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(a) Impairment of other non-financial assets (other than goodwill)

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

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flow which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rate or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant change in the projected performance and resulting future cash flow projections, it may be necessary to reverse the previously recognised impairment losses, or to take further impairment charge to consolidated statement of profit or loss.

Beauty and wellness business CGU

In 2017, impairment indication arose in the beauty and wellness business CGU, resulting in the carrying amounting of the trademark user right and technical know-how being written down to its recoverable by HK$62,363,000. At the reporting date, the carrying amount of the trademark user right and technical know-how is HK$94,887,000 (2016: HK$157,250,000).

Clubhouse business CGU

In 2017, an impairment charge of approximately HK$Nil (2016: HK$406,000) arose in a CGU of the clubhouse business of the Group. As at 31 December 2017 and 2016, the related property, plant and equipment for both years were fully written off and the respective carrying amounts were nil.

(b) Impairment of loans, trade, other receivables and promissory note receivables

The Group estimates impairment losses for loan receivables, trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade debtors and loan receivables, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write offs would be higher than estimated.

As at 31 December 2017, the Group had outstanding trade receivables of approximately HK$52,157,000 (2016: HK$52,165,000); out of which approximately HK$51,979,000 (2016: HK$52,123,000) were overdue. Up to 31 December 2017, the management has made an accumulated provision of approximately HK$51,979,000 (2016: HK$51,979,000) for the discounting effect for the time value of money.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(b) Impairment of loans, trade, other receivables and promissory note receivables *(Continued)*

As at 31 December 2017, the Group had outstanding loan and interest receivables of approximately HK$30,597,000 of which were overdue. For the year ended 31 December 2017, the management has made an impairment loss of approximately HK$30,597,000 (2016: HK$Nil) under prudence approach.

As at 31 December 2017, the Group had prepayment of HK$4,000,000 and outstanding other receivables of approximately HK$3,774,000, of which both were overdue. For the year ended 31 December 2017, the management has made an impairment loss of prepayment and other receivable of approximately HK$7,774,000 (2016: HK$Nil) under prudence approach.

As at 31 December 2017, the Group had outstanding promissory note receivables including accrued interests of approximately HK$165,617,000 of which were overdue. For the year ended 31 December 2017, the management has made an impairment loss of approximately HK$165,617,000 (2016: HK$Nil) under prudence approach.

(c) Income taxes

The Group is subject to income taxes in the PRC and Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which determination is made.

(d) Estimated fair values financial instruments

The fair values of financial instruments are determined based on the Directors' estimation in light of the latest information obtained relating to the financial instruments or with reference to independent valuer's assessment. Any new development in financial instruments or the market conditions and changes in assumptions and estimates can affect the fair values of these financial instruments.

(e) Going concern

As disclosed in Note 2.3, the Directors have prepared the financial statements on a going concern basis as they are of the opinion that the Group has adequate sources of liquidity to fund the Group's working capital and to meet its debt obligations as they become due based on the cash flow forecast prepared by the directors. Any adverse result on the actual future cash flow would affect the Group's ability to continue as a going concern.

5. REVENUE AND SEGMENT INFORMATION

The Group primarily operates in Hong Kong and the PRC. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide. Each of the Group's business units represents a strategic business unit that offers products or services which are subject to risks and returns that are different from those of the other business units. The Group's business units are as follows:

(a) the health and medical segment engages in the operation of the clubhouse business;

(b) the trading segment engages in the trading of toys, equipment and other materials;

(c) the beauty and wellness segment engages in the provision of beauty and wellness services; and

(d) the financial segment engages in securities brokerage and asset management business.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments are identified for financial reporting purposes in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board is identified as the Group's chief operating decision-maker.

Inter-segment revenue is eliminated on consolidation. Inter-segment sales and transfers are transacted according to the relevant prevailing market prices.

Segment results are presented as operating profit or loss.

Revenue of the Group by operating, together with analyses of the segment revenue by geographical regions, is as follows:

	Health and medical business *HK$'000*	**Trading business** *HK$'000*	**Beauty and wellness business** *HK$'000*	**Financial business** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 December 2017					
Hong Kong	**–**	**–**	**–**	**51**	**51**
PRC	**16,180**	**–**	**38,089**	**–**	**54,269**
Segment revenue	**16,180**	**–**	**38,089**	**51**	**54,320**

	Health and medical business *HK$'000*	Trading business *HK$'000*	Beauty and wellness business *HK$'000*	Financial business *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2016					
Hong Kong	–	–	–	–	–
PRC	11,237	2,450	33,273	–	46,960
Segment revenue	11,237	2,450	33,273	–	46,960

Geographical analysis of revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for health and medical business, trading business, beauty and wellness business and financial business segments, respectively. There was no revenue from any single customer contributing over 10% of total revenue of the Group for the year ended 31 December 2017 and 2016.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Results by operating segments are as follows:

	2017 *HK$'000*	2016 *HK$'000*
Health and medical business *(Note (i))*	**(18,405)**	(22,462)
Trading business	**(5)**	685
Beauty and wellness business *(Note (ii))*	**(51,888)**	(57,481)
Financial business	**(4,040)**	–
Total segments loss	**(74,338)**	(79,258)
Unallocated corporate expenses, net	**(46,240)**	(39,857)
Gain on disposal of trade receivables	**–**	175
Gain on issue of bonds payable *(Note 25)*	**1,031**	2,622
Gain on disposal of a subsidiary	**–**	3,005
Loss on disposal of other receivables	**–**	(965)
Fair value changes of derivative financial instruments		
— Early redemption option	**–**	(9,803)
— Call options	**(11,040)**	(23,999)
— Financial liabilities at fair value through profit or loss	**9,048**	–
Impairment loss of loan and interest receivables	**(30,597)**	–
Impairment loss of promissory note receivables	**(165,617)**	–
Impairment loss of prepayments and other receivables	**(7,774)**	–
Finance (cost)/income, net *(Note 8)*	**(1,387)**	11,090
Loss before income tax	**(326,914)**	(136,990)
Income tax credit *(Note 9)*	**4,675**	4,047
Loss for the year	**(322,239)**	(132,943)

Notes:

(i) For the year ended 31 December 2017, impairment loss of property, plant and equipment of approximately HK$Nil (2016: HK$406,000) was included within health and medical business segment.

(ii) For the year ended 31 December 2017, impairment loss of trademark user right and technical know-how of approximately HK$62,363,000 (2016: HK$64,972,000) was included within beauty and wellness business segment.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Total assets of the Group by operating segments and geographical regions are as follows:

	Health and medical business *HK$'000*	Trading business *HK$'000*	Beauty and wellness business *HK$'000*	Financial business *HK$'000*	Unallocated corporate assets *HK$'000*	Consolidated *HK$'000*
As at 31 December 2017						
Hong Kong	**–**	**2,172**	**–**	**14,421**	**31,374**	**47,967**
PRC	**8,082**	**–**	**140,546**	**–**	**3,174**	**151,802**
Segment total assets	**8,082**	**2,172**	**140,546**	**14,421**	**34,548**	**199,769**

	Health and medical business *HK$'000*	Trading business *HK$'000*	Beauty and wellness business *HK$'000*	Financial business *HK$'000*	Unallocated corporate assets *HK$'000*	Consolidated *HK$'000*
As at 31 December 2016						
Hong Kong	–	2,172	–	–	231,448	233,620
PRC	5,758	–	199,409	–	–	205,167
Segment total assets	5,758	2,172	199,409	–	231,448	438,787

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Non-current assets of the Group, excluding financial instruments, by operating segments and geographical regions are as follows:

	Health and medical business HK$'000	Trading business HK$'000	Beauty and wellness business HK$'000	Financial business HK$'000	Unallocated corporate assets HK$'000	Consolidated HK$'000
As at 31 December 2017						
Hong Kong	–	–	–	308	1,740	2,048
PRC	1,909	–	129,100	–	475	131,484
Segment total non-current assets (excluding financial instruments)	1,909	–	129,100	308	2,215	133,532

	Health and medical business HK$'000	Trading business HK$'000	Beauty and wellness business HK$'000	Financial business HK$'000	Unallocated corporate assets HK$'000	Consolidated HK$'000
As at 31 December 2016						
Hong Kong	–	–	–	–	6,250	6,250
PRC	–	–	183,592	–	–	183,592
Segment total non-current assets (excluding financial instruments)	–	–	183,592	–	6,250	189,842

6. OTHER INCOME AND GAINS, NET

	2017 HK$'000	2016 HK$'000
Sundry income	1,131	1,150
Exchange gain/(loss), net	6	(2,099)
Gain on disposal of trade receivables	–	175
Gain on issuance of bonds payable *(Note 25)*	1,031	2,622
Loss on disposal of other receivables	–	(965)
Loss on disposal of property, plant and equipment	(129)	–
	2,039	883

7. LOSS BEFORE INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration	**1,000**	902
Depreciation of property, plant and equipment *(Note 14)*	**7,489**	5,081
Merchandise purchased and changes in inventories *(Note 16)*	**8,346**	7,492
Employee benefit expenses	**37,518**	33,496
Operating lease rental expenses	**18,143**	18,019

8. FINANCE (COST)/INCOME, NET

	2017	2016
	HK$'000	*HK$'000*
Interest income:		
— Bank deposits	**30**	28
— Loans receivable	**3,769**	7,812
— Promissory note receivables *(Note 17)*	**11,399**	14,776
Fair value change of contingent consideration payables *(Note 26)*	**–**	(5,752)
Interest expense:		
— Convertible bonds *(Note 24)*	**(8,450)**	(17,659)
— Bonds payable *(Note (i))*	**(6,262)**	(2,448)
— Other borrowings *(Note (ii))*	**(1,873)**	(24)
Written back/(reversal) pursuant to profit guarantee		
— Convertible bonds *(Note 24)*	**–**	24,424
— Convertible considerable payables *(Note 26)*	**–**	(10,067)
Finance (cost)/income, net	**(1,387)**	11,090

Notes:

(i) Interest expense on bonds payable comprises interest expense on bonds payable of approximately HK$6,139,000 and interest expense on promissory note payable of approximately HK$123,000.

(ii) Interest expense on other borrowings comprises loan from a related company of approximately HK$1,773,000 and loan from Ms. Tan of approximately HK$100,000.

