



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)

INTERIM
REPORT
2018

Contents

Green International Holdings Limited Interim Report 2018

2	Corporate Information
4	Condensed Consolidated Statement of Profit or Loss
5	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
6	Condensed Consolidated Statement of Financial Position
8	Condensed Consolidated Statement of Changes in Equity
9	Condensed Consolidated Statement of Cash Flows
10	Notes to the Condensed Consolidated Interim Financial Statements
50	Management Discussions and Analysis
63	Other Information

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Qigang (*Chairman*)
Mr. Zeng Xiangdi
(*Chief Executive Officer*)
Mr. Chen Hanhong
Mr. Liu Dong
(*appointed on 13 July 2018*)
Mr. Yang Wang Jian
(*retired on 7 June 2018*)
Ms. Eva Au
(*retired on 7 June 2018*)

Non-Executive Directors

Ms. Yu Jiaoli
(*resigned on 13 July 2018*)

Independent Non-Executive Directors

Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin
Ms. Sun Zhili

AUDIT COMMITTEE

Mr. David Tsoi (*Chairman*)
Mr. Wu Hong
Mr. Wang Chunlin
Ms. Sun Zhili

REMUNERATION COMMITTEE

Mr. David Tsoi (*Chairman*)
Mr. Yu Qigang
Mr. Wu Hong
Mr. Wang Chunlin
Ms. Sun Zhili

NOMINATION COMMITTEE

Mr. Yu Qigang (*Chairman*)
Mr. David Tsoi
Mr. Wu Hong
Mr. Wang Chunlin
Ms. Sun Zhili

COMPANY SECRETARY

Mr. Chan Chun Kau

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2208-09, 22/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Corporate Information

LEGAL ADVISERS AS TO HONG KONG LAW

Cheung & Choy
Lawrence Chan & Co.
C.L. Chow & Mackision Chan

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

PRINCIPAL BANKERS

OCBC Wing Hang Bank Limited
Bank of Communications Co., Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2700

WEBSITE

[http://www.irasia.com/listco/hk/
greeninternational/](http://www.irasia.com/listco/hk/greeninternational/)

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited and Restated)
Revenue	4	41,073	22,233
Direct costs and operating expenses		(10,794)	(4,955)
Gross profit		30,279	17,278
Other income and gains, net	5	5,105	348
Selling expenses		(18,767)	(15,612)
Administrative expenses		(40,486)	(34,538)
Fair value changes of derivative financial instruments			
– Call options		–	(11,040)
– Financial liabilities at fair value through profit or loss		1,606	–
Gain on disposal of a subsidiary		240	–
Finance costs, net	6	(7,234)	(6,755)
Loss before income tax	7	(29,257)	(50,319)
Income tax credit/(expense)	8	483	(291)
Loss for the period		(28,774)	(50,610)
Loss for the period attributable to:			
– Equity holders of the Company		(30,849)	(50,664)
– Non-controlling interests		2,075	54
		(28,774)	(50,610)
Loss per share for loss for the period attributable to the equity holders of the Company			
– Basic and diluted (HK\$ cents)	9	(1.42)	(2.57)

The notes on pages 10 to 49 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	For the six months ended	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and Restated)
Loss for the period	(28,774)	(50,610)
Other comprehensive (expense)/income, net of tax		
– Exchange differences	(1,991)	4,362
Total comprehensive expense for the period	(30,765)	(46,248)
Total comprehensive expense for the period attributable to:		
– Equity holders of the Company	(32,399)	(48,859)
– Non-controlling interests	1,634	2,611
	(30,765)	(46,248)

The notes on pages 10 to 49 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		81,509	37,291
Goodwill		54,232	–
Trademark user right and technical know-how		94,887	94,887
Other intangible assets		–	1,354
		230,628	133,532
Current assets			
Inventories		9,865	7,899
Trade receivables	11	1,600	178
Prepayments, deposits and other receivables		25,014	24,087
Tax recoverable		707	719
Bank balances – trust and segregated accounts	12	25,582	6,896
Bank balances (general accounts) and cash	12	45,536	26,458
		108,304	66,237
Total assets		338,932	199,769
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	16	23,301	19,725
Reserves		48,392	(106,472)
		71,693	(86,747)
Non-controlling interests		13,108	6,678
Total equity		84,801	(80,069)

The notes on pages 10 to 49 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Convertible bonds	15(a)	56,393	12,358
Financial liabilities at fair value through profit or loss	15(b)	9,221	13,229
Bonds payable	14	9,374	8,516
Obligations under finance lease		33,409	–
Deferred tax liabilities		10,277	9,681
		118,674	43,784
Current liabilities			
Trade payables	13	23,608	9,545
Contract liabilities		18,246	24,288
Other payables, accruals and deposits received		40,800	29,078
Convertible bonds	15(a)	20,027	63,404
Financial liabilities at fair value through profit or loss	15(b)	20,595	–
Promissory note payables		6,356	6,287
Obligations under finance lease		2,268	–
Loan from a related company		3,220	101,772
Tax payable		337	1,680
		135,457	236,054
Total liabilities		254,131	279,838
Total equity and liabilities		338,932	199,769
Net current liabilities		(27,153)	(169,817)
Total assets less current liabilities		203,475	(36,285)

The notes on pages 10 to 49 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to the equity holders of the Company									
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Share-based equity reserve* HK\$'000 (Unaudited)	Convertible bonds – equity component reserve*		Exchange reserve* HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
				Put option reserve*	HK\$'000 (Unaudited)					
As at 1 January 2017	19,725	544,946	11,394	56,249	6,150	9,611	(432,278)	215,797	5,428	221,225
Effect of prior year adjustment	-	-	-	(40,358)	(6,150)	-	70,065	23,557	-	23,557
As at 1 January 2017, restated	19,725	544,946	11,394	15,891	-	9,611	(362,213)	239,354	5,428	244,782
Total comprehensive income/(expense) for the period										
Loss for the period	-	-	-	-	-	-	(50,664)	(50,664)	54	(50,610)
Other comprehensive income/(expense) for the period	-	-	-	-	-	1,805	-	1,805	2,557	4,362
	-	-	-	-	-	1,805	(50,664)	(48,859)	2,611	(46,248)
Transaction with owners										
Issue of convertible bonds	-	-	-	712	-	-	-	712	-	712
	-	-	-	712	-	-	-	712	-	712
As at 30 June 2017	19,725	544,946	11,394	16,603	-	11,416	(412,877)	191,207	8,039	199,246
As at 1 January 2018	19,725	544,946	4,696	12,328	-	5,828	(674,270)	(86,747)	6,678	(80,069)
Total comprehensive income/(expense) for the period										
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	4,795	4,795
Loss for the period	-	-	-	-	-	-	(30,849)	(30,849)	2,075	(28,774)
Other comprehensive income/(expense) for the period	-	-	-	-	-	(1,551)	-	(1,551)	(440)	(1,991)
	-	-	-	-	-	(1,551)	(30,849)	(32,400)	6,430	(25,970)
Transaction with owners										
Issuance of convertible bonds	-	-	-	124,677	-	-	-	124,677	-	124,677
Redemption of convertible bonds	2,850	51,567	-	(6,929)	-	-	6,931	54,419	-	54,419
Conversion of financial liabilities at fair value	726	12,503	-	-	-	-	-	13,229	-	13,229
Conversion of convertible bonds	-	-	-	(713)	-	-	-	(713)	-	(713)
Lapse of share options	-	-	(1,838)	-	-	-	1,838	-	-	-
Deferred tax	-	-	-	(772)	-	-	-	(772)	-	(772)
	3,576	64,070	(1,838)	116,263	-	-	8,769	190,840	-	190,840
As at 30 June 2018	23,301	609,016	2,858	128,591	-	4,277	(696,350)	71,693	13,108	84,801

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

The notes on pages 10 to 49 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net cash (used in) operating activities		(163,073)	(40,472)
Net cash (used in) investing activities		(45,562)	(3,055)
Net cash generated from financing activities		229,704	33,737
Net increase/(decrease) in cash and cash equivalents		21,069	(9,790)
Cash and cash equivalents as at 1 January	12	26,458	24,514
Effects of exchange rate changes on balances denominated in foreign currencies		(1,991)	814
Cash and cash equivalents as at 30 June	12	45,536	15,538

The notes on pages 10 to 49 form an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Green International Holdings Limited (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.

