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)

2018
ANNUAL REPORT

Green International Holdings Limited
Annual Report 2018

CONTENTS

BOARD OF DIRECTORS

Executive Directors
Mr. Yu Qigang *(Chairman)*
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)
Mr. Zeng Xiangdi (resigned on 29 November 2018)

Non-executive Director
Ms. Yu Jiaoli (resigned on 13 July 2018)

Independent Non-executive Directors
Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin
Ms. Sun Zhili (resigned on 30 September 2018)

AUDIT COMMITTEE

Mr. David Tsoi *(Chairman)*
Mr. Wu Hong
Mr. Wang Chunlin
Ms. Sun Zhili (resigned on 30 September 2018)

LEGAL ADVISERS AS TO HONG KONG LAW

C.L. Chow & Macksion Chan

REMUNERATION COMMITTEE

Mr. David Tsoi *(Chairman)*
Mr. Yu Qigang
Mr. Wu Hong
Mr. Wang Chunlin
Ms. Sun Zhili (resigned on 30 September 2018)

NOMINATION COMMITTEE

Mr. Yu Qigang *(Chairman)*
Mr. David Tsoi
Mr. Wu Hong
Mr. Wang Chunlin
Ms. Sun Zhili (resigned on 30 September 2018)

AUTHORIZED REPRESENTATIVES

Mr. Yu Qigang
Mr. Chen Hanhong (appointed on 30 November 2018)
Mr. Chan Chun Kau (resigned on 30 November 2018)

COMPANY SECRETARY

Mr. Chan Chun Kau
(resigned with effect from 31 March 2019)

AUDITORS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2208–09, 22/F
West Tower, Shun Tak Centre
200 Connaught Road 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/

Dear Shareholders,

I am honored to be the Chairman of the board of directors (the "**Board**") of the Green International Holdings Limited (the "**Company**") since 6 June 2017.

During the year, we strive to improve the financial position of the Company and its subsidiaries (collectively, the "**Group**"). Through the fund-raising activities in 2018 and the first quarter of 2019, the financial position of the Group has improved significantly.

During the year, the Company continued to explore business opportunities which are consistent with the business strategies of the Group, and to streamline its existing businesses including the adoption of cost-control measures. The Board will review the financial performance of the various business segments of the Group to create value to the Group.

Looking ahead, the Board and the management team will continue to adopt measures to improve the Group's business management, operational, market development and corporate governance capabilities to enhance corporate value of the Group.

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

Yu Qigang
Chairman of the Board

Hong Kong, 29 March 2019

OVERVIEW

During the year ended 31 December 2018, the Board endeavours to strengthen the financial position of the Group. The Group successfully raised fund through equity and convertible securities fund-raising activities carried out throughout the financial year of 2018 to improve the financial position of the Group, details of which are disclosed in the section headed "EQUITY FUND RAISING ACTIVITIES DURING THE YEAR" of this annual report. The Board has also been proactively seeking to explore business opportunities which are consistent with the business strategies of the Group.

BUSINESS REVIEW

During the year under review, 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 revenue of the health, medical and related services segment increased during the year ended 31 December 2018 following the acquisition of the Phoneix Opco and the Zizhong Opco.

The revenue and operating profits of the beauty and wellness services segment increased during the year ended 31 December 2018. The Group is in ongoing process of negotiating with potential business partners with the view to opening new beauty and wellness centers in China. Subject to the materialization of these expansion plans, the management is hoping to further improve the financial performance of this segment.

With respect to the segment of integrated financial services, the Group continued to explore business opportunities 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.

The following events, which have significant impact to the financial position and the business operations of the Group, occurred during the year ended 31 December 2018:

(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 prior to the four-to-one share consolidation of the Company which become effective on 4 March 2019 (the "**Pre-consolidation 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 Pre-consolidation Share at maturity.

(iii) Pursuant to the exercise of the conversion rights attaching to the Investor CB on 2 March 2018, 160,000,000 Pre-consolidation 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 Pre-consolidation Share.