9. INCOME TAX

Hong Kong profits tax and the PRC enterprise income tax have been provided at the rate of 16.5% (2016: 16.5%) and 25% (2016: 25%), respectively, on the estimated assessable profits during the year, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax credit charged to the consolidated statement of profit or loss represent:

	2017	2016
	HK$'000	*HK$'000*
Current taxation		
PRC enterprise income tax		
— Current year	**1,561**	2,122
— Under-provision in respect of prior year	**–**	135
	1,561	2,257
Deferred taxation	**(6,236)**	(6,304)
	(4,675)	(4,047)

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using Hong Kong profits tax rate as follows:

	2017	2016
	HK$'000	*HK$'000*
Loss before income tax	**(326,914)**	(136,990)
Calculated at Hong Kong Profits tax rate of 16.5% (2016: 16.5%)	**(53,941)**	(22,603)
Effect of different tax rates in other jurisdictions	**(2,910)**	(2,026)
Income not subject to tax	**(4)**	(13,542)
Expenses not deductible	**10,671**	20,419
Tax losses for which no deferred income tax asset was recognised	**41,509**	13,371
Under-provision in respect of prior year	**–**	135
Others	**–**	199
Income tax	**(4,675)**	(4,047)

10. EMPLOYEE BENEFIT EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**35,916**	31,161
Pension costs — defined contribution plans	**1,602**	2,335
	37,518	33,496

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2017 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Share options	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
YU, Qigang	–	1,550	6	–	1,556
ZENG, Xiangdi *(Note (i))*	490	–	–	–	490
YANG, Wang Jian	–	1,710	19	–	1,729
CHEN, Hanhong	495	–	–	–	495
AU, Eva	180	–	–	–	180
WONG, Man Keung *(Note (ii))*	–	32	2	–	34
YANG, Jun *(Note (iii))*	–	772	11	–	783
YANG, Ya *(Note (iv))*	–	405	11	–	416
Non-Executive Directors					
YU, Jiaoli	120	–	–	–	120
NG, Hui Yee Ethel *(Note (xiii))*	–	–	–	–	–
Independent Non-executive Directors					
WU, Hong	155	–	–	–	155
TSOI, David *(Note (v))*	100	–	–	–	100
WANG, Chunlin *(Note (vi))*	100	–	–	–	100
SUN, Zhili *(Note (vii))*	100	–	–	–	100
WONG, Ka Wai *(Note (viii))*	66	–	–	–	66
YEUNG, King Wah, Kenneth *(Note (ix))*	14	–	–	–	14
LOW, Chin Sin *(Note (x))*	55	–	–	–	55
YE, Yunhan *(Note (xi))*	55	–	–	–	55
ZHU, Yi Zhun *(Note (xii))*	120	–	–	–	120
	2,050	4,469	49	–	6,568

10. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of each Director for the year ended 31 December 2016 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Share options	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
YANG Wang Jian	–	3,600	18	–	3,618
WONG, Man Keung *(Note (ii))*	–	1,320	18	–	1,338
YANG, Jun *(Note (iii))*	–	1,020	18	–	1,038
CHEN, Hanhong	180	–	–	–	180
YANG, Ya *(Note (iv))*	–	720	18	–	738
YU, Qigang	360	–	–	–	360
AU, Eva	180	–	–	–	180
Non-Executive Director					
YU, Jiaoli	120	–	–	–	120
Independent Non-executive Directors					
YEUNG, King Wah, Kenneth *(Note (ix))*	120	–	–	–	120
WU, Hong	120	–	–	–	120
LOW, Chin Sin *(Note (x))*	120	–	–	–	120
YE, Yunhan *(Note (xi))*	120	–	–	–	120
ZHU, Yi Zhun *(Note (xii))*	198	–	–	–	198
	1,518	6,660	72	–	8,250

Notes:

(i) Appointed on 24 February 2017
(ii) Resigned on 10 January 2017
(iii) Resigned on 12 June 2017
(iv) Resigned on 12 June 2017
(v) Appointed on 12 June 2017
(vi) Appointed on 12 June 2017
(vii) Appointed on 12 June 2017
(viii) Appointed on 13 February 2017 and resigned on 30 June 2017
(ix) Resigned on 13 February 2017
(x) Resigned on 14 June 2017
(xi) Resigned on 14 June 2017
(xii) Resigned on 30 June 2017
(xiii) Appointed on 25 April 2017 and resigned on 19 June 217

During the year, no Directors waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) 5 highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 including 4 Directors (2016: 4), whose emoluments are disclosed in Note 10(a). Details of emoluments of the remaining 1 (2016: 1) individuals are as follows:

	2017	2016
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	434	554
Pension costs — defined contribution plans	11	8
	445	562

The emoluments are within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
Nil – HK$500,000	1	–
HK$500,001 – HK$1,000,000	–	1
	1	1

11. LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$173,162,000 (2016: HK$379,780,000) (Note 35(c)).

12. LOSS PER SHARE

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

	2017 *HK$'000*	2016 *HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share, loss for the year attributable to owner of the Company	**(323,029)**	(134,537)

	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,972,453**	1,972,453

Diluted

For the years ended 31 December 2017 and 2016, the effect of the Company's share option and convertible bonds was anti-dilutive and was therefore not included in the calculation of the diluted loss per share.

13. DIVIDENDS

No dividend in respect of the year ended 31 December 2017 (2016: Nil) is to be proposed at the forthcoming annual general meeting.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment furniture and fixtures HK$'000	Transportation vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2016						
Cost	27,450	23,606	3,342	4,235	11,306	69,939
Accumulated depreciation and impairment	(19,251)	(15,344)	(2,868)	(1,743)	(5,585)	(44,791)
Net book amount	8,199	8,262	474	2,492	5,721	25,148
Year ended 31 December 2016						
Opening net book amount	8,199	8,262	474	2,492	5,721	25,148
Additions	5,539	2,252	1,158	2,111	2,076	13,136
Depreciation *(Note 7)*	(2,360)	(1,484)	(339)	(898)	–	(5,081)
Disposal of a subsidiary	–	(460)	–	–	–	(460)
Transfer in/(out)	7,507	–	–	–	(7,507)	–
Impairment loss	–	–	(154)	–	(252)	(406)
Written off	–	–	(36)	–	–	(36)
Exchange realignment	(762)	(444)	(20)	(110)	(38)	(1,374)
Closing net book amount	18,123	8,126	1,083	3,595	–	30,927
At 31 December 2016						
Cost	37,988	23,371	3,891	6,145	252	71,647
Accumulated depreciation and impairment	(19,865)	(15,245)	(2,808)	(2,550)	(252)	(40,720)
Net book amount	18,123	8,126	1,083	3,595	–	30,927
Year ended 31 December 2017						
Opening net book amount	**18,123**	**8,126**	**1,083**	**3,595**	**–**	**30,927**
Additions	**8,401**	**3,665**	**1,295**	**261**	**–**	**13,622**
Depreciation *(Note 7)*	**(3,830)**	**(2,035)**	**(741)**	**(883)**	**–**	**(7,489)**
Disposal	**–**	**–**	**–**	**(369)**	**–**	**(369)**
Exchange realignment	**370**	**157**	**22**	**51**	**–**	**600**
Closing net book amount	**23,064**	**9,913**	**1,659**	**2,655**	**–**	**37,291**
At 31 December 2017						
Cost	**47,140**	**27,471**	**5,265**	**6,143**	**256**	**86,275**
Accumulated depreciation and impairment	**(24,076)**	**(17,558)**	**(3,606)**	**(3,488)**	**(256)**	**(48,984)**
Net book amount	**23,064**	**9,913**	**1,659**	**2,655**	**–**	**37,291**

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense for the year ended 31 December 2017 of approximately HK$4,663,000 (2016: HK$2,818,000) and HK$2,826,000 (2016: HK$2,263,000) have been recognised as selling expenses and administrative expenses, respectively.

15. TRADEMARK USER RIGHT AND TECHNICAL KNOW-HOW, AND OTHER INTANGIBLE ASSETS

	Trademark user right and technical know-how HK$'000 (Note (a))	Medical license HK$'000 (Note (b))	Cross-boundary vehicle licence HK$'000 (Note (c))	Total HK$'000
At 1 January 2016				
Cost	222,222	955	1,568	224,745
Accumulated amortisation and impairment	–	(756)	–	(756)
Net book amount	222,222	199	1,568	223,989
Year ended 31 December 2016				
Opening net book amount	222,222	199	1,568	223,989
Amortisation	–	(93)	–	(93)
Impairment loss	(64,972)	–	–	(64,972)
Exchange realignment	–	(9)	–	(9)
Closing net book amount	157,250	97	1,568	158,915
At 31 December 2017				
Cost	**222,222**	**968**	**1,568**	**224,758**
Accumulated amortisation and impairment	**(127,335)**	**(960)**	**(222)**	**(128,517)**
Net book amount	**94,887**	**8**	**1,346**	**96,241**
Year ended 31 December 2017				
Opening net book amount	**157,250**	**97**	**1,568**	**158,915**
Amortisation	**–**	**(92)**	**–**	**(92)**
Impairment loss	**(62,363)**	**–**	**(222)**	**(62,585)**
Exchange realignment	**–**	**3**	**–**	**3**
Closing net book amount	**94,887**	**8**	**1,346**	**96,241**

15. TRADEMARK USER RIGHT AND TECHNICAL KNOW-HOW, AND OTHER INTANGIBLE ASSETS *(Continued)*

Notes:

(a) The trademark user right and technical know-how was licensed exclusively to the Group for an infinite period at a nominal consideration of HK$1, which comprises the trademarks of the Marsa brand in relation to the acquisition of the beauty and wellness business acquired in May 2015 and the know-how of operating the said business, including but not limited to business and operating models and technical skills for the beauty and wellness business. As a result, the trademark user right and technical know-how is considered by management of the Group as having an indefinite useful life and will not be amortised.

Impairment tests for trademark user right and technical know-how with indefinite useful life

The recoverable amount of the trademark user right and technical know-how with indefinite useful life is determined based on value-in-use calculation by reference to the valuation report issued by an independent valuer. The cash flow projection is based on a five-year profit forecast reviewed by the directors of the Company in respect of the relevant identifiable CGU. Cash flows beyond the five-year period are extrapolated using growth rate of 3%, which does not exceed the long-term average growth rate for the beauty and wellness industry. The cash flows are discounted using a discount rate of 17.98%. The discount rate used is pre-tax and reflects specific risks relating to the beauty and wellness segment. Other key assumptions involve (i) management's expectations for the market development and (ii) the continuity of the co-operation relationship with business partners.

During the year ended 31 December 2017, an impairment loss of approximately HK$62,585,000 (2016: HK$64,972,000) was recognised in respect of the trademark user right and technical know-how within the beauty and wellness segment. In the opinion of the directors of the Company, the main factor contributing to the impairment loss was that the actual performance of the beauty and wellness business was not as good as anticipated by the then-incumbent Board at the time of acquisition.

(b) The medical license was used by the beauty and wellness business and has a useful life of 10 years. Hence, amortization is provided on a straight-line basis over 10 years.

(c) The cross-boundary vehicle license has a legal life of 1 year but is renewable every 1 year at minimal costs. The directors are of the opinion that the Group would renew the cross-boundary vehicle license continuously and has the ability to do so. As a result, the cross-boundary vehicle license is considered by management of the Group as having an indefinite useful life and will not be amortised. The cross-boundary vehicle license was impaired to the recoverable amount which is determined by subsequent selling price to HK$1,346,000.

16. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials and consumables	**7,899**	3,463

The cost of inventories recognised as expenses and included in cost of sales during the year ended 31 December 2017 amounted to approximately HK$8,346,000 (2016: HK$7,492,000) *(Note 7)*.

17. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS

Movements of promissory note receivables during the years ended 31 December 2017 and 2016 are as follows:

	Winning Rose Promissory Note *HK$'000*	Puregood Promissory Note *HK$'000*	Total *HK$'000*
At 1 January 2016	–	–	–
Issuance of promissory note receivable	73,098	66,344	139,442
Add: Interest income *(Note 8)*	8,450	6,326	14,776
At 31 December 2016 and 1 January 2017, as previously stated	**81,548**	**72,670**	**154,218**
Add: Interest income *(Note 8)*	**4,471**	**6,928**	**11,399**
Less: Impairment of promissory note receivable	**(86,019)**	**(79,598)**	**(165,617)**
At 31 December 2017	**–**	**–**	**–**

Movements of call options during the years ended 31 December 2017 and 2016 are as follows:

	Winning Rose Call Option *HK$'000*	Puregood Call Option *HK$'000*	Total *HK$'000*
At 1 January 2016	–	–	–
Acquisition of call option	22,653	12,386	35,039
Less: Change in fair value	(17,723)	(6,276)	(23,999)
At 31 December 2016 and 1 January 2017, as previously stated	**4,930**	**6,110**	**11,040**
Less: Change in fair value	**(4,930)**	**(6,110)**	**(11,040)**
At 31 December 2017	**–**	**–**	**–**

Pursuant to the transactions disclosed in the Company's announcements dated 29 April 2016 and 30 June 2016, the Group owns: (a) a promissory note ("**Winning Rose Promissory Note**") due on 29 April 2017 in the principal sum of HK$86,018,492 issued by Winning Rose Capital Inc. ("**Winning Rose**") secured by a share charge over 40% of the issued share capital of Jasper Jade Corporation ("**Jasper Jade Share Charge**"); and (b) a promissory note ("**Puregood Promissory Note**") due on 30 June 2017 in the principal sum of HK$79,598,533 issued by Puregood Express Inc. ("**Puregood**") secured by a share charge over 48% of the issued share capital of Gold Fountain Inc. ("**Gold Fountain Share Charge**"). In addition, the Group owns (i) a call option ("**Winning Rose Call Option**") to acquire, before 29 April 2017, certain shares of Jasper Jade Corporation (a wholly owned subsidiary of Winning Rose) at the exercise price which is equivalent to the face value of Winning Rose Promissory Note; and (ii) a call option ("**Puregood Call Option**") to acquire, before 30 June 2017, certain shares of Gold Fountain Inc. (a wholly owned subsidiary of Puregood) at the exercise price which is equivalent to the face value of Puregood Promissory Note. The Group has also conditionally agreed to commit in investing in the amount HK$10,000,000 within 3 years and HK$8,000,000 within 3 years if it opts to exercise the Winning Rose Call Option and the Puregood Call Option, respectively. The Winning Rose Call Option and the Puregood Call Option already lapsed on 29 April and 30 June 2017, respectively.

17. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS *(Continued)*

The fair value recognized at the date of issuance of the Winning Rose Promissory Note and Puregood Promissory Note was approximately HK$73,098,000 and HK$66,344,000 respectively. As at 31 December 2017, the carrying value (after provision of impairment) of the Winning Rose Promissory Note and Puregood Promissory Note was approximately HK$Nil (2016: HK$81,548,000) and HK$Nil (2016: HK$72,670,000) respectively. The outstanding balances of promissory notes as at 31 December 2017 of approximately HK$165,617,000 were past due and no subsequent settlements were received by the Group from the respective note holders after the end of the financial reporting period. On 14 March 2018, the Group issued writs of summons to each of the defaulting parties. In the opinion of the directors of the Company, the likelihood of the Group recovering the monies owed under these notes was uncertain and hence a provision for full impairment of the promissory notes, including accrued interests, amounting to approximately HK$165,617,000 was recognised as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017.

The fair value recognized at the date of acquisition of the Winning Rose Call Option and Puregood Call Option was approximately HK$22,653,000 and HK$12,386,000 respectively. As at 31 December 2016, the fair value of the Winning Rose Call Option and Puregood Call Option was approximately HK$4,930,000 and HK$6,110,000 respectively.

18. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables *HK$'000*	Financial assets at fair value *HK$'000*
Assets as per statement of financial position		
At 31 December 2017		
Trade and other receivables, excluding prepayments	**10,329**	–
Bank balances — trust and segregated accounts	**6,896**	–
Bank balances (general accounts)	**26,458**	–
	43,683	–
At 31 December 2016	(Restated)	(Restated)
Derivative financial instruments		
— Call options	–	11,040
Promissory note receivables	154,218	–
Trade and other receivables, excluding prepayments	17,395	–
Loan receivables	26,068	–
Bank balances — trust and segregated accounts	4,007	–
Bank balances (general accounts)	24,514	–
	226,202	11,040

18. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Financial liabilities at fair value *HK$'000*	Financial liabilities at amortised cost *HK$'000*
Liabilities as per statement of financial position		
At 31 December 2017		
Financial liabilities at fair value through profit or loss	**13,229**	**–**
Convertible bonds	**–**	**75,762**
Bonds payable	**–**	**8,516**
Promissory note payables	**–**	**6,287**
Loan from a related company	**–**	**101,772**
Trade and other payables, excluding membership deposit received	**–**	**38,623**
	13,229	**230,960**
At 31 December 2016	(Restated)	(Restated)
Financial liabilities at fair value through profit or loss	22,277	–
Convertible bonds	–	93,188
Bonds payable	–	16,031
Trade and other payables, excluding membership deposit received	–	24,760
	22,277	133,979

19. TRADE RECEIVABLES

	2017 ***HK$'000***	2016 *HK$'000*
Trade receivables	**52,157**	52,165
Less: Provision for discount on past due balances	**(51,979)**	(51,979)
	178	186

During the year ended 31 December 2016, certain trade receivable of HK$95,576,103 was disposed of by Sino Front, a wholly owned subsidiary of the Company, to an independent third party in exchange for the Winning Rose Promissory Note and the Winning Rose Call Option, details of which are stated in Note 17.

The Group's trade receivables are generally with credit periods of 90 days (2016: 90 days). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade receivables. The Group does not hold any collateral as security.

19. TRADE RECEIVABLES *(Continued)*

The carrying amounts of trade receivable approximate their fair values. The ageing analysis of gross carrying amount of trade receivables, based on invoice dates, as at 31 December 2017 and 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**178**	31
31–60 days	**–**	6
61–90 days	**–**	5
91–180 days	**–**	4
Over 180 days	**51,979**	52,119
	52,157	52,165

Management assessed the credit quality of those trade receivables of approximately HK$178,000 (2016: HK$42,000) that are neither past due nor impaired by reference to the repayment history and current financial position of these customers. Those receivables are related to individual customers for whom there was no recent history of default and so significant change in credit quality. Management believes that no provision for impairments is necessary and those balances are expected to be fully recoverable.

As at 31 December 2017, trade receivables of approximately HK$51,979,000 (2016: HK$52,123,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
91–180 days	**–**	4
Over 180 days	**51,979**	52,119
	51,979	52,123

Up to 31 December 2017, the Group has made provision of approximately HK$51,979,000 (2016: HK$51,979,000) to account for the discounting effect of the time value of money because of the delay in settlement of the outstanding trade receivables.

Movement in the provision for discount on past due balances is as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January and 31 December	**51,979**	51,979

19. TRADE RECEIVABLES *(Continued)*

Trade receivables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Renminbi	178	186
US dollars	51,979	51,979
	52,157	52,165

20. LOAN RECEIVABLES

	2017 HK$'000	2016 HK$'000
91 — 180 days	–	5,000
181 — 365 days	–	21,080
Over 1 year	23,968	–
Less: Impairment loss	(23,968)	–
	–	26,080

The loan receivables are unsecured, bear interests ranging from 10% to 36% per annum, and repayable within one year.

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	–	21,600
Renminbi	–	4,468
	–	26,080

At each of the reporting date, the Group's loan receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain loan receivables and appropriate provision for impairment has been made against these loan receivables. The individually impaired receivables are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

Included in the above provision for impairment is a provision for individually impaired loan receivables of HK$23,968,000 (2016: Nil). The individually impaired loan receivables relate to several borrowers that were in default or delinquency in repayments ("**Loan Receivables Default**").

The loan receivables were overdue beyond their respective loan credit period. Though the management of the Group has been proactively seeking to recover these loan receivables and demand letters were sent by the Group and its legal advisor to these borrowers, writs of summons were sent to each of the borrowers in March 2018, no subsequent settlements were made. Consequently, specific impairment provision was recognised.

20. LOAN RECEIVABLES *(Continued)*

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date of initial grant of credit up to the reporting date. Accordingly, the directors of the Company believe that there is no further impairment required in excess of the allowance for doubtful debts.

The carrying amount of the loans receivable approximate their fair value.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Prepayments	**13,936**	7,533
Prepayment for establishment of an associated company	**4,000**	2,500
Other deposits paid	**1,345**	5,957
Other receivables	**12,580**	5,297
Interest receivables	**6,629**	3,455
	38,490	24,742
Less: Impairment loss on interest receivables *(Note (a))*	**(6,629)**	–
Less: Impairment loss on prepayment and other receivables *(Note (b))*	**(7,774)**	–
	24,087	24,742

Notes:

(a) As mentioned in Note 20 regarding the Loan Receivables Default, the loan receivables were overdue beyond their respective loan credit period. Though the management of the Group has been proactively seeking to recover these loan receivables and demand letters were sent by the Group and its legal advisor to these borrowers and writs of summons were sent to each of the borrowers in March 2018, no subsequent settlements were made. Consequently, a provision for impairment on the interest receivable of HK$6,629,000 in relation to these loan receivables (Note 20) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

(b) As at 31 December 2017, prepayment in the amount of HK$4,000,000 was outstanding and overdue. Demand letter was sent by the Group to the debtor to demand its immediate repayment, but no settlement was received by the Group despite the demand. Under the prudence approach in preparing the financial statements, an impairment loss of prepayment in the amount of HK$4,000,000 (2016: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

As at 31 December 2017, other receivable in the amount of approximately HK$3,774,000 was outstanding and overdue. Under the prudence approach in preparing the financial statements, an impairment loss of other receivables in the amount of approximately HK$3,774,000 (2016: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Prepayments, deposits and other receivables are denominated in the following currencies:

	2017 *HK$'000*	2016 *HK$'000*
Hong Kong dollars	**14,407**	7,984
Renminbi	**9,680**	16,758
	24,087	24,742

22. CASH AND BANK BALANCES

	2017 *HK$'000*	2016 *HK$'000*
Bank balances — trust and segregated accounts *(Note (iii))*	**6,896**	4,007
Bank balances (general accounts) and cash *(Note (iv))*	**26,458**	24,514
	33,354	28,521

Notes:

(i) An indirect wholly-owned subsidiary of the Company receives and holds money deposited by clients in the course of the conduct of the regulated activities of its ordinary business. The clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding trade payables to respective client (Note 28). However, the Group does not have a currently enforceable right offset those payables with deposits placed.