During the six months ended 30 June 2018, the Company and its subsidiaries (the “**Group**”) was principally engaged in provision of (i) health, medical and related services, (ii) beauty and wellness services, and (iii) integrated financial services comprising money-lending, securities brokerage, advising on securities and asset management.

The interim condensed consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) and Hong Kong Accounting Standard 34 “Interim Financial Reporting” as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2017.

The interim condensed consolidated financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and the explanatory notes. The interim condensed consolidated financial statements are presented in the Group’s functional currency, Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK’000**”), except when otherwise indicated.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year which are set out in the audited consolidated financial statements of the Group for the financial year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major sources:

- Provision of clubhouse services and hemodialysis services
- Sales of beauty and wellness products
- Provision of securities brokerage and asset management services

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Difference at the date of initial application, if any, is recognised in the opening accumulated losses and comparative information has not been restated.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers”

(Continued)

Key changes in accounting policies resulting from application of HKFRS 15 *(Continued)*

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue of the Group is recognised at a point in time. The application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements except for the presentation of membership fee received in advance amounting to approximately HK\$18,246,000 as at 30 June 2018 is presented as “contract liabilities” on the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments”

In the current period, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

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

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

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments” *(Continued)*

Impairment under ECL model *(Continued)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (“**lifetime ECL**”). In contrast, 12-month ECL basis (“**12-month ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments” *(Continued)*

Significant increase in credit risk *(Continued)*

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

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments” *(Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments” *(Continued)*

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL 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.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits, bank trust account balances and bank balances, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.3 New and revised HKFRSs in issue but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest rate risk.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. There have been no changes in any risk management policies since the year end.

Notes to the Condensed Consolidated Interim Financial Statements

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

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).

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2018 and 31 December 2017:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2018				
Financial liabilities				
at fair value through				
profit or loss	–	–	29,816	29,816
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2017				
Financial liabilities				
at fair value through				
profit or loss	–	–	13,229	13,229

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the periods.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION

The Group primarily operates in Hong Kong and the People's Republic of China (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 health, medical and related businesses of its clubhouse, hemodialysis center and hospital;
- (b) the beauty and wellness segment engages in the provision of beauty and wellness services; and
- (c) the financial segment engages in money lending, securities brokerage, advising on securities and asset management businesses.

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 (the "**Board**") of directors (the "**Directors**") of the Company 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.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Health and medical business <i>HK\$'000</i> (Unaudited)	Beauty and wellness business <i>HK\$'000</i> (Unaudited)	Financial business <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
For the six months ended 30 June 2018				
Hong Kong				
– At a point in time	–	–	79	79
– Over time	–	–	–	–
The PRC				
– At a point in time	19,392	18,287	–	37,679
– Over time	–	3,315	–	3,315
	19,392	21,602	79	41,073
For the six months ended 30 June 2017				
Hong Kong	–	–	40	40
The PRC	5,591	16,602	–	22,193
	5,591	16,602	40	22,233

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, 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 six months ended 30 June 2018 and 2017.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Results by operating segments are as follows:

	For the six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Health and medical business	(3,507)	(11,115)
Beauty and wellness business	3,515	493
Financial business	(1,570)	(2,230)
Trading business	–	(3)
	(1,562)	(12,855)
Total net operating loss by operating segments		
Unallocated corporate expenses, net	(22,307)	(19,815)
Gain on issuance of bonds payable	–	146
Fair value changes of derivative financial instruments		
– Call options	–	(11,040)
– Financial liabilities at fair value through profit or loss	1,606	–
Gain on disposal of a subsidiary	240	–
Finance costs, net	(7,234)	(6,755)
	(29,257)	(50,319)
Loss before income tax		
Income tax credit/(expense)	483	(291)
	(28,774)	(50,610)
Loss for the period		

Notes to the Condensed Consolidated Interim Financial Statements

4. 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 <i>HK\$'000</i> (Unaudited)	Beauty and wellness business <i>HK\$'000</i> (Unaudited)	Financial business <i>HK\$'000</i> (Unaudited)	Unallocated consolidated assets <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
As at 30 June 2018					
Hong Kong	-	-	182	1,447	1,629
The PRC	48,683	127,973	-	52,343	228,999
Segment total non-current assets excluding financial instruments	48,683	127,973	182	53,790	230,628
	Health and medical business <i>HK\$'000</i> (Audited)	Beauty and wellness business <i>HK\$'000</i> (Audited)	Financial business <i>HK\$'000</i> (Audited)	Unallocated consolidated assets <i>HK\$'000</i> (Audited)	Consolidated <i>HK\$'000</i> (Audited)
As at 31 December 2017					
Hong Kong	-	-	308	1,740	2,048
The 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

Notes to the Condensed Consolidated Interim Financial Statements

5. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Unaudited and restated)
	(Unaudited)	
Donation received	3,961	–
Exchange gain	–	58
Gain on issuance of bonds payable	–	146
Sundry income	1,144	144
	5,105	348

6. FINANCE COSTS, NET

	For the six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Unaudited and restated)
	(Unaudited)	
Interest incomes:		
– Bank deposits	(18)	(18)
– Loan receivables	–	(1,804)
Interest expenses:		
– Convertible bonds	3,945	4,426
– Bonds payable and promissory note payable	927	3,908
– Other borrowings	1,448	243
– Obligations under finance lease	932	–
	7,234	6,755

Notes to the Condensed Consolidated Interim Financial Statements

7. LOSS BEFORE INCOME TAX

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	6,284	3,084
Employee benefit expenses	20,823	18,615
Operating lease rental expenses	8,780	9,275

8. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax and the PRC enterprise income tax have been provided at the rate of 16.5% (for six months ended 30 June 2017: 16.5%) and 25% (for six months ended 30 June 2017: 25%), respectively, on the estimated assessable profits for the period, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax credit/(expense) charged to the condensed consolidated statement of profit or loss are as follows:

	For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current taxation		
PRC enterprise income tax		
– Current year	(9)	–
– Under-provision in respect of prior year	315	–
	306	–
Deferred taxation	177	(291)
	483	(291)

Notes to the Condensed Consolidated Interim Financial Statements

9. 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:

	For the six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Loss		
Loss for the purpose of basic and diluted loss per share	(30,849)	(50,664)
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue	2,174,283	1,972,453
Loss per share		
Basic loss per share (HK cents)	(1.42)	(2.57)

For the six months ended 30 June 2018 and 2017, 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.

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

11. TRADE RECEIVABLES

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Trade receivables	53,579	52,157
Less: Provision for discount on past due balances	(51,979)	(51,979)
	1,600	178

The carrying amounts of trade receivables approximate their fair values.

The Group's trade receivables are generally with credit periods of 90 days (for the year ended 31 December 2017: 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.

The ageing analysis of gross carrying amount of trade receivables, based on invoice dates, as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within 30 days	792	178
31–60 days	369	–
61–90 days	329	–
91–180 days	110	–
Over 180 days	51,979	51,979
	53,579	52,157

Notes to the Condensed Consolidated Interim Financial Statements

11. TRADE RECEIVABLES *(Continued)*

Management assessed the credit quality of those trade receivables of approximately HK\$1,490,000 (31 December 2017: HK\$178,000) 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.