(iv) 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.

(v) 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.

(vi) As disclosed in the Company's announcement dated 4 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 exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation, as a result of which the Company allotted and issued 72,619,050 Pre-consolidation Shares on 17 May 2018.

(vii) In July 2018, the Company repaid to Tai Shing HK$6,355,809 under a promissory note and HK$5,938,996 under the 2nd Tai Cheng CB.

(viii) As disclosed in the Company's announcement dated 13 August 2018, the Company entered into a loan agreement dated 13 August 2018 pursuant to which the Company obtained a 6.5% p.a., six-month loan of HK$30,000,000 from HK Yinger (a company which is wholly-owned by Mr. Yu Qigang, a director and the chairman of the Company).

(ix) As disclosed in the Company's announcement dated 10 September 2018, the Company issued 78,125,000 Pre-consolidation Shares at the conversion price of HK$0.175 per Pre-consolidation Share upon conversion of the 1st Ample Reach Pre-consolidation Share CB and entered into the Deed of Undertaking with Ample Reach such that these 78,125,000 Pre-consolidation Shares are put in escrow (the "**Escrowed Shares**") with their release withheld until and unless the Second PG is determined by the Company to be satisfied in full, failing which the Company shall be entitled to engage a financial institution as the placing agent to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages.

(x) As disclosed in the Company's announcement dated 16 October 2018, the Company proposed not to exercise the Sell-Back Right, which was approved by the independent shareholders at an extraordinary general meeting held on 17 January 2019.

(xi) In November 2018, the Company repaid Tai Shing HK$482,680.24 under the 3rd Tai Cheng CB.

(xii) As disclosed in the Company's announcement dated 27 November 2018, the Company entered into subscription agreements with two subscribers both dated 27 November 2018 pursuant to which 466,000,000 Pre-consolidation Shares were allotted and issued at the subscription price of HK$0.053 per Pre-consolidation Share on 5 December 2018, raising net proceeds of approximately HK$24,500,000 which was intended to be utilized for the repayment of debts and meeting the Group's liabilities when they fall due.

The following subsequent events occurred between the end of the financial year ended 31 December 2018 and the date of this annual report:

(i) At the extraordinary general meeting of the Company held on 17 January 2019, the non-exercise of the Sell-Back Right of Marsa was approved by the independent shareholders.

(ii) On 22 January 2019, the Company proposed to consolidate four Pre-consolidation Shares of par value of HK$0.01 each into one ordinary share of par value of HK$0.04 each (each a "**Consolidated Share**"). The four-to-one share consolidation (the "**Share Consolidation**") was approved by shareholders at the extraordinary general meeting of the Company held on 1 March 2019 and took effect on 4 March 2019.

(iii) On 25 January 2019 (after trading hours), the Company and Jumbo Faith International Limited ("**Jumbo Faith**") entered into the Subscription Agreement, pursuant to which Jumbo Faith conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue, 754,716,981 Consolidated Shares (the "**Subscription Consolidated Shares**") of par value of HK$0.04 each in the share capital of the Company at the subscription price of HK$0.212 per Subscription Consolidated Share after the four-to-one Share Consolidation. At the extraordinary general meeting of the Company held on 18 March 2019, the issuance of 754,716,981 Subscription Consolidated Shares was approved by the independent shareholders.

(iv) As disclosed in the Company's announcement dated 29 March 2019, the Company determined that the Second PG failed in its entirety and the entire 2nd Ample Reach CB in the principal amount of HK$13,671,875 shall be cancelled. As a result of the non-fulfillment of the Second PG, the Company will engage a placing agent to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages.

FINANCIAL REVIEW

Revenue

As a result of the Board's business development and diversification strategy, the Group reported total revenue for the year ended 31 December 2018 of approximately HK$82,092,000 (2017: HK$54,320,000), representing an increase of approximately 51.13% as compared to last year.