(ii) The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

(iii) Segregated accounts

From the Group's ordinary business in provision of brokerage and related services, the Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognized the corresponding accounts payable to respective clients. As at 31 December 2017, the segregated accounts with authorized institutions in relation to its brokerage business totaled HK$6,896,000 (2016: HK$4,007,000).

(iv) House accounts

Cash and bank balances comprise cash held by the Group and bank deposits at variable interest rate with original maturity of three months or less.

At 31 December 2017, the Group's certain bank deposits of approximately HK$2,548,000 (2016: HK$9,382,000) denominated in RMB were placed with bank in the PRC. The remittance of these funds out of the PRC was subject to exchange restrictions imposed by the Government of the PRC.

22. CASH AND BANK BALANCES *(Continued)*

Cash and cash equivalents are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong dollars	**30,764**	17,580
Renminbi	**2,590**	10,941
	33,354	28,521

Cash at banks earns interest at floating rates based on daily bank deposit rates.

23. SHARE CAPITAL

Authorised Capital:

	Number of shares	**Nominal value**
		HK$'000
At 1 January 2016, 31 December 2016 and 31 December 2017, ordinary share of HK$0.01 each	**4,000,000,000**	**40,000**

Issued and fully paid capital

	Number of shares	**Nominal value**
		HK$'000
At 1 January 2016, 31 December 2016 and 31 December 2017	**1,972,452,606**	**19,725**

Share Option Scheme:

Notes:

On 2 September 2006, a share option scheme (the "**Share Option Scheme**") was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

(i) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

23. SHARE CAPITAL *(Continued)*

Issued and fully paid capital *(Continued)*

Notes: (Continued)

(i) *(Continued)*

The weighted average fair value of options granted was determined using the Trinomial Option Pricing Model at HK$0.21 per option. The significant inputs into the model were weight average share price of HK$0.37 at the grant date, exercise price shown above, volatility of 45%, dividend yield of 0%, an expected option life of 10 years, and annual risk-free interest rate of 1.14%.

(ii) In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,245,260 share options under the Share Option Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). However, no share options were accepted by the grantees within 28 days from the date of offer in accordance with the rules of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year ended 31 December 2017.

(iii) Movements in the share options are as follows:

	2017		2016	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 January	**0.32**	**55,800,000**	0.32	55,800,000
Lapsed	**0.32**	**(32,800,000)**	–	–
At 31 December	**0.32**	**23,000,000**	0.32	55,800,000

	2017	2016
— Number of share options exercisable at year ended	**23,000,000**	55,800,000
— Range of exercise prices	**0.32**	0.32
— Weighted average remaining contractual life	**4.35 years**	5.35 years

24. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Convertible bonds

The liability components of the convertible bonds recognised in the consolidated statement of financial position were calculated as follows:

	1st Tai Cheng CB	Zheyin Tianqin 2017 CB	2nd Tai Cheng CB	2015 CB	1st Marsa CB	3rd Tai Cheng CB	1st 2016 CB	Qianhai CB	2nd Marsa CB	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (i))	*(Note (v))*	*(Note (i))*	*(Note (ii))*	*(Note (iii))*	*(Note (i))*	*(Note (vi))*	*(Note (iv))*	*(Note (iii))*	
At 1 January 2016	5,482	–	4,380	23,570	16,398	321	–	–	–	50,151
Issue of convertible bonds	–	–	–	–	–	–	40,000	12,000	26,295	78,295
Equity component on initial recognition	–	–	–	–	–	–	(1,312)	(1,225)	–	(2,537)
Written back pursuant to profit guarantee *(Note 8)*	–	–	–	–	(5,209)	–	–	–	(19,215)	(24,424)
Interest expenses *(Note 8)*	681	–	666	3,391	4,910	51	4,326	857	2,777	17,659
At 31 December 2016, as previously stated	6,163	–	5,046	26,961	16,099	372	43,014	11,632	9,857	119,144
Effects of prior year adjustments *(Note 37)*	–	–	–	–	(16,099)	–	–	–	(9,857)	(25,956)
At 31 December 2016, as restated	6,163	–	5,046	26,961	–	372	43,014	11,632	–	93,188
Analysed by maturity date as:										
Within one year and included under current liabilities (restated)	6,163	–	5,046	–	–	–	43,014	–	–	54,223
Over one year and included under non-current liabilities (restated)	–	–	–	26,961	–	372	–	11,632	–	38,965
	6,163	–	5,046	26,961	–	372	43,014	11,632	–	93,188
At 1 January 2017, as restated	**6,163**	**–**	**5,046**	**26,961**	**–**	**372**	**43,014**	**11,632**	**–**	**93,188**
Issue of convertible bonds	**–**	**24,287**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,287**
Redemption convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**(44,000)**	**–**	**–**	**(44,000)**
Transfer to promissory note	**(6,163)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,163)**
Interest expenses *(Note 8)*	**–**	**2,217**	**582**	**3,880**	**–**	**59**	**986**	**726**	**–**	**8,450**
At 31 December 2017	**–**	**26,504**	**5,628**	**30,841**	**–**	**431**	**–**	**12,358**	**–**	**75,762**
Analysed by maturity date as:										
Within one year and included under current liabilities	**–**	**26,504**	**5,628**	**30,841**	**–**	**431**	**–**	**–**	**–**	**63,404**
Over one year and included under non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,358**	**–**	**12,358**
	–	**26,504**	**5,628**	**30,841**	**–**	**431**	**–**	**12,358**	**–**	**75,762**

24. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss

Movements of financial liabilities at fair value through profit or loss during the years ended 31 December 2017 and 2016 are as follows:

	HK$'000
	(Note (iii))
At 1 January 2015, 31 December 2015 and 31 December 2016, as previously stated	–
Effect of prior year adjustments *(Note 37)*	22,277
At 31 December 2016, as restated	**22,277**
Changes in fair value	**(9,048)**
At 31 December 2017	**13,229**

Convertible bonds and financial liabilities at fair value through profit or loss issued by the Group and outstanding during the year were as follows:

(i) Tai Cheng CB

On 8 May 2012, the Group acquired 55% equity interests in Tai Cheng International Limited ("**Tai Cheng**") for a total consideration of not exceeding HK$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong. The consideration of HK$30,000,000 (the remaining consideration of HK$100 was settled in cash) was settled by the issue of convertible bonds to Tai Cheng ("**Tai Cheng CB**") in three tranches of not exceeding HK$10,000,000 each (subject to the adjustments with reference of the actual profit of Tai Cheng of previous year).

The first tranche of Tai Cheng CB:

On 29 October 2013, the Company issued the first tranche of Tai Cheng CB in an aggregate principal amount of HK$6,163,639 ("**1st Tai Cheng CB**") to Hong Kong Tai Shing Toys Trading Limited ("**Tai Shing**") which was supposed to mature on 29 October 2016. On 15 March 2017, the Company entered into a side letter with Tai Shing, pursuant to which the Company and Tai Shing agreed to cancel the 1st Tai Cheng CB in the principal amount of HK$6,163,639 in exchange for 2% per annum promissory note in the same principal amount issued by the Company, which was supposed to mature on 30 November 2017.

The second tranche of Tai Cheng CB:

On 13 October 2014, the Company issued the second tranche of Tai Cheng CB in an aggregate principal amount of HK$5,628,138 ("**2nd Tai Cheng CB**") to Tai Shing carrying conversion right to convert into 13,727,165 shares at the conversion price of HK$0.41 per share (after adjustment) which was supposed to mature on 13 October 2017. The carrying value of the 2nd Tai Cheng CB as at 31 December 2017 was approximately by HK$5,628,000.

24. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(i) Tai Cheng CB *(Continued)*

The third tranche of Tai Cheng CB:

On 8 September 2015, the Company issued the third tranche of Tai Cheng CB in an aggregate principal amount of HK$477,241 ("**3rd Tai Cheng CB**") to Tai Shing carrying conversion right to convert into 1,164,002 shares at the conversion price of HK$0.41 per share (after adjustment) which was supposed to mature on 8 September 2018. The carrying value of the 3rd Tai Cheng CB as at 31 December 2017 was approximately by HK$431,000.

(ii) 2015 CB

On 6 March 2015, the Company issued the 3% per annum convertible bonds in the aggregate principal amount of HK$29,000,000 ("**2015 CB**") carrying conversion right to convert into 87,878,787 shares at the conversion price of HK$0.33 per share maturing on 6 March 2018. The carrying value of the 2015 CB as at 31 December 2017 was approximately HK$30,841,000. On 6 March 2018, the 2015 CB matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holders.

(iii) Marsa CB

On 21 November 2014, the Company entered into a sale and purchase agreement pursuant to which the Company acquired 100% equity interests of Rainbow Star at a maximum aggregate consideration of HK$217,000,000, out of which HK$54,250,000 was settled in cash and the remaining consideration of not more than HK$162,750,000 was supposed to be settled by three equal tranches of convertible bonds in the principal amount of HK$54,250,000 each (the "**1st Marsa CB**", the "**2nd Marsa CB**" and the "**3rd Marsa CB**" respectively and collectively referred to as the "**Marsa CB**").

Rainbow Star is an investment holding company, its principal asset being 70% indirect equity interests in Shenzhen Marsa which, together with its subsidiaries, are principally engaged in the provision of beauty and wellness related services.

Pursuant to the terms of the sale and purchase agreement (as supplemented by a supplemental agreement dated 16 December 2014), deposits in the aggregate amount of HK$20,000,000 were paid to the vendors (or their nominees) before 31 December 2014. The acquisition was completed in May 2015, after which the remaining cash consideration of HK$34,250,000 was paid and the 1st Marsa CB was issued to the vendors and/or their nominees. The 2nd Marsa CB was issued on the first anniversary of the date of issue of the 1st Marsa CB.

24. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(iii) Marsa CB *(Continued)*

The Company's obligations under the Marsa CB are subject to the fulfillment of profit guarantee that the audited consolidated net profit after tax of Shenzhen Marsa for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than RMB20,000,000, failing which the Company shall have the right to redeem and cancel in whole or part of the Marsa CB at nominal sum by reference to the shortfall proportion (the "**PG Failure Cancellation Right**"). Shenzhen Marsa did not meet the profit guarantee for both 2015 and 2016 and accordingly, principal amounts of HK$36,298,675 and HK$41,978,650 are liable to be redeemed and cancelled by the Company in respect of the 1st and 2nd Marsa CB, respectively. Shenzhen Marsa did not meet the profit guarantee for 2017 and accordingly, if and when the 3rd Marsa CB is to be issued, principal amount of HK$48,163,150 should be liable to be redeemed and cancelled by the Company in respect of the 3rd Marsa CB.

The Company shall have the right to redeem the 1st, 2nd and 3rd Marsa CBs (in part or in whole) by issuing shares of the Company at the conversion price of HK$0.50 per share (the "**Share Redemption Election Right**") during the period commencing from the first business day immediately after the respective issue date of the 1st, 2nd and 3rd Marsa CBs (as the case may be) and ending on the business day immediately before their respective maternity rates.