The ageing analysis of trade receivables which were past due but not impaired as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within 30 days	110	–
31–60 days	–	–
61–90 days	–	–
91–180 days	–	–
Over 180 days	51,979	51,979
	52,089	51,979

Movements in the provision for discount on past due balances are as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
As at the end of the period/year	51,979	51,979

Notes to the Condensed Consolidated Interim Financial Statements

12. CASH AND CASH EQUIVALENTS

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Bank balances — trust and segregated accounts <i>(Note (i))</i>	25,582	6,896
Bank balances (general accounts) and cash <i>(Note (ii))</i>	45,536	26,458
	71,118	33,354

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 client's monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding trade payables to respective clients. However, the Group does not have a currently enforceable right to 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.

Cash and cash equivalents are denominated in the following currencies:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Hong Kong dollars	68,362	30,764
Renminbi	2,756	2,590
	71,118	33,354

Notes to the Condensed Consolidated Interim Financial Statements

13. TRADE PAYABLES

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Trade payables arising from the ordinary course of business of dealing in securities transactions:		
– Cash clients	14,909	6,895
– Clearing house	1	1
Trade payables from purchase of goods other than ordinary course of business, except for business of dealing in securities transactions	8,698	2,649
	23,608	9,545

The carrying amounts of trade payables approximate their fair values.

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, an ageing analysis does not give additional value in view of the nature of this business.

Notes to the Condensed Consolidated Interim Financial Statements

13. TRADE PAYABLES *(Continued)*

Trade payables arising from other businesses

The ageing analysis of trade payables, based on invoice dates, as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within 30 days	2,216	50
31–60 days	1,835	36
61–90 days	509	139
91 days–1 year	1,450	30
Over 1 year	2,688	2,394
	8,698	2,649

14. BONDS PAYABLE

As at 30 June 2018, there were outstanding bonds with an aggregate principal amount HK\$14,000,000.

- (a) 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 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.

Notes to the Condensed Consolidated Interim Financial Statements

14. BONDS PAYABLE *(Continued)*

- (b) 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.

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 5 to the condensed consolidated statement of profit or loss.

Bonds payable recognised in the condensed consolidated statement of financial position is calculated as follows:

	<i>HK\$'000</i>
As at 1 January 2017	16,031
Issuance of bond	4,000
Direct issuance costs	(40)
Gain on issuance of bonds payable	(1,031)
Interest paid	(2,583)
Interest expense	6,139
Settlement of bonds payable	(14,000)
As at 31 December 2017	8,516
Interest expense	858
As at 30 June 2018	9,374
Analysed by maturity date as at 30 June 2018:	
Over one year and included in non-current liabilities	9,374

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Convertible Bonds

Movements of convertible bonds during the six months ended 30 June 2018 and the year ended 31 December 2017 are summarised as below:

	1st Tai Cheng CB HK'000 (Note (i))	2nd Tai Cheng CB HK'000 (Note (i))	3rd Tai Cheng CB HK'000 (Note (i))	2015 CB HK'000 (Note (ii))	1st 2016 CB HK'000 (Note (iii))	Qianhai CB HK'000 (Note (iv))	Zheyin Tianqin 2017 CB HK'000 (Note (v))	Investor CB HK'000 (Note (vi))	Zheyin Tianqin 2018 CB HK'000 (Note (vii))	Total HK'000
As at 1 January 2017, as restated	6,163	5,046	372	26,961	43,014	11,632	-	-	-	93,188
Issuance of convertible bonds	-	-	-	-	-	-	25,000	-	-	25,000
Equity component on initial recognition	-	-	-	-	-	-	(713)	-	-	(713)
Redemption of convertible bonds	-	-	-	-	(44,000)	-	-	-	-	(44,000)
Transfer to promissory note	(6,163)	-	-	-	-	-	-	-	-	(6,163)
Interest expenses	-	582	59	3,880	986	726	2,217	-	-	8,450
As at 31 December 2017	-	5,628	431	30,841	-	12,358	26,504	-	-	75,762
Analysed by maturity date as at 31 December 2017:										
Within one year and included in current liabilities	-	5,628	431	30,841	-	-	26,504	-	-	63,404
Over one year and included in non-current liabilities	-	-	-	-	-	12,358	-	-	-	12,358
	-	5,628	431	30,841	-	12,358	26,504	-	-	75,762
As at 1 January 2018	-	5,628	431	30,841	-	12,358	26,504	-	-	75,762
Issuance of convertible bonds	-	-	-	-	-	-	-	27,200	60,000	87,200
Equity component on initial recognition	-	-	-	-	-	-	-	(5,898)	(4,677)	(10,575)
Conversion of convertible bonds	-	-	-	-	-	-	(26,504)	(21,302)	-	(47,806)
Redemption of convertible bonds	-	-	-	(31,610)	-	-	-	-	-	(31,610)
Interest expenses	-	311	33	769	-	1,266	496	-	1,070	3,945
Accrued interest	-	-	-	-	-	-	(496)	-	-	(496)
As at 30 June 2018	-	5,939	464	-	-	13,624	-	-	56,393	76,420
Analysed by maturity date as at 30 June 2018:										
Within one year and included in current liabilities	-	5,939	464	-	-	13,624	-	-	-	20,027
Over one year and included in non-current liabilities	-	-	-	-	-	-	-	-	56,393	56,393
	-	5,939	464	-	-	13,624	-	-	56,393	76,420

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

Movements of convertible bonds during the six months ended 30 June 2018 are summarised as below:

(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. Its principal amount and accrued interest were fully repaid in cash by the Company in July 2018.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

(i) **Tai Cheng CB** *(Continued)*

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 2nd Tai Cheng CB matured and its principal amount and accrued interest were fully redeemed in cash at the option of Tai Cheng in July 2018. The carrying value of the 2nd Tai Cheng CB as at 30 June 2018 was approximately HK\$5,939,000.

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 30 June 2018 was approximately HK\$464,000.

(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 (the “**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. 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.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

(iii) **1st 2016 CB**

On 15 January 2016, the Company issued the 8% per annum convertible bonds to Mr. Yang Yuezhou in the aggregate principal amount of HK\$40,000,000 (the “**1st 2016 CB**”) carrying conversion right to convert into 200,000,000 shares at the conversion price of HK\$0.20 per share maturing on 15 January 2017. On 16 January 2017, the Company and Mr. Yang Yuezhou entered into the amendment deed to extend the maturity date from 15 January 2017 to 15 April 2017. On 19 April 2017, the 1st 2016 CB matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holder.

(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 30 June 2018 was approximately HK\$13,624,000.

(v) **Zheyin Tianqin 2017 CB**

On 3 March 2017, the Company issued the 8% per annum convertible bonds to Zheyin Tianqin (Shenzhen) Investment Limited (“**Zheyin Tianqin**”) in an aggregate principal amount of HK\$25,000,000 (the “**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. 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 of Zheyin Tianqin, Dogain Capital Limited, based on the conversion price of HK\$0.20 per conversion share.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

(vi) **Investor CB**

On 8 February 2018, the Company issued the 6% per annum convertible bonds to Mr. Liu Dong (the “**Investor**”) in an aggregate principal amount of HK\$27,200,000 (the “**Investor CB**”) 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 of the Investor, Smoothly Good Investment Development Limited (“**Smoothly Good**”), based on the conversion price of HK\$0.17 per conversion share.

(vii) **Zheyin Tianqin 2018 CB**

On 19 April 2018, the Company issued the 6% per annum convertible bonds to the nominated entity of Zheyin Tianqin, Dogain Capital Limited, in an aggregate principal amount of HK\$60,000,000 (the “**Zheyin Tianqin 2018 CB**”) carrying conversion right to convert into 352,941,176 shares at the conversion price of HK\$0.17 per share and maturing on 19 April 2020, being the second anniversary of the date of issue of the convertible bonds. The carrying value of the Zheyin Tianqin 2018 CB as at 30 June 2018 was approximately HK\$56,393,000.