The Company is seeking legal and financial advice to protect its legal right and interest. The accounting treatment and assumption of the 1st, 2nd and 3rd Marsa CB are for the sole purpose of accounting presentation and shall in no way limit or prejudice the Company's legal right, which is hereby fully reserved against all parties.

In addition, if the audited consolidated net profit after tax of Shenzhen Marsa for all of the three years ending 31 December 2015, 2016 and 2017 are less than RMB20,000,000, the Company shall have the right to require the vendors to repurchase the 100% equity interest in Rainbow Star at the aggregate consideration already paid to them.

The first tranche of Marsa CB:

On 20 May 2015, the Company issued the 1st Marsa CB in an aggregate principal amount of HK$54,250,000 carrying conversion right to convert into 108,500,000 shares at the conversion price of HK$0.50 per share (after adjustment) maturing on 20 May 2018, out of which principal amount of HK$36,298,675 is liable to be redeemed and cancelled by the Company due to the failure to meet the profit guarantees for 2015. The net profit after tax of Shenzhen Marsa for the year ended 31 December 2015 was RMB6,618,000 (HK$8,226,000), representing an achievement ratio of 33.09% compared to the profit guarantee of RMB20,000,000. Assuming that the Company exercises the PG Failure Cancellation Right over the 1st Marsa CB, principal sum in the amount of HK$17,951,325 should remain after the cancellation, carrying conversion right to convert into 35,902,650 shares at the conversion price of HK$0.50 per share (subject to adjustments) if the Company exercises the Share Redemption Election Right over the 1st Marsa CB.

24. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(iii) Marsa CB *(Continued)*

The second tranche of Marsa CB:

On 20 May 2016, the Company issued the 2nd Marsa CB in an aggregate principal amount of HK$54,250,000 carrying conversion right to convert into 108,500,000 shares at the conversion price of HK$0.50 per share (after adjustment) maturing on 20 May 2019, out of which principal amount of HK$41,978,650 is liable to be redeemed and cancelled by the Company due to the failure to meet the profit guarantees for 2016. The net profit after tax of Shenzhen Marsa for the year ended 31 December 2016 was RMB4,525,280 (HK$5,288,000), representing an achievement ratio of 22.62% compared to the profit guarantee of RMB20,000,000. Assuming that the Company exercises the PG Failure Cancellation Right over the 2nd Marsa CB, principal sum in the amount of HK$12,271,350 should remain after the cancellation, carrying conversion right to convert into 24,542,700 shares at the conversion price of HK$0.50 per share (subject to adjustments) if the Company exercises the Share Redemption Election Right over the 2nd Marsa CB.

The third tranche of Marsa CB:

The 3rd Marsa CB has not yet been issued by the Company, as the cancellation bond liable to be redeemed and cancelled from the 1st and 2nd Marsa CB due to the failure to meet the profit guarantees in the first two years has already exceeded the principal sum of the 3rd Marsa CB. The Company is seeking legal and financial advice to protect its legal right under the acquisition of Rainbow Star and the Marsa CB.

The net profit after tax of Shenzhen Marsa for the year ended 31 December 2017 was RMB2,244,000 (HK$2,695,000), representing an achievement ratio of 11.22% compared to the profit guarantee of RMB20,000,000. Assuming that the 3rd Marsa CB were to be issued but that the Company exercises the PG Failure Cancellation Right over the 3rd Marsa CB on or after issuance, principal amount of HK$48,163,150 should be liable to be redeemed and cancelled by the Company due to the failure to meet the profit guarantees for 2017 and principal sum in the amount of HK$6,086,850 should remain after the cancellation, carrying conversion right to convert into 12,173,700 shares at the conversion price of HK$0.50 per share (subject to adjustments) if the Company exercises the Share Redemption Election Right over the 3rd Marsa CB.

In prior years' consolidated financial statements, the Marsa CB issued were treated as compound financial instrument containing liability host contract and conversion option classified as equity instrument. The other features of the profit guarantee mechanism described above were accounted for separately as contingent consideration payables, put option derivative financial asset and early redemption option derivative financial asset. As explained above, the Marsa CB (both issued and issuable) under the terms of the SPA does not meet the definition of an equity instrument, and the conversion option embedded in the Marsa CB does not meet the "fixed for fixed" criteria for equity classification either.

Accordingly, prior year adjustments have been made and certain comparative amounts as at the period end of the year ended 31 December 2016 have been restated to reflect the recognition of the Marsa CB as financial liabilities at fair value through profit or loss.

The fair value of the 1st, 2nd and 3rd Marsa CB as at 31 December 2017 was approximately HK$13,229,000 (2016: HK$22,277,000 (restated)) as detailed in Note 24(b).

24. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(iv) Qianhai CB

On 15 April 2016, the Company issued the 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited in an aggregate principal amount of HK$12,000,000 ("**Qianhai CB**") carrying conversion right to convert into 40,000,000 shares at the conversion price of HK$0.30 per share (after adjustment) maturing on 15 April 2019. The carrying value of the Qianhai CB as at 31 December 2017 was approximately HK$12,358,000.

(v) Zheyin Tianqin 2017 CB

On 3 March 2017, the Company issued the 8% per annum convertible bonds in an aggregate principal amount of HK$25,000,000 to Zheyin Tianqin ("**Zheyin Tianqin 2017 CB**") carrying conversion right to convert into 125,000,000 shares at the conversion price of HK$0.20 per share and maturing on 3 March 2018. The carrying value of the Zheyin Tianqin 2017 CB as at 31 December 2017 was approximately HK$26,504,000.

Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CB on 1 March 2018, 125,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of Zheyin Tianqin based on the conversion price of HK$0.20 per conversion share.

(vi) 1st 2016 CB

On 27 November 2015, the Company entered into a subscription agreement with Mr. Yang Yuezhou, pursuant to which Mr. Yang Yuezhou has conditionally agreed with the Company to subscribe for the convertible bonds in a principal amount of HK$40,000,000 ("**1st 2016 CB**") which are convertible into, at HK$0.20 per share (subject to adjustments), 200,000,000 ordinary shares of HK$0.01 each in the capital of the Company at 100% of the principal amount of the convertible bonds. The market closing price of the Company's shares on 27 November 2015 was HK$0.227 per share.

The subscription was completed on 15 January 2016, raising net proceeds of HK$40,000,000. The 1st 2016 CB is denominated in Hong Kong dollars, unsecured, bears interest at 8% per annum and matured on the date falling on the first anniversary of the issue of the convertible bonds, i.e. 15 January 2017. Interest will be payable on the maturity date if the 1st 2016 CB is neither converted nor redeemed prior to the maturity date. The 1st 2016 CB is convertible into the shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.20 per share (subject to adjustments). The effective interest rate of the 1st 2016 CB was 11.65% per annum.

On 16 January 2017, the Company and Mr. Yang entered into the amendment deed to extend the maturity date from 15 January 2017 to 15 April 2017. On 14 April 2017, the Company redeemed the 1st 2016 CB.

25. BONDS PAYABLE

As at 31 December 2017, there were outstanding bonds with an aggregate principal amount HK$14,000,000 (2016: HK$24,000,000).

(a) On 26 October 2015, the Company entered into a placing agreement with AMTD Asset Management Limited ("**AMTD**"), pursuant to which AMTD conditionally agreed with the Company to place, on a best effort basis, bonds up to a total principal amount of HK$50,000,000 to the placees, who are independent third parties, at 100% of the principal amount of the bonds.

The bonds are denominated in Hong Kong dollars, unsecured, bear interest at 7% per annum for the first two years and at 10% per annum for the third year and will mature on the date falling on the third anniversary of the issue of the bonds. The aggregate interests for the first two years after completion of issue of the bonds shall be payable in advance on the completion of issue of each bond, with the interest for the third year be payable on the first business day after the second anniversary. The bondholders may, at its sole discretion, on the second anniversary of the issue date of any bond duly issued by the Company, by serving a notice to the Company and demand redemption of the bond as effective on the Company and demand redemption of the bond as effective on the second anniversary (in whole or in part) by the Company at 100% of the total amount of such bond.

During the year ended 31 December 2015, bonds with an aggregate principal amount of HK$14,000,000 was successfully placed by AMTD to two placees who are third parties independent of the Company and its connected persons. The effective interest rates of the bonds were 11.15% to 11.72% per annum. There were no other successful bond placings up to the end of the placing period.

(b) On 28 June 2016, the Company entered into a placing agreement with Enhanced Securities Limited ("**Enhanced Securities**"), pursuant to which Enhanced Securities agreed with the Company to place bonds up to a principal amount of HK$10,000,000 to a placee who is an independent third party at 100% of the principal amount of the bonds.

The bond is denominated in Hong Kong dollars, unsecured, bears interest at 5% per annum and will mature on the date falling on the seventh anniversary of the issue of the bond. Interest is payable in arrears annually on each anniversary of the date of the issue.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.40% to 11.16% per annum.

(c) On 24 March 2017, the Company entered into a placing agreement with Green Securities Limited ("**Green Securities**"), pursuant to which Green Securities agreed with the Company to place bonds up to a principal amount of HK$4,000,000 to a placee who is an independent third party at 100% of the principal amount of the bonds.

The bond is denominated in Hong Kong dollars, unsecured, bears interest at 7.15% per annum and will mature on the date falling on the seventh anniversary of the issue of the bond. Interest is payable in arrears annually on each anniversary of the date of the issue.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.55% to 13.24% per annum.

25. BONDS PAYABLE *(Continued)*

The fair value of each of the bonds at issuance was calculated using market interest rates for equivalent bonds. The difference between the fair value at issuance and the net proceeds received was recognised within other income and gains (Note 6) in the consolidated statement of profit or loss.

Movements of bonds payable during the years ended 31 December 2017 and 2016 are as follows:

	HK$'000
As at 1 January 2016	9,705
Issue of bond	10,000
Direct issuance costs	(3,500)
Gain on issuance of bonds payable *(Note 6)*	(2,622)
Interest expense *(Note 8)*	2,448
As at 31 December 2016	**16,031**
Issuance of bond	**4,000**
Direct issuance costs	**(40)**
Gain on issuance of bonds payable *(Note 6)*	**(1,031)**
Interest paid	**(2,583)**
Interest expense *(Note 8)*	**6,139**
Settlement of bonds payable	**(14,000)**
As at 31 December 2017	**8,516**
Analysed by maturity date:	
Over one year and included under non-current liabilities	**8,516**
	8,516

26. CONTINGENT CONSIDERATION PAYABLE

The Group's contingent consideration payable arises from two acquisitions completed by the Group detailed as follows:

(a) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star, part of the consideration shall be settled by the issue of convertible bonds (the "**Marsa CB**") in 3 tranches of principal amount of HK$54,250,000 each on the date of acquisition and its first and second anniversaries. The Marsa CB is subject to the profit guarantee and is subject to the Company's right to redeem and cancel the bonds with reference to the profit guarantee. The Marsa CB not yet issued as at the reporting date is recognised as contingent consideration payable (the "**Marsa CCP**"). A liability component, an equity component and an early redemption option were classifies at initial recognition of the Marsa CCP. The equity component was included in equity within other reserves. The early component was recorded as a derivative financial instrument under non-current assets. When the Marsa CB is issued, the liability components of the Marsa CCP are de-recognised from contingent consideration payables and recognised as convertible bonds on the date of issue.