Notes to the Condensed Consolidated Interim Financial Statements

15. 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 six months ended 30 June 2018 and the year ended 31 December 2017 are summarised as below:

	Marsa CBs <i>HK'000</i> <i>(Note i)</i>	Ample Reach CBs <i>HK'000</i> <i>(Note ii)</i>	Total <i>HK'000</i>
As at 1 January 2017, as restated	22,277	–	22,277
Changes in fair value	(9,048)	–	(9,048)
As at 31 December 2017	13,229	–	13,229
Analysed by maturity date as at 31 December 2017: Within one year and included in current liabilities	13,229	–	13,229

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss *(Continued)*

	Marsa CBs HK'000 <i>(Note i)</i>	Ample Reach CBs HK'000 <i>(Note ii)</i>	Total HK'000
As at 1 January 2018	13,229	–	13,229
Issuance of convertible bonds, at fair value	–	31,422	31,422
Redemption and cancellation of convertible bonds	(13,229)	–	(13,229)
Changes in fair value	–	(1,606)	(1,606)
As at 30 June 2018	–	29,816	29,816
Analysed by maturity date as at 30 June 2018:			
Within one year and included in current liabilities	–	20,595	20,595
Over one year and included in non-current liabilities	–	9,221	9,221
	–	29,816	29,816

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss *(Continued)*

(i) *Marsa CBs*

On 21 November 2014, the Company entered into a sale and purchase agreement (the “**Acquisition Agreement**”) with Mr. Chung Sum Sang and Ms. Eva Au (the “**Vendors**”) pursuant to which the Company acquired from the Vendors the entire equity interest of Rainbow Star Global Limited (“**Rainbow Star**”) (which indirectly owns 70% equity interest in Shenzhen Marsa Guer Chain Enterprise Limited, “**Shenzhen Marsa**”) for the 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 the issue of three equal tranches of convertible bonds 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 referred to as the “**Marsa CBs**”). In accordance with the terms and conditions of the Acquisition Agreement, the Company issued the 1st, 2nd and 3rd Marsa CBs to the Vendors or their nominees on 20 May 2015, 20 May 2016 and 3 May 2018 in the principal sum of HK\$54,250,000 each.

The Company’s obligations under the Marsa CBs 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 CBs at nominal sum by reference to the shortfall proportion (the “**PG Failure Cancellation Right**”). Shenzhen Marsa did not meet the profit guarantee for all 2015, 2016 and 2017 accordingly, principal amounts of HK\$36,298,675, HK\$41,978,650 and HK\$48,163,150 are liable to be redeemed and cancelled by the Company in respect of the 1st, 2nd and 3rd Marsa CBs, respectively.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss *(Continued)*

(i) **Marsa CBs** *(Continued)*

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 maturity dates.

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 “**Sell-back Right**”). The Company is seeking legal and financial advice in this regard, and further announcement(s) will be made by the Company as and when appropriate.

As disclosed in the Company’s announcement of 4 May 2018:

- (i) On 3 May 2018, the Company exercised the PG Failure Cancellation Right to cancel part of the 1st, 2nd and 3rd Marsa CBs based on the fulfillment shortfall of the Profit Guarantee.
- (ii) On 4 May 2018, the Company exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation. As a result of the exercise of the Share Redemption Election Right by the Company, the Company has accordingly allotted and issued 72,619,050 Shares on 17 May 2018.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss *(Continued)*

(i) **Marsa CBs** *(Continued)*

As a result of the exercise of the PG Failure Cancellation Right and the Share Redemption Election Right, no Marsa CB remained outstanding as at 30 June 2018.

(ii) **Ample Reach CBs**

On 28 November 2017, the Company (as purchaser) entered into an acquisition agreement with Ample Reach Limited (“**Ample Reach**”), 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**”, which together with Phoenix Opco and Charm Eastern Limited are collectively referred to as the “**Hospital Group**”) for a total consideration of HK\$75,015,625 (the “**Hospital Acquisition**”), out of which HK\$34,000,000 was paid in cash and HK\$41,015,625 was settled by the issue of three equal tranches of zero-coupon convertible bonds to Ample Reach in the principal amount of HK\$13,671,875 each, maturing respectively on 30 September 2018, 30 April 2019 and 30 September 2019 (the “**1st Ample Reach CB**”, the “**2nd Ample Reach CB**” and the “**3rd Ample Reach CB**”, respectively and collectively, the “**Ample Reach CBs**”). The Hospital Acquisition was completed on 31 January 2018.

The Company’s obligations under the Ample Reach CBs are subject to the fulfillment of profit guarantee that the net profit before tax and non-controlling interest of the Hospital Group for each of the six months period ending 30 June 2018, 31 December 2018 and 30 June 2019 shall meet the minimum profit of RMB2,500,000, RMB5,000,000 and RMB5,000,000, respectively, failing which the Company shall have the right to cancel in whole or part of the Ample Reach CBs by reference to the shortfall proportion.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss *(Continued)*

(ii) **Ample Reach CBs** *(Continued)*

On completion of the Hospital Acquisition, Ample Reach CBs in the face value of HK\$41,015,625 were issued to the Vendor in satisfaction of the consideration payable on completion. These Ample Reach CBs were recognized at fair value on issue at approximately HK\$31,422,000. The carrying value of the Ample Reach CBs as at 30 June 2018 was approximately HK\$29,816,000.

(c) **HK Yinger CB**

On 23 March 2018, the Company issued the HK Yinger CB carrying conversion right for the holder to convert into 705,882,352 shares of the Company at the initial conversion price of HK\$0.17 per share, subject to anti-dilutive adjustments, and maturing on the day falling on 23 March 2020, being the second anniversary of the date of issue of the convertible bonds.

Pursuant to the terms of the HK Yinger CB, the HK Yinger CB is only redeemable by cash at the option of the Company but not the holder of the HK Yinger CB. The Company's redemption option is exercisable at any time from the date of issuance to the maturity date and the amount payable upon redemption is the principal amount of the bonds redeemed. At the maturity date, the HK Yinger CB shall be mandatorily converted into shares of the Company based on the applicable conversion price at that date unless conversion is restricted by the Conversion Restriction provisions of the bond.

The HK Yinger CB meets the definition of equity instrument and hence the entire instrument was recognized in equity of the Company and Group at the date of its issuance at its issuance price of HK\$120,000,000, which in the opinion of directors of the Company represented its fair value at its issuance date, less transaction costs.

Notes to the Condensed Consolidated Interim Financial Statements

16. SHARE CAPITAL

Authorised capital

	Number of shares	Nominal value HK\$'000
As at 1 January 2017 and 31 December 2017	4,000,000,000	40,000
Increase during the period (Note(i))	16,000,000,000	160,000
As at 30 June 2018	20,000,000,000	200,000

Issued and fully paid capital

	Number of shares	Nominal value HK\$'000
As at 1 January 2017 and 31 December 2017	1,972,452,606	19,725
Issued during the period (Note(ii))	357,619,050	3,576
As at 30 June 2018	2,330,071,656	23,301

Notes:

- (i) On 19 March 2018, the increase of authorized 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.
- (ii) 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 Zheyin Tianqin 2017 CB and Investor CB. The Company has accordingly allotted and issued 125,000,000 Zheyin Tianqin 2017 Conversion Shares and 160,000,000 Investor Conversion Shares of HK\$0.01 each.

On 4 May 2018, the Company exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation. As a result of the exercise of the Share Redemption Election Right by the Company, the Company has accordingly allotted and issued 72,619,050 shares of HK\$0.01 each on 17 May 2018, and hence the issued share capital of the Company increased from 2,257,452,606 shares to 2,330,071,656 shares of HK\$0.01 each.