26. CONTINGENT CONSIDERATION PAYABLE *(Continued)*

(a) *(Continued)*

The Company issued the 1st and 2nd Marsa CB in May 2015 and May 2016, respectively, each in an aggregate principal amount HK$54,250,000 (Note 24(iii)). Under the terms and conditions of the Marsa CB (of which the 1st Marsa CB and the 2nd Marsa CB form parts), the audited consolidated net profit after tax of Shenzhen Marsa shall be not less than RMB20,000,000 for the three years ended 31 December 2015, 2016 and 2017, falling which the Company shall have the right to redeem and cancel in whole or part of the Marsa CB at nominal sum by reference to the shortfall proportion. Shenzhen Marsa did not meet the profit guarantee for the both 2015 and 2016 and accordingly, principal amount of HK$33,900,000 and HK$37,311,555 are liable to be redeemed and cancelled by the Company in respect of the 2015 and 2016 profit guarantee, respectively. The Company is currently seeking legal and financial advice to protect its legal right and interest.

The fair value of the liability component of the Marsa CCP was initially recognised at the date of acquisition of approximately HK$69,033,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 11.46% to 11.69% and the Directors' expectation on the amount of the Marsa CB to be redeemed or cancelled (if any).

(b) On 8 May 2012, the Group acquired 55% equity interests in Tai Cheng, at a total consideration of not exceeding HK$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong.

Pursuant to the sale and purchase agreement, contingent consideration payable (the "**Tai Cheng CCP**") in aggregate not exceeding HK$30,000,000 (the remaining consideration of HK$100 was settled in cash) shall be settled by the issue of the Tai Cheng CB in 3 tranches of not exceeding HK$10,000,000 each for each financial year ended 31 December 2012, 2013 and 2014 respectively.

The principal amount of the Tai Cheng CB to be issued in each tranche shall be determined by the proportion of the audited profit after taxation of Tai Cheng to the benchmark profit, as multiplied by HK$10,000,000. The benchmark profit is HK$12,000,000, HK$13,000,000 and HK$14,000,000 for the financial years ended 31 December 2012, 2013 and 2014 respectively.

A liability component and an equity component were classified at initial recognition of the Tai Cheng CCP.

The Company issued the first, second and third tranches of the Tai Cheng CB on 29 October 2013, 13 October 2014 and 8 September 2015 in an aggregate principal amount of HK$6,163,639, HK$5,628,138 and HK$477,241, respectively (Note 24(i)).

(c) As detailed in Note 37, prior year adjustments were made to the consolidated financial statements as at 31 December 2016. The carrying amount of the contingent consideration payable as at 31 December 2017 was HK$Nil (2016: HK$Nil (restated)).

26. CONTINGENT CONSIDERATION PAYABLE *(Continued)*

The liability component of the contingent consideration payables recognised in the consolidated statement of financial position was calculated as follows:

	2017 *HK$'000*	2016 *HK$'000*
At 1 January	–	49,247
Fair value changes *(Note 8)*	–	5,752
Reversal/(Written back) pursuant to profit guarantee *(Note 8)*	–	10,067
Issuance of the 2nd Marsa CB *(Note 24(iii))*	–	(26,295)
At 31 December, as previously stated	–	38,771
Effect of prior year adjustment *(Note 37)*	–	(38,771)
At 31 December, restated	–	–

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and the movements thereon during the current and prior year:

	Trademark user right and technical know-how *HK$'000*	Accelerated tax depreciation *HK$'000*	Total *HK$'000*
At 1 January 2016	22,222	–	22,222
Charged to consolidated statement of profit or loss	(6,497)	193	(6,304)
At 31 December 2016	15,725	193	15,918
Charged to consolidated statement of profit or loss	(6,237)	–	(6,237)
At 31 December 2017	9,488	193	9,681

28. TRADE PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables arising from the ordinary course of business of dealing in securities transactions:		
— Cash clients	**6,895**	4,007
— Clearing house	**1**	–
Trade payables from purchase of goods other ordinary course of business, except for business of dealing in securities transactions	**2,649**	2,551
	9,545	6,558

Trade payables arising from the business of dealing in securities

The trade payables balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No ageing analysis is disclosed as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of this business.

Trade payables arising from other businesses

The ageing analysis of trade payables, based on invoice dates, as at 31 December 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
0–30 days	**50**	–
31–60 days	**36**	6
61–90 days	**139**	–
91–180 days	**30**	288
Over 180 days	**2,394**	2,257
	2,649	2,551

The carrying amounts of trade payables approximate their fair values.

28. TRADE PAYABLES *(Continued)*

Trade payables arising from the business of dealing in securities *(Continued)*

Trade payables are denominated in the following currencies:

	2017 *HK$'000*	2016 *HK$'000*
Hong Kong dollars	6,896	4,007
Renminbi	2,649	2,551
	9,545	6,558

The carrying amounts of trade payables approximate their fair values.

29. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2017 *HK$'000*	2016 *HK$'000*
Accruals	7,560	3,866
Membership deposits received	24,288	19,852
Other payables *(Note (i))*	21,518	14,336
	53,366	38,054

Note:

(i) In 2016, included in other payable balance of RMB2,500,000 (approximately to HK$2,793,000) payable to Ms. Tan Li ("Ms. Tan") who is the spouse of Mr. Yang Wang Jian ("Mr. Yang") (Note 33(c)). The balance carries interest of 13% per annum, unsecured and repayable within one year.

Other payables, accruals and deposits received are denominated in the following currencies:

	2017 *HK$'000*	2016 *HK$'000*
Hong Kong dollars	6,064	1,049
Renminbi	47,302	37,005
	53,366	38,054

The carrying amounts of the payables, accruals and deposits received approximate their fair values.

30. PROMISSORY NOTE PAYABLES

Movements of promissory note payables during the years ended 31 December 2017 and 2016 are as follows:

	HK$'000
At 1 January 2016, 31 December 2016 and 1 January 2017	**–**
Transferred from convertible bonds *(Note 24(i))*	**6,163**
Interest expense *(Note 8)*	**124**
At 31 December 2017	**6,287**

On 15 March 2017, the Company entered into a side letter with Tai Shing, pursuant to which the Company and Tai Shing agreed to cancel the 1st Tai Cheng CB in the principal amount of HK$6,163,639 in exchange for 2% per annum promissory note in the same principal amount issued by the Company, which was supposed to mature on 30 November 2017. Details of the 1st Tai Cheng CB are set out in the Note 24 (i) to the consolidated financial statements.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash used in operation

	Notes	2017 HK$'000	2016 HK$'000
Loss before income		**(326,914)**	(136,990)
Tax adjustment for:			
— Depreciation of property, plant and equipment	14	**7,489**	5,081
— Impairment loss of property, plant and equipment	14	**–**	406
— Impairment loss of promissory note receivable	17	**165,617**	–
— Impairment loss of trademark user right and technical know-how	15(a)	**62,585**	64,972
— Impairment loss of loan and interests receivables		**30,597**	–
— Impairment loss of prepayments and other receivables		**7,774**	–
— Amortisation of other intangible assets	15	**92**	93
— Written off of property, plant and equipment	14	**–**	36
— Fair value change of derivative financial instruments			
Early redemption option		**–**	9,803
Call options		**11,040**	23,999
Financial liabilities at fair value through profit or loss		**(9,048)**	–
— Gain on disposal of trade receivables	6	**–**	(175)
— Gain on issuance of bonds payable	25	**(1,031)**	(2,622)
— Gain on disposal of a subsidiary		**–**	(3,005)
— Loss on disposal of other receivables	6	**–**	965
— Loss on disposal of property, plant and equipment	6	**129**	–
— Finance (cost)/ income, net	8	**1,387**	(11,090)
		(50,283)	(48,527)
Changes in working capital:			
— Inventories		**(4,436)**	1,408
— Trade receivables		**8**	1,001
— Prepayments, deposits and other receivables		**(7,119)**	3,958
— Bank balances — trust and segregated accounts		**(2,889)**	(4,007)
— Trade payables		**2,987**	3,805
— Other payables, accruals and deposits received		**15,211**	(11,948)
— Amount due to related company		**100,000**	–
Cash used in operations		**53,479**	(54,310)

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Significant non-cash transactions

The Group has the following material non- cash activities which are not reflected in the consolidated statement of cash flows:

(a) disposal of certain trade receivables in the carrying amount of HK$95,576,103 to an independent third party by Sino Front in exchange for the Winning Rose Promissory Note and the Winning Rose Call Option as detailed in Notes 17 and 19 during the year ended 31 December 2016;

(b) disposal of certain loan and other receivables in the carrying amount of HK$79,598,533 to an independent third party by Green Capital in exchange for the Puregood Promissory Note and the Puregood Call Option as detailed in Note 17 during the year ended 31 December 2016; and

(c) transfer of convertible bonds to promissory note payables (Notes 24(i)) during the year ended 31 December 2017.

Reconciliation of liabilities arising from financing activities

	Convertible bonds *HK$'000*	Bonds payable *HK$'000*	Finance liabilities at fair value through profit or loss *HK$'000*	Promissory notes payable *HK$'000*	Loan from a related company *HK$'000*	Total *HK$'000*
Net debt as at 1 January 2017	93,188	16,031	22,277	–	–	131,496
Accrued interest	8,450	6,139	–	124	1,772	16,485
Interest paid	–	(2,583)	–	–	–	(2,583)
Issue of bonds and loans payable	24,287	3,960	–	–	100,000	128,247
Repayment of bonds payable	–	(14,000)	–	–	–	(14,000)
Redemption of convertible bonds	(44,000)	–	–	–	–	(44,000)
Transfer convertible bonds to promissory note	(6,163)	–	–	6,163	–	–
Gain on issuance of bonds payable	–	(1,031)	–	–	–	(1,031)
Fair value change of derivative financial instruments	–	–	(9,048)	–	–	(9,048)
Net debt as at 31 December 2017	75,762	8,516	13,229	6,287	101,772	205,566

32. COMMITMENTS

a. Capital commitments

The Group had the following capital commitments as at the end of the reporting period:

	2017 *HK$'000*	2016 *HK$'000*
Authorised but not contracted for:		
— Construction of property, plant and equipment	–	25,850
Contracted but not provided for:		
— Construction of property, plant and equipment	–	–
	–	25,850

b. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	2017 *HK$'000*	2016 *HK$'000*
Not later than 1 year	15,911	17,083
Later than 1 year but not later than 5 years	22,627	37,774
	38,538	54,857

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

a. Key management compensation

	2017 HK$'000	2016 HK$'000
Wages, salaries and other short-term employee benefits Pension costs — defined contribution plans	6,519	8,178
	49	72
	6,568	8,250

b. Transactions

In addition to the transactions and the balances detailed elsewhere in the consolidated financial statements, the Group has the following transactions with related parties:

	2017 HK$'000	2016 HK$'000
Interest expense to Hong Kong Sheen Smile International Investment Limited, a company wholly owned by Mr. Yu *(Note 8)*	1,772	–
Interest expense to Ms. Tan *(Note 8)*	100	24
Rental paid	61	50

c. Balance with related parties

	2017 HK$'000	2016 HK$'000
Loan from Hong Kong Sheen Smile International Investment Limited, a company wholly owned by Mr. Yu	101,772	–
Loan from Ms. Tan	–	2,793

The Group has been provided loans at rates comparable to the average commercial rate of interest. The loan from Ms. Tan are unsecured.