Notes to the Condensed Consolidated Interim Financial Statements

17. ACQUISITION OF SUBSIDIARIES

On 28 November 2017, the Company (as purchaser) entered into an acquisition agreement with Ample Reach, pursuant to which the Company acquired Charm Eastern Limited, through which the Company was effectively acquiring 70% equity interest of Phoenix Opco and Zizhong Opco at total consideration of HK\$65,422,000. The Hospital Acquisition was completed on 31 January 2018.

Consideration transferred

	<i>HK\$'000</i>
Cash	34,000
Ample Reach CBs	31,422
	<hr/>
Total consideration	65,422
	<hr/>

Details of assets acquired and liabilities recognised at the date of acquisition of subsidiaries are summarised as follows:

	<i>HK\$'000</i>
Identifiable assets acquired and liabilities recognised:	
Property, plant and equipment	40,564
Inventories	1,016
Trade receivable	1,774
Prepayment, deposits and other receivables	8,444
Cash and bank balance	4,309
Trade payables	(1,284)
Obligations under finance lease	(30,020)
Other payables, accruals and deposit received	(8,817)
	<hr/>
Total identifiable net assets acquired	15,986
Non-controlling interests	(4,796)
	<hr/>
Acquiree's net assets	11,190
Goodwill	54,232
	<hr/>
Total consideration	65,422
	<hr/>

Notes to the Condensed Consolidated Interim Financial Statements

17. ACQUISITION OF SUBSIDIARIES *(Continued)*

Net cash outflow on acquisition of subsidiaries

	<i>HK\$'000</i>
Consideration paid in cash and bank balance	34,000
Less: cash and balance acquired of	(1,284)
	<u>32,716</u>

18. COMMITMENTS

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018 <i>HK\$'000</i> (Unaudited)	31 December 2017 <i>HK\$'000</i> (Audited)
Not later than 1 year	20,878	15,911
Later than 1 year but not later than 5 years	29,888	22,627
	<u>50,766</u>	<u>38,538</u>

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Six months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Wages, salaries and other short-term employee benefits	2,636	3,342
Pension costs – defined contribution plans	17	36
	<u>2,653</u>	<u>3,378</u>

Notes to the Condensed Consolidated Interim Financial Statements

19. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(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:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest expenses to HK Yinger <i>(Note 6)</i>	1,448	142
Rentals paid	24	54

(c) Balance with a related party

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loans from HK Yinger	3,220	48,920

The loans from HK Yinger (a company wholly-owned by Mr. Yu Qigang, a director and the chairman of the Company) were for fixed terms of one-year commencing in June 2017 and six-months commencing October 2017, 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 30 June 2018, the interest amount outstanding was HK\$3,220,000.

Notes to the Condensed Consolidated Interim Financial Statements

20. SIGNIFICANT NON-CASH TRANSACTIONS

The Group had the following significant non-cash activities during the six months ended 30 June 2018:

- (i) In January 2018, the Company issued Ample Reach CBs in the principal amount of HK\$41,015,625 as part of the consideration for the Hospital Acquisition, which was completed on 31 January 2018.
- (ii) The subscription of the 3% per annum convertible bonds by the nominated entity of HK Yinger, Fluent Robust Limited, in an aggregate principal amount of HK\$120,000,000 was completed on 23 March 2018, raising net proceeds in the amount of approximately HK\$118,200,000 which was used to partially repay and set-off the principal of the loans from HK Yinger.
- (iii) In March 2018, the Company issued and allotted 285,000,000 shares of HK\$0.01 each upon the conversion of Zheyin Tianqin 2017 CB and Investor CB. In May 2018, the Company issued and allotted 72,619,050 shares of HK\$0.01 each upon the exercise of the Share Redemption Election Right by the Company over all the Marsa CBs so remained.
- (iv) During the six months ended 30 June 2018, the Group entered into finance lease arrangements for the purchase of medical equipment in the amount of approximately HK\$21,376,000.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

Management Discussions and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2018, the Group was principally engaged in provision of (i) health, medical and related services, (ii) beauty and wellness services, and (iii) integrated financial services comprising money-lending, securities brokerage, advising on securities and asset management.

With respect to the segment of health, medical and related services, the clubhouse business continued to suffer from under-capacity. Cost control measures were taken with the view to improving its performance. Following the completion of the Hospital Acquisition on 31 January 2018, the Phoneix Opco and the Zizhong Opco start contributing revenue and positive cash flow to the Group during the six months ended 30 June 2018. The positive contribution of the two hospitals has helped to improve the financial performance of the segment.

With respect to the segment of beauty and wellness services, the Group continued to implement cost control measures and launch promotional events during the six months ended 30 June 2018. Furthermore, the Group was in the process of negotiating with potential business partners for expansion of beauty and wellness business by opening new beauty and wellness centers in China. With all these measures and subject to the materialization of the expansion plans, the management is hoping to improve the financial performance of this segment.

During the period, the Company exercised the PG Failure Cancellation Right and the Share Redemption Election Right as disclosed in the Company's announcement of 4 May 2018, as a result of which the Company allotted and issued 72,619,050 shares on 17 May 2018 extinguishing all liabilities under the Marsa CBs. No Marsa CB remained outstanding as at 30 June 2018.

With respect to the segment of integrated financial services, 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.

Management Discussions and Analysis

Apart from the above-mentioned business development, the Group has been proactively seeking to raise funds and taking measures to strengthen its financial position during the six months ended 30 June 2018, which are summarised as follows:

- (i) On 26 January 2018, the Company entered into subscription agreements regarding the issue by the Company of (1) 3% per annum convertible bonds in the principal amount of HK\$120,000,000 to HK Yinger under specific mandate; (2) 6% per annum convertible bonds in the principal amount of HK\$60,000,000 to Zheyin Tianqin under specific mandate; and (3) 6% per annum convertible bonds in the principal amount of HK\$27,200,000 to the Investor (Mr. Liu Dong) under general mandate.
- (ii) 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 of Zheyin Tianqin, Dogain Capital Limited, based on the conversion price of HK\$0.20 per conversion share at maturity.
- (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 of the Investor, Smoothly Good, based on the conversion price of HK\$0.17 per conversion share.

The following events occurred during the financial period ended 30 June 2018:

- (i) On 6 March 2018, the 3% per annum convertible bonds in the aggregate principal amount of HK\$29,000,000 matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holders.
- (ii) On 9 March 2018, the Company issued six writs of summons to the six loan receivables borrowers ("**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.

Management Discussions and Analysis

- (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.
- (iv) In May 2018, the Company repaid the bonds which were placed by AMTD Asset Management Limited in the amount of HK\$14,000,000, upon the serving of the early redemption notices from the bondholders under the terms of the bond.

Save as disclosed above, the following subsequent events occurred between the end of the financial period ended 30 June 2018 and the date hereof:

- (i) In July 2018, the Company paid to Tai Cheng (1) HK\$6,355,809 to repay the principal amount and interest of the promissory note payable to Tai Cheng, and (2) HK\$5,938,996 to repay the principal amount and interest of the 2nd Tai Cheng CB at the bondholder's option.
- (ii) In July 2018, one of the Loan Receivables Borrowers repaid the Company a total sum of HK\$3,300,000.
- (iii) As disclosed in the Company's announcement dated 13 August 2018, the Company entered into a loan agreement dated 13 August 2018 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\$30,000,000 at the interest rate of 6.5% per annum.
- (iv) As disclosed in the Company's announcement of 4 May 2018, (i) on 3 May 2018, the Company exercised the PG Failure Cancellation Right to cancel part of the 1st, 2nd and 3rd Marsa CBs based on the fulfillment shortfall of the Profit Guarantee; and (ii) on 4 May 2018, the Company exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation. As a result of the exercise of the Share Redemption Election Right by the Company, the Company has accordingly allotted and issued 72,619,050 Shares on 17 May 2018 and no Marsa CB remained outstanding. However, subsequent to 17 May 2018, the Company received letters from the legal adviser of a holder of Marsa CB (not being the vendors of the acquisition of Shenzhen Marsa) demanding the Company to have Marsa CB redeemed in cash in the principal amount of HK\$20,164,535 plus interest. The Company has instructed its legal advisers to uphold and protect its legal right and interest.