The loan from Hong Kong Sheen Smile International Investment Limited was unsecured and carried interest at rates ranged from 4.8% to 6.5% per annum. They are repayable within 1 year and classified as current liabilities. As at 31 December 2017, the principal amount outstanding was HK$100,000,000.

34. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017 and 2016.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2017

	2017 *HK$'000*	2016 *HK$'000* *(Restated)*
ASSETS		
Non-Current assets		
Property, plant and equipment	199	10
Investments in subsidiaries	169,955	169,955
	170,154	169,965
Current assets		
Prepayments, deposits and other receivables	12,988	7,576
Amounts due from subsidiaries *(Note (b))*	17	111,695
Cash and cash equivalents	11,797	1,869
	24,802	121,140
Total assets	194,956	291,105
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital *(Note 23)*	19,725	19,725
Reserves	(36,337)	136,114
Total equity	(16,612)	155,839

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

As at 31 December 2017 *(Continued)*

	2017 HK$'000	2016 HK$'000 (Restated)
LIABILITIES		
Non-current liabilities		
Convertible bonds	12,358	38,965
Bonds payable	8,516	16,031
Financial liabilities at fair value through profit or loss	13,229	22,277
	34,103	77,273
Current liabilities		
Other payables, accruals and deposits received	6,002	3,770
Convertible bonds	63,404	54,223
Loan from a related company	101,772	–
Promissory note payables	6,287	–
	177,465	57,993
Total liabilities	211,568	135,266
Total equity and liabilities	194,956	291,105
Net current (liabilities)/assets	(152,663)	63,147
Total assets less current liabilities	17,491	233,112

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

As at 31 December 2017 *(Continued)*

Notes:

(a) The following is a list of the subsidiaries which, in the opinion of the Directors, principally affected the results of the Group for the years ended 31 December 2017 and 2016 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Company Name	Places of incorporation/ establishment and kind of legal entity	Issued and fully paid-up share capital/registered or paid-in capital	Equity interests attributable to the Company				Principal activities and places of operations
			Direct		Indirect		
			2017	2016	**2017**	2016	
Sino Front Limited	Hong Kong, limited liability	HK$1	**100%**	100%	**–**	–	Trading of toys in Hong Kong
Green Capital (Hong Kong) Limited	Hong Kong, limited liability	HK$1	**100%**	100%	**–**	–	Investment holding and money lending in Hong Kong
Cheerful Top Group Limited	BVI, limited liability	US$1	**100%**	100%	**–**	–	Investment holding in Hong Kong
Tai Cheng International Limited	Hong Kong, limited liability	HK$10,000	**–**	–	**55%**	55%	Trading of toys in Hong Kong
格林銀湖健康養生（深圳）有限公司	PRC, wholly foreign owned enterprise	RMB14,696,820	**–**	–	**100%**	100%	Operations of clubhouse business in the PRC
深圳市瑪莎嘉兒連鎖實業有限公司	PRC, wholly foreign owned enterprise	RMB1,000,000	**–**	–	**70%**	70%	Operations of beauty and wellness business in the PRC
深圳市瑪莎康盈生物科技有限公司	PRC, wholly foreign owned enterprise	RMB10,000,000	**–**	–	**70%**	70%	Operations of beauty and wellness business in the PRC
深圳市瑪莎麗之莎諮詢管理有限公司	PRC, wholly foreign owned enterprise	RMB10,000,000	**–**	–	**70%**	70%	Operations of beauty and wellness business in the PRC
Green Securities Limited	Hong Kong, limited liability	HK$14,500,000	**–**	–	**100%**	100%	Securities brokerage in Hong Kong
Green Asset Management Limited	Hong Kong, limited liability	HK$6,000,000	**–**	–	**100%**	100%	Asset management in Hong Kong

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: (Continued)

(a) *(Continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal actives and places of operations of these subsidiaries are summarised as follows:

Principal activities and place of operation	Number of subsidiaries	
	2017	2016
Operations of clubhouse business in the PRC	**1**	1
Investment holding in Hong Kong	**8**	9
Investment holding in the PRC	**3**	2
Investment holding in BVI	**3**	–
Investment holding in Cayman Islands	**1**	–
	16	12

As no subsidiary has material non-controlling interests, details of non-wholly owned subsidiaries of the Company are not disclosed.

(b) The amounts due from subsidiaries are denominated in Hong Kong dollars. The balances are unsecured, interest-free and repayable on demand.

(c) Reserves

	Share permium HK$'000	Share-based equity reserve* HK$'000	Convertible bonds-equity reserve* HK$'000	Put option reserve* HK$'000	Accumulated losses HK$'000	Total HK$'000
At January 2016	544,946	11,394	57,498	5,910	(130,188)	489,560
Loss for the year	–	–	–	–	(379,780)	(379,780)
Issue of convertible bonds	–	–	1,312	–	–	1,312
Issue of convertible bonds	–	–	1,225	–	–	1,225
Fair value change of put option	–	–	–	240	–	240
Convertible bonds equity reserve written back pursuant to profit guarantee	–	–	(3,786)	–	3,786	–
At 31 December 2016, as previously stated	**544,946**	**11,394**	**56,249**	**6,150**	**(506,182)**	**112,557**
Effect of prior year adjustments *(Note 37)*	**–**	**–**	**(40,358)**	**(6,150)**	**70,065**	**23,557**
At 31 December 2016, restated	**544,946**	**11,394**	**15,891**	**–**	**(436,117)**	**136,114**
Loss for the year	**–**	**–**	**–**	**–**	**(173,162)**	**(173,162)**
Redemption on convertible bonds	**–**	**–**	**(4,276)**	**–**	**4,274**	**(2)**
Fair value change of convertible bonds	**–**	**–**	**713**	**–**	**–**	**713**
Lapse of share option	**–**	**(6,698)**	**–**	**–**	**6,698**	**–**
At 31 December 2017	**544,946**	**4,696**	**12,328**	**–**	**(598,307)**	**(36,337)**

* The other reserves as presented in the statement of financial position are comprised of these reserve accounts.

36. EVENTS AFTER THE REPORTING PERIOD

The following subsequent events occurred between the end of the financial year ended 31 December 2017 and the date hereof:

(i) On 26 January 2018, the Company entered into subscription agreements in respect of the issue by the Company of (1) 3% per annum convertible bonds in the principal amount of HK$120,000,000 ("**HK Yinger CB**") to HK Yinger under specific mandate; (2) 6% per annum convertible bonds in the principal amount of HK$60,000,000 ("**Zheyin Tianqin 2018 CB**") to Zheyin Tianqin under specific mandate; and (3) 6% per annum convertible bonds in the principal amount of HK$27,200,000 (the "**Investor CB**") to the Investor (Mr. Liu Dong) under general mandate. The maturity date of the above convertible bonds is the day falling on the second anniversary of the date of issue of the convertible bonds. The subscription of Investor CB was completed on 8 February 2018, raising net proceeds in the amount of approximately HK$26,800,000. The subscription of HK Yinger CB was completed on 23 March 2018, raising net proceeds in the amount of approximately HK$118,200,000. The net proceeds expected to be raised from the issue of the Zheyin Tianqin 2018 CB are approximately HK$59,100,000, if it proceeds to completion on or before the long stop date of 19 April 2018 (being one month after the obtaining of shareholders' approval at the Company's general meeting).

(ii) Pursuant to the Hospital Acquisition, the acquisition of Charm Eastern Limited (in turn owning 70% equity interest of Phoenix Hospital and Zizhong Hospital) for a total consideration of HK$75,015,625 was completed on January 2018. On completion, part of the total consideration amounting to HK$34,000,000 was settled in cash and the remaining HK$41,015,625 was settled by the issue of three equal tranches of zero-coupon convertible bonds in the principal amount of HK$13,671,875 each and maturing respectively on 30 September 2018, 30 April 2019 and 30 September 2019 (collectively, the "**Ample Reach CB**") in favour of the vendor, Ample Reach Limited ("**Ample Reach**"), a controlled corporation which is 100% owned by Mr. Huang Zhenxia.

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Property, plant and equipment	36,289
Inventories	765
Trade receivables	4,203
Prepayment, deposits and other receivables	2,335
Cash and bank balance	1,308
Trade payables	(1,355)
Other payables, accruals and deposit received	(38,204)
Total identifiable net assets acquired	5,341

36. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(iii) Pursuant to the exercise of the conversion rights attaching to the Investor CB on 2 March 2018, 160,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of the Investor based on the conversion price of HK$0.17 per conversion share. Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CB on 1 March 2018, 125,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of Zheyin Tianqin based on the conversion price of HK$0.20 per conversion share at maturity. As a result of the above conversions, the issued share capital of the Company increased from 1,972,452,606 shares to 2,257,452,606 shares.

(iv) On 6 March 2018, the 3% per annum convertible bonds in the aggregate principal amount of HK$29,000,000 ("**2015 CB**") matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holders.

(v) At the extraordinary general meeting of the Company dated 19 March 2018, the increase of authorised share capital of the Company from HK$40,000,000 divided into 4,000,000,000 shares to HK$200,000,000 divided into 20,000,000,000 shares was approved by shareholders of the Company.

(vi) On 23 March 2018, the Company repaid the First and Second HK Yinger Loans in the aggregate principal amount of HK$120,000,000 due to HK Yinger by off-setting the net proceeds from the issue of HK Yinger CB by the Company in the aggregate amount of HK$118,200,000.

37. PRIOR YEAR ADJUSTMENT

During the course of preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2017, the new management performed a reassessment of the terms and conditions of the convertible bonds issued and issuable by the Company under the contractual terms of the sale and purchase agreement (the "**Marsa SPA**") dated 21 November 2014 entered into by the Company as purchaser in relation to the acquisition (the "**Acquisition**") by the Company of 100% shareholding in Rainbow Star Global Limited ("**Rainbow Star**"). The consideration for the Acquisition included three equal tranches of convertible bonds issuable by the Company in the principal sum of HK$54,250,000 each (the "**1st Marsa CB**", the "**2nd Marsa CB**" and the "**3rd Marsa CB**", respectively, and collectively, the "**Marsa CB**").