Management Discussions and Analysis

- (v) As disclosed in the Company's announcement of 28 November 2017, under the terms of the acquisition agreement of the Hospital Acquisition, if the net profits before tax and non-controlling interest (the "**NPBT**") of the Hospital Group for the six months ending 30 June 2018, 31 December 2018 and 30 June 2019 are less than RMB2,500,000 (the "**First PG**"), RMB5,000,000 (the "**Second PG**") and RMB5,000,000 (the "**Third PG**"), respectively, the vendor (the "**Vendor**") and the vendor guarantors (the "**Vendor Guarantors**") shall compensate the shortfall by surrendering the proportionate principal amount of the relevant tranche of Ample Reach CBs back to the Company for cancellation.

The NPBT of the Hospital Group during the six months ended 30 June 2018 was determined to be: (a) a profit of RMB2,509,126.90 before the deduction of one-off income not generated in the Hospital Group's ordinary course of business (the "**One-off Income**"); but (b) a loss of RMB708,373.10 after the deduction of One-off Income, being charitable donations in the aggregate amount of RMB3,217,500 received by the Hospital Group during the six months ended 30 June 2018. Subject to further advice from the Company's legal advisers, if the Company determines that the Vendor and the Vendor Guarantors have satisfied the First PG, then the compensation bonds and released bonds in respect of the 1st Ample Reach CB should be nil and HK\$13,671,875, respectively, and the entire validated principal amount of the 1st Ample Reach CB shall be automatically converted into 78,125,000 shares at the conversion price of HK\$0.175 per share in accordance with its terms. Further details of the final determination of the NPBT, the satisfaction of the First PG, the validation of the 1st Ample Reach CB and the principal terms of a deed of undertaking given by the Vendor and the Vendor Guarantors in favour of the Company regarding the escrow arrangement of the conversion shares of the 1st Ample Reach CB and the exclusion of One-off Income from the NPBT of the Hospital Group in the determination of the Second and Third PG are disclosed in the Company's announcement dated 10 September 2018.

Management Discussions and Analysis

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE SIX MONTHS ENDED 30 JUNE 2018

On 26 January 2018, the Company entered into subscription agreements regarding the issue by the Company of (1) 3% per annum convertible bonds in the principal amount of HK\$120,000,000 to HK Yinger under specific mandate; (2) 6% per annum convertible bonds in the principal amount of HK\$60,000,000 to Zheyin Tianqin under specific mandate; and (3) 6% per annum convertible bonds in the principal amount of HK\$27,200,000 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 net proceeds for the subscription of Investor CB in the amount of approximately HK\$26,800,000 was originally intended for the repayment of the Zheyin Tianqin 2017 CB if Zheyin Tianqin opted for cash redemption and the settlement of the Group's debts and working capital if Zheyin Tianqin opted for conversion without cash redemption. After the completion of the subscription of Investor CB which took place on 8 February 2018, its net proceeds were fully utilized for the partial repayment of the principal amount of the March 2015 CB on its maturity in March 2018.

The subscription of HK Yinger CB was completed on 23 March 2018, raising net proceeds in the amount of approximately HK\$118,200,000, which was fully utilized as intended for the partial repayment and set-off of the principal of the First and Second HK Yinger Loans.

The net proceeds for the subscription of Zheyin Tianqin 2018 CB in the amount of approximately HK\$59,100,000 was originally intended as to HK\$29 million for the repayment of March 2015 CB (unless they are converted without redemption in which case this HK\$29 million proceeds was intended to be applied for settlement of the Group's other debts instead), approximately HK\$5 million for the settlement of the remaining principal and interest on the First and Second HK Yinger Loans, HK\$9 million for financing the remaining cash consideration for the acquisition of Charm Eastern Limited and approximately HK\$16.1 million for settlement of the Group's other debts as they fall due and/or general working capital. After the completion of the subscription of Zheyin Tianqin 2018 CB which took place on 19 April 2018, its net proceeds were actually utilized (a) as to HK\$14 million for the repayment of the bonds issued by the Company under the placing agreement with AMTD Asset Management Limited dated 26 October 2015, for which bondholders demanded early redemption pursuant to their terms; (b) as to approximately HK\$3.2 million for the settlement of remaining principal and interest on the First and Second HK Yinger

Management Discussions and Analysis

Loans; (c) as to approximately HK\$10.8 million for repayment of other debts of the Group; (d) as to approximately HK\$19.7 million for the payment of salaries and remuneration, rental expenses, professional fees and other operating expenses; and (e) as to the remaining HK\$11.4 million which remained unutilized and was set aside for the repayment of the Group's debts and liabilities when they fall due and general working capital requirements (including salaries and remuneration, rental expenses, professional fees and other operating expenses). The Board considers that the actual use of proceeds are largely consistent with the general business rationale of the Zheyin Tianqin 2018 CB to meet the Company's debts and obligations as they fall due, such debts and obligations which have already fallen due or past due prior to the date of completion of the Zheyin Tianqin 2018 CB subscription (including the March 2015 CB which was required to be repaid in March 2018 and the remaining cash consideration for the acquisition of Charm Eastern Limited which was due for repayment since January 2018) could not have waited for the completion of the subscription of Zheyin Tianqin 2018 CB in April 2018 and were essentially required to be met by other means including the cash reserve of the Group and the proceeds of the Investor CB subscription.

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 of the Investor, Smoothly Good, based on the conversion price of HK\$0.17 per conversion share.

FINANCIAL REVIEW

The Group reported total revenue for the six months ended 30 June 2018 approximately HK\$41,073,000 (2017: HK\$22,233,000), representing an increase of approximately 85% as compared to the corresponding period. Details of the total revenue by business segments for the six months ended 30 June 2018 and 2017 are summarised in the Note 4 to the condensed consolidated financial statements.

Health, Medical and Related Business

During the six months ended 30 June 2018, the Group reported revenue and operating loss from the health and medical business in the amounts of approximately HK\$19,392,000 (2017: HK\$5,591,000) and HK\$3,507,000 (2017: HK\$11,115,000), respectively. The increase in revenue and the decrease in operating loss were mainly attributable to (i) the positive contribution of the Hospital Group to the Group's revenue and positive cash flow since the completion of the Hospital Acquisition in January 2018; and (ii) the financial impact resulted in the implementation of cost-control policies by the Group's clubhouse business in China since June 2017.

Management Discussions and Analysis

On completion of the Hospital Acquisition, three tranches of Ample Reach CBs in the total face value of HK\$41,015,625 were issued to the Vendor in satisfaction of the consideration payable on completion. These Ample Reach CBs were recognized at fair value on issue at approximately HK\$31,422,000. As a result of the Hospital Acquisition, goodwill in the amount of approximately HK\$54,232,000 was recognised on the completion date of acquisition. As at 30 June 2018, the carrying amount of the goodwill remained unchanged.

Beauty and Wellness Business

During the six months ended 30 June 2018, the Group reported revenue and operating profit from the beauty and wellness business in the amounts of approximately HK\$21,602,000 (2017: HK\$16,602,000) and HK\$3,515,000 (2017: HK\$493,000), respectively. The increase in revenue and operating profit were mainly attributable to (i) the financial impact resulted in the implementation of cost-control policies by the Group and (ii) the launch of promotional events.

Financial Business

During the six months ended 30 June 2018, the Group reported revenue and operating loss from the financial business of approximately HK\$79,000 (2017: HK\$40,000) and HK\$1,570,000 (2017: HK\$2,230,000), 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 Costs, Net

The Group reported finance costs, net of approximately HK\$7,234,000 (2017: finance income, net of approximately HK\$6,755,000) for the six months ended 30 June 2018. Details of the finance costs, net for the six months ended 30 June 2018 and 2017 are set out in Note 6 to the condensed consolidated financial statements.

Loss for the period

The Group reported net loss for the six months ended 30 June 2018 of approximately HK\$28,774,000 (2017: HK\$50,610,000). The Board considers that the overall financial performance of the business segments of health and medical business and beauty and wellness business improved during the six months ended 30 June 2018.

Management Discussions and Analysis

Financial Position

As a result of the proactive measures taken by the management of the Company to strengthen its financial position during the year ended 31 December 2017 and the six months ended 30 June 2018, total equity of the Group was increased by approximately HK\$164,870,000 to approximately HK\$84,801,000 as at 30 June 2018.

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) In 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. In July 2018, the Company received a payment of HK\$3,300,000 from one of the Loan Receivable Borrowers. The Company has instructed its legal advisers to continue to uphold the Company's right.
- (ii) In 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. The Company has instructed its legal advisers to continue to uphold the Company's right.
- (iii) In August 2018, the Company issued two writs of summons to the two accounts receivable holders in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the outstanding accounts receivables in the aggregate principal amount of HK\$52,471,047, together with interest and cost. The Company has instructed its legal advisers to continue to uphold the Company's right.

Management Discussions and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had total assets of approximately HK\$338,932,000 (31 December 2017: HK\$199,769,000) and interest-bearing borrowings of approximately HK\$18,950,000 (31 December 2017: HK\$116,575,000), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 5.6% (31 December 2017: 58.4%).

As at 30 June 2018, the Group had net current liabilities of approximately HK\$27,153,000 (31 December 2017: HK\$169,817,000) consisted of current assets of approximately HK\$108,304,000 (31 December 2017: HK\$66,237,000) and current liabilities of approximately HK\$135,457,000 (31 December 2017: HK\$236,054,000), representing a current ratio of approximately 0.80 (31 December 2017: 0.28).

As at 30 June 2018, the Group had cash and bank balances (including trust and segregated accounts) of approximately HK\$71,118,000 (31 December 2017: HK\$33,354,000). As at 30 June 2018, the Group had cash and bank balances (excluding trust and segregated accounts), of approximately HK\$45,536,000 (31 December 2017: HK\$26,458,000).

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 six months ended 30 June 2018.

CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the six months ended 30 June 2018 and up to the date of this announcement.

Management Discussions and Analysis

(A) Share Capital

In 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 Zheyin Tianqin 2017 CB and Investor CB. On 4 May 2018, the Company exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation. As a result of the exercise of the Share Redemption Election Right by the Company, the Company has accordingly allotted and issued 72,619,050 shares of HK\$0.01 each on 17 May 2018, and hence the issued share capital of the Company increased from 2,257,452,606 shares to 2,330,071,656 shares of HK\$0.01 each. On 19 March 2018, the increase of authorized 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.

Further details on the movements of share capital as set out in the Note 16 to the condensed consolidated financial statements.

(B) Share Options

Details on the movements of the share options granted under the share option scheme(s) for the six months ended 30 June 2018 are set out as follows:

	Weighted average exercise price in HK\$ per share	Number of share option
At 1 January 2018	0.32	23,000,000
Lapsed	0.32	(9,000,000)
<hr/>		
At 30 June 2018	0.32	14,000,000
<hr/>		

Notes:

- (i) 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.

Management Discussions and Analysis

- (ii) 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. 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%.
- (iii) 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, the offers of share options were not accepted by the grantees within the 28 days' period as stipulated in the rules of the Share Option Scheme and lapsed without acceptance on 13 January 2016.
- (iv) The Share Option Scheme has a lifespan of 10 years. On 2 September 2016, the Share Option Scheme lapsed pursuant to its term. No share options can be granted under the Share Option Scheme after the scheme lapsed in September 2016.

(C) Convertible Bonds

Outstanding convertible bonds as at 30 June 2018 as set out in the Note 15 to the condensed consolidated financial statements.

CHARGES ON ASSETS

None of the Group's assets was pledged to secure any facilities and borrowings granted to the Group as at 30 June 2018.

Management Discussions and Analysis

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no material contingent liabilities as at 30 June 2018:

As disclosed in the Company's announcement of 4 May 2018, (i) on 3 May 2018, the Company exercised the PG Failure Cancellation Right to cancel part of the 1st, 2nd and 3rd Marsa CBs based on the fulfillment shortfall of the Profit Guarantee; and (ii) on 4 May 2018, the Company exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation. As a result of the exercise of the Share Redemption Election Right by the Company, the Company has accordingly allotted and issued 72,619,050 Shares on 17 May 2018 and no Marsa CB remained outstanding. However, subsequent to 17 May 2018, the Company received letters from the legal adviser of a holder of Marsa CB (not being the vendors of the acquisition of Shenzhen Marsa) alleging to redeem Marsa CB in cash in the principal amount of HK\$20,164,535 plus interest. The Company has instructed its legal adviser to uphold and protect its legal right and interest.

HUMAN RESOURCES

As at 30 June 2018, the Group has 401 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 also granted share options and discretionary bonus to the eligible staffs based on their performance and contribution to the Group. The Group regards high-calibre staff as one of the key factors to corporate success.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018.

Management Discussions and Analysis

PRIOR PERIOD RESTATEMENT

As disclosed in the annual consolidated financial statements for the year ended 31 December 2017, the Marsa CBs was classified as equity instrument in the prior year's consolidated financial statements. During the year ended 31 December 2017, the management is of the view that the Marsa CBs should be recognised as financial liabilities at fair value through profit or loss instead. Hence, the Marsa CBs was stated at fair value in the annual consolidated financial statements for the year ended 31 December 2017. Following the change of the recognition basis of Marsa CBs in the annual consolidated financial statements for the year ended 31 December 2017, certain items of the consolidated statement of profit or loss for the six months ended 30 June 2017 were adjusted and are restated as follows:

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	2017 HK\$'000 (Previously stated)	2017 HK\$'000 (Adjustment)	2017 HK\$'000 (Restated)
Fair value change of early redemption option	271	(271)	–
Finance costs, net	14,041	(7,286)	6,755
Total	14,312	(7,557)	6,755

The reinstatement of the above items in the consolidated statement of profit or loss resulted in the decrease in the loss for the six months ended 30 June 2017 by approximately HK\$7,557,000 from approximately HK\$58,167,000 to approximately HK\$50,610,000.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2018, 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 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 in which the shares or underlying shares are held	Long positions in shares and underlying shares	Approximate percentage of total issued shares (Note 2)
Mr. Yu Qigang	Interest of controlled corporations	1,693,579,979 (Note 1)	72.68%

Notes:

1. These 1,693,579,979 shares and underlying shares deemed to be interested by Mr. Yu Qigang (“Mr. Yu”) comprised:
 - (a) 705,882,352 underlying shares attributable to the HK Yinger CB (with principal sum of HK\$120,000,000 carrying conversion right to convert into shares at the conversion price of HK\$0.17 per share) beneficially owned by Fluent Robust Limited (“Fluent Robust”), which is a controlled corporation wholly-owned by HK Yinger, which is in turn wholly-owned by Mr. Yu; and

Other Information

Notes: (Continued)

- (b) 987,697,627 shares beneficially owned by Gold Bless International Invest Limited (“**Gold Bless**”), a company whose issued shares were registered, according to the disclosure of interest filings made on behalf of Mr. Yang Wang Jian (“**Mr. Yang**”), the sole director of Gold Bless and an ex-director of the Company, as to: (a) 65% (the “**Disputed Gold Bless Shareholding**”) in the name of Mr. Yang; (b) 20% in the name of Mr. Yu; and (c) 15% in the name of Winning Top Investments Limited (“**Winning Top**”), a company which is wholly-owned by Mr. Yu.