As disclosed in the Company's announcement dated 21 November 2014 (the "**Marsa Announcement**") and the Company's circular dated 24 December 2014 (the "**Marsa Circular**"), if the audited consolidated net profit after tax ("**Marsa NPAT**") of Shenzhen Marsa Guer Chain Enterprise Limited ("**Shenzhen Marsa**") as audited by the auditors appointed by the Company for the three years ended 31 December 2015, 2016 and 2017 is less than the RMB20 million, the Company shall have the right to redeem and cancel in whole or part of the 1st, 2nd and 3rd Marsa CB, respectively at the nominal sum of HK$1 (the "**PG Failure Cancellation Right**") based on the formula stipulated in the Marsa Announcement and the Marsa Circular, essentially requiring the Marsa CB being cancelled on a pro-rata basis in proportion to the failure shortfall by comparing the actual Marsa NPAT of the relevant year with the promised profit guarantee level of RMB20 million. Therefore, the new management is of the view that the Company is under no obligation to repay any part of the Marsa CB, unless and until the extent of fulfillment of the profit guarantees is finally determined by the Company. Subject to further legal and financial advice to be obtained by the Company and without prejudice to all legal rights and remedies of the Company against all parties but barring unforeseen circumstances, the new management currently assumes, for the purpose of the preparation of these financial statements, that the Company were to exercise the PG Failure Cancellation Right before the Company's decision deadline.

37. PRIOR YEAR ADJUSTMENT *(Continued)*

As disclosed in the Marsa Announcement and the Marsa Circular, the Company shall have the right to redeem the 1st, 2nd and 3rd Marsa CB (in part or in whole) by issuing shares of the Company at the conversion price of HK$0.50 per share (the "**Share Redemption Election Right**") during the period commencing from the first business day immediately after the respective issue date of the 1st, 2nd and 3rd Marsa CB (as the case may be) and ending on the business day immediately before their respective maturity dates. As disclosed in the Marsa Announcement and the Marsa Circular, while the Company may be requested to redeem the Marsa CB on maturity, the free choice between share or cash redemption is still vested in the Company. Therefore, the new management is of the view that the Company is under no obligation to repay any part of the Marsa CB in cash, unless and until the Company decides not to exercise the Share Redemption Election Right before the Company's decision deadline. Subject to further legal and financial advice to be obtained by the Company and without prejudice to all legal rights and remedies of the Company against all parties but barring unforeseen circumstances, the new management currently assumes, for the purpose of the preparation of these financial statements, that the Company were to exercise the Share Redemption Election Right before the Company's decision deadline.

Under the terms of the Marsa SPA, if Marsa NPAT is lower than RMB20 million in all three years ended 31 December 2015, 2016 and 2017, the Company shall have the additional right to require the vendors to buy back Rainbow Star at a consideration which is equivalent to the consideration already paid by the Company (the "**Sell-back Right**"). All rights and remedies of the Company are hereby expressly reserved, as the Company's final decision in this regard is still subject to further legal and financial advice to be obtained by the Company.

Given that Shenzhen Marsa has failed the profit guarantee to a significant extent for two consecutive years in 2015 and 2016 and that the forfeitable portion of the 1st and 2nd Marsa CB has already exceeded the entire intended principal amount of the 3rd Marsa CB, the Company decided to consult its legal adviser on its legal right and remedies before issuing the 3rd Marsa CB. The Group is now in the position to ascertain the Marsa NPAT for the three profit guarantee years, for the purpose of determining the extent of fulfillment and failure of Marsa NPAT and determining the forfeitable portion of the 1st, 2nd and 3rd Marsa CB. However, in view of the various choices available to the Company as described above and the various contractual rights conferred to the Company under the profit guarantee mechanisms set out in the Marsa SPA and the bond conditions of the Marsa CB, the new management has determined that the Marsa CB (both issued and issuable) under the terms of the Marsa SPA and the bond conditions does not meet the definition of an equity instrument, and the conversion option embedded in the Marsa CB does not meet the "fixed for fixed" criteria for equity classification either. Further, in view of the inter-linkages between these choices and options, the management has determined that the Marsa CB (both issued and issuable) contains multiple embedded derivatives in the contractual clauses which relate to different risk exposures that are not readily separable or independent of each other, and hence the Marsa CB (both issued and issuable) should be accounted for as hybrid financial instruments recognised at fair value through profit or loss.

In prior years' consolidated financial statements, the Marsa CB issued were treated as compound financial instrument containing liability host contract and conversion option classified as equity instrument. The other features of the profit guarantee mechanism described above were accounted for separately as contingent consideration payables, put option derivative financial asset and early redemption option derivative financial asset. As explained above, the Marsa CB (both issued and issuable) under the terms of the SPA does not meet the definition of an equity instrument, and the conversion option embedded in the Marsa CB does not meet the "fixed for fixed" criteria for equity classification either. Accordingly, prior year adjustments have been made and certain comparative amounts as at the period end of the year ended 31 December 2016 have been restated to reflect the recognition of the Marsa CB as financial liabilities at fair value through profit or loss. Details of the restatements made to the consolidated statement of financial position as at 31 December 2016 are set out below.

37. PRIOR YEAR ADJUSTMENT *(Continued)*

Consolidated Statement of Financial Position

	HK$'000
Increase in financial liabilities at fair value through profit or loss	(22,277)
Decrease in derivative financial instruments	
— Put option	(6,150)
— Early redemption option	(12,743)
Decrease in convertible bonds — non-current	25,956
Decrease in contingent consideration payables	38,771
Increase in net assets	23,557
Decrease in convertible bonds — equity component reserve	40,358
Decrease in put option reserve	6,150
Increase in accumulated losses	(70,065)
Increase in total equity	(23,557)

No restatement is made to the comparative figures presented in the consolidated statement of profit or loss in respect of the year ended 31 December 2016 because it is impracticable to determine the period-specific effects of the prior year errors on those comparative information. In order to restate the comparative figures presented in the consolidated statement of profit or loss in respect of the year ended 31 December 2016, the Group would have to carry out fair value measurement of the Marsa CB classified as financial liabilities at fair value through profit or loss as at the beginning of that comparative period, i.e. as at 1 January 2016. In view of the fact that the fair value measurement thereof requires the use of significant unobservable inputs, it is impracticable to distinguish between the information that provides evidence of circumstances that existed on that valuation date (i.e. 1 January 2016) and would have been available when the consolidated financial statements for that prior period were authorised for issue and other information. Accordingly, it is impracticable to correct the prior period errors retrospectively by restating the results of the Group for the year ended 31 December 2016. Instead, the opening balances of assets, liabilities and equity for the current period ended 31 December 2017 are restated.

38. COMPARATIVE AMOUNTS

As explained in Note 37 to the consolidated financial statements, due to the prior year adjustments in relation to Marsa CB, certain comparative amounts as at 31 December 2016 have been restated to reflect the recognition of the Marsa CB as financial liabilities at fair value through profit or loss, and the consolidated statement of financial position as at 2016 has been present restated as a result.

39. LITIGATION

Save as disclosed below, as at the date of this announcement, neither the Company nor any other member of the Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group:

a. On 9 February 2017, the Company received a writ of summons dated 9 February 2017 issued by the High Court of Hong Kong. The plaintiff is Nu Kenson Limited ("**Nu Kenson**") and the Company is named as a defendant in the writ. Pursuant to the statement of claim attached to the writ, Nu Kenson sought, inter alia, the following reliefs: (i) a declaration that Nu Kenson is the legal and lawful owner and/or holder of the 8% coupon convertible bonds in the principal amount of HK$40,000,000 issued by the Company as disclosed in the Company's announcements dated 27 November 2015, 28 December 2015 and 15 January 2016 (the terms of which being amended as disclosed in the Company's announcements dated 16 January 2017 and 10 February 2017) (the "**1st 2016 CB**"); (ii) a declaration that Nu Kenson is entitled to a bond certificate in its name to be issued by the Company, to have its name entered into the register of bondholder by the Company, and to convert the 1st 2016 CB into Shares in accordance with its terms and conditions; (iii) specific performance of the 1st 2016 CB; and/or (iv) damages to be assessed. On 28 April 2017, the Company, Mr. Yang Yuezhou (the subscriber of the 1st 2016 CB) and Nu Kenson entered into a deed of settlement pursuant to which (inter alia), the Company paid HK$44,000,000 to Nu Kenson in full and final settlement of the principal amount and interest of the 1st 2016 CB and the legal proceedings arisen from the writ.

b. On 9 March 2018, the Company issued six writs of summons to the six Loan Receivables Borrowers in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the Loan Receivables in the aggregate principal amount of approximately HK$24,304,400, together with interest and cost.

c. On 14 March 2018, the Company issued two writs of summons to the two Promissory Notes Borrowers in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the promissory note receivables in the aggregate principal amount of HK$165,617,025, together with interest and cost.

FIVE-YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**54,320**	46,960	45,620	160,940	583,057
Direct costs and operating expenses	**(9,819)**	(8,813)	(18,595)	(147,899)	(572,393)
Gross profit	**44,501**	38,147	27,025	13,041	10,664
Other income and gains, net	**2,039**	883	2,055	1,021	531
Gain on bargain purchase on acquisitions of subsidiaries	**–**	–	36,918	–	–
Gain on disposal of a subsidiary	**–**	3,005	–	–	–
Selling expenses	**(33,912)**	(29,940)	(29,767)	(25,877)	(1,215)
Administrative expenses	**(69,590)**	(60,995)	(69,256)	(41,627)	(22,778)
Fair value change of derivative financial instruments					
— Early redemption option	**–**	(9,803)	(47,690)	–	–
— Call options	**(11,040)**	(23,999)	–	–	–
— Financial liabilities at fair value through profit or loss	**9,048**	–	–	–	–
Impairment loss of trademark user right and technical know-how	**(62,585)**	(64,972)	–	–	–
Impairment loss of property plant and equipment	**–**	(406)	(10,240)	–	(1,128)
Impairment loss of goodwill	**–**	–	(160,877)	(29,759)	(1,744)
Impairment loss of loan and interest receivables	**(30,597)**	–	–	–	–
Impairment loss of promissory note receivables	**(165,617)**	–	–	–	–
Impairment loss of prepayments, deposits and other receivables	**(7,774)**	–	–	–	–
Discount on past due balances of trade receivables	**–**	–	–	(10,601)	(28,846)
Finance (costs)/income, net	**(1,387)**	11,090	45,605	(4,255)	225
Loss before income tax	**(326,914)**	(136,990)	(206,227)	(98,057)	(44,291)
Income tax	**4,675**	4,047	(2,624)	(728)	(1,444)
Loss for the year	**(322,239)**	(132,943)	(208,851)	(98,785)	(45,735)
Loss for the year attributable to:					
— Equity holders of the Company	**(323,029)**	(134,537)	(205,103)	(99,147)	(48,947)
— Non-controlling interests	**790**	1,594	(3,748)	362	3,212
	(322,239)	(132,943)	(208,851)	(98,785)	(45,735)

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			
ASSETS AND LIABILITIES					
TOTAL ASSETS	**199,769**	438,787	539,127	499,372	516,392
TOTAL LIABILITIES	**(279,838)**	(194,005)	(191,128)	(37,766)	(299,057)
Non-controlling interests	**(6,678)**	(5,428)	(4,257)	(6,876)	(6,580)
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(86,747)**	239,354	343,742	454,730	210,755