Gold Bless is deemed to be a controlled corporation of Mr. Yu pursuant to Part XV of the SFO because of the 20% and 15% registered shareholding of Mr. Yu and Winning Top in Gold Bless. In addition, based on the information provided by Mr. Yu, (i) he has an alleged claim over the Disputed Gold Bless Shareholding; (ii) he has commenced legal action in Hong Kong (the “**Gold Bless Litigation**”) against Mr. Yang which may, subject to the outcome of the litigation, affect the ownership of the Disputed Gold Bless Shareholding; (iii) pursuant to the order of the High Court of Hong Kong, the 987,697,627 Shares held by Gold Bless are maintained with a licensed financial institution until further order or the conclusion of the Gold Bless Litigation; and (iv) pursuant to the order of the High Court of Hong Kong, Mr. Yang and Gold Bless cannot deal with the Disputed Gold Bless Shareholding and with the 987,697,627 Shares held by Gold Bless until further order or the conclusion of the Gold Bless Litigation.

The deemed interest of Mr. Yu regarding the 705,882,352 underlying shares attributable to the HK Yinger CB duplicates with those of HK Yinger and Fluent Robust as described in Note 1 in the section headed “Substantial Shareholders’ Interests in Shares” below. The deemed interest of Mr. Yu regarding the 987,697,627 shares held by Gold Bless duplicates with those of Gold Bless and Mr. Yang as described in Note 2 in the section headed “Substantial Shareholders’ Interests in Shares” below.

2. The percentages are calculated based on the total number of 2,330,071,656 issued shares as at 30 June 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2018, 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 6)
HK Yinger	Interest of controlled corporation	705,882,352 (Note 1)	30.29%
Fluent Robust	Beneficial owner	705,882,352 (Note 1)	30.29%
Mr. Yang Wang Jian	Interest of controlled corporation	987,697,627 (Note 2)	42.39%
Gold Bless	Beneficial owner	987,697,627 (Note 2)	42.39%
Mr. Xia Yongqin	Interest of controlled corporation	477,901,176 (Note 3)	20.51%
Dogain Capital Limited ("Dogain Capital")	Beneficial owner	477,901,176 (Note 3)	20.51%
Mr. Liu Dong	Beneficial owner and interest of controlled corporation	251,460,000 (Note 4)	10.79%

Other Information

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 6)
Smoothly Good Investment Limited (“Smoothly Good”)	Beneficial owner	160,000,000 (Note 4)	6.87%
Mr. Huang Zhenxia	Interest of controlled corporation	234,375,000 (Note 5)	10.06%
Ample Reach	Beneficial owner	234,375,000 (Note 5)	10.06%

Notes:

- These 705,882,352 underlying shares are attributable to the HK Yinger CB beneficially owned by Fluent Robust, which is a controlled corporation wholly-owned by HK Yinger, which is in turn wholly-owned by Mr. Yu. The deemed interest of HK Yinger and Fluent Robust here duplicates with those of Mr. Yu as described in Note 1(a) in the section headed “Directors’ Interests in Shares” above.
- These 987,697,627 shares were beneficially owned by Gold Bless, a company whose issued shares were registered, according to the disclosure of interest filings made on behalf of Mr. Yang, the sole director of Gold Bless and an ex-director of the Company, as to: (a) the 65% Disputed Gold Bless Shareholding in the name of Mr. Yang; (b) 20% in the name of Mr. Yu; and (c) 15% in the name of Winning Top (a company which is wholly-owned by Mr. Yu). The deemed interest of Gold Bless and Mr. Yang here duplicates with those of Mr. Yu as described in Note 1(b) in the section headed “Directors’ Interests in Shares” above.
- According to disclosure of interest filings, these 477,901,176 shares and underlying shares comprised (a) 124,960,000 shares held by Dogain Capital, a company which is reportedly owned as to 100% by Mr. Xia Yongqin (“**Mr. Xia**”); and (b) 352,941,176 underlying shares attributable to the Zheyin Tianqin 2018 CB owned by Dogain Capital. Mr. Xia and Dogain Capital’s deemed interests in shares and underlying shares duplicated with each others.

Other Information

Notes: (Continued)

4. According to disclosure of interest filings, the 251,460,000 shares deemed to be interested by Mr. Liu Dong comprised (a) 91,460,000 shares held by Mr. Liu Dong personally; and (b) 160,000,000 shares held by Smoothly Good, a controlled corporation wholly-owned by Mr. Liu Dong. Mr. Liu and Smoothly Good's deemed interests in 160,000,000 shares duplicated with each others. On 13 July 2018, Mr. Liu was appointed as an executive director of the Company.
5. According to disclosure of interest filings, these 234,375,000 underlying shares attributable to the Ample Reach CBs which was owned by Ample Reach, a controlled corporation wholly-owned by Mr. Huang Zhenxia ("**Mr. Huang**"). Mr. Huang and Ample Reach's deemed interests in underlying shares duplicated with each others.
6. The percentages are calculated based on the total number of 2,330,071,656 issued shares as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeem any of the Company's securities listed on the Stock Exchange during the six months ended 30 June 2018.

Other Information

CORPORATE GOVERNANCE PRACTICES

The Company and the Directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 of the Listing Rules during the six months from ended 30 June 2018, except the deviation disclosed in the following paragraph:

- (i) 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 Company has engaged an internal control consultant to review its internal control procedures to reinforce its governance level to seek to ensure compliance with Code Provisions A.2.5 and A.2.6.
- (ii) 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 7 June 2018, three independent non-executive directors and one non-executive director were absent due to other business engagements.
- (iii) 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 Company provided regular update on the development and affairs of the Group to all Directors during the six months ended 30 June 2018.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

- (iv) 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. The Company has engaged an internal control consultant to review its internal control systems and provide recommendation to the Company.

- (v) 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. Due to the size and scale of operations, the Group did not have internal audit function during the six months ended 30 June 2018. However, the Group has engaged an external internal control consultant to walk through the internal control systems of the Group and make recommendation to the Group for enhancement and improvement. The Company will review the need of an internal audit function in the second half of the year.

Other Information

AUDIT COMMITTEE

As at the date of this announcement, the audit committee comprises four independent non-executive directors, namely Mr. David Tsoi (Chairman), Mr. Wu Hong, Mr. Wang Chunlin and Ms. Sun Zhili. The primary function of the audit committee is to review the financial reporting process, the risk management and internal control systems of the Group, oversee the audit process and make recommendations to the Board regarding the appointment, resignation and removal of auditors and improvement on the financial reporting system, risk management and internal control systems of the Group.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018 have been reviewed by the audit committee. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed the key financial reporting matters with the Company's management and auditors relating to the preparation of the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018, which are unaudited but certain agreed-upon procedures have been performed by the Company's auditors in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by HKICPA. The findings of these agreed-upon procedures have been taken into consideration by the audit committee in its review of the interim results for the six months ended 30 June 2018, which was approved by the Board on 30 August 2018 prior to its publication.

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS OF LISTED ISSUERS

The Company follows the Model Code as the code of conduct for Directors in their dealings in the Company's securities. All existing directors have confirmed to the Company that they have complied with the Model Code during the six months ended 30 June 2018.

For and on behalf of
Green International Holdings Limited
Yu Qigang
Chairman

Hong Kong, 30 August 2018