Health, Medical and Related Business

During the year ended 31 December 2018, the Group reported revenue and operating loss from the health and medical business in the amounts of approximately HK$37,061,000 (2017: HK$16,180,000) and HK$37,629,000 (2017: HK$18,405,000), respectively. The substantial increase in revenue by approximately 129.05% as compared to last year was mainly attributable by the contribution to the revenue from the two hospitals acquired during the year under the Hospital Acquisition. The increase in the operating loss was mainly due to an impairment of goodwill of approximately HK$17,812,000 (2017: HK$Nil) being included within health and medical business segment.

Beauty and Wellness Business

During the year ended 31 December 2018, the Group reported revenue and operating profit from the beauty and wellness business in the amounts of approximately HK$44,858,000 (2017: HK$38,089,000) and HK$9,251,000 (2017: operating loss of HK$51,888,000), respectively. The turnaround in operating result was mainly due to the streamlining of the business operation of Shenzhen Marsa through the closing down of non-performing centers and opening of new centers, the launch of marketing campaigns and promotional events and the adoption of cost-control measures.

Integrated Financial Business

During the year ended 31 December 2018, the Group reported revenue and operating loss from the financial business of approximately HK$173,000 (2017: HK$51,000) and HK$3,376,000 (2017: HK$4,040,000), respectively. The Group is still exploring business opportunities and formulating strategies to develop its integrated financial services.

Finance costs, net

The Group reported finance costs, net of approximately HK$13,534,000 (2017: HK$1,387,000) for the year ended 31 December 2018. The significant change in the finance costs, net was mainly due to the decrease in the interest income received by the Group. Interest income from loan receivables and promissory note receivables for the year ended 31 December 2018 was HK$Nil (2017: HK$15,168,000). Details of finance costs, net for the years ended 31 December 2018 and 2017 are set out in Note 8 to the consolidated financial statements.

Impairment testing on goodwill and non-fulfillment of profit guarantee

Goodwill in the amount of approximately HK$54,232,000 was recognised in the consolidated statement of financial position at the time of completion of the Hospital Acquisition. The management performed an impairment assessment on the goodwill and engaged an independent valuer to conduct impairment testing on the goodwill at the end of the reporting period. Based on the valuation of the independent valuer which was determined based on (a) the five years cash flow projections which are discounted using the discount rate of 14.62%; (b) a terminal value calculated using a discount rate of 3% and (c) the latest operation figures and business plans provided by the management of Phoenix Opco and Zizhong Opco, the carrying amount of the goodwill as at 31 December 2018 was assessed at approximately HK$36,420,000, resulting in an impairment loss of goodwill of approximately HK$17,812,000 (2017: HK$Nil) being recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

On completion of the Hospital Acquisition, Ample Reach CBs in the face value of HK$41,015,625 were issued to Ample Reach in satisfaction of the consideration payable on completion. The Ample Reach CBs were recognised at fair value on issue at approximately HK$31,422,000. As disclosed in the Company's announcement dated 10 September 2018, the Company converted the 1st Ample Reach CB into 78,125,000 Pre-consolidation Shares at the conversion price of HK$0.175 per Pre-consolidation Share and entered into the Deed of Undertaking with Ample Reach such that the 78,125,000 Pre-consolidation Shares are put in escrow (the "**Escrowed Shares**") with their release withheld until and unless the Second PG is determined by the Company to be satisfied in full. As disclosed in the Company's announcement dated 29 March 2019, the Company determined and resolved that the Second PG has failed in its entirety, as a result of which the Company shall be entitled to engage a placing agent to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages and to cancel the 2nd Ample Reach CB in the entire principal amount of HK$13,671,875. The Escrowed Shares were recognised in the consolidated statement of financial position as at 31 December 2018 as financial assets at fair value though profit or loss.

The Board considers that the effect of the impairment loss of goodwill of approximately HK$17,812,000 for the year ended 31 December 2018 is partially offset by the forfeiture of the Escrowed Shares and the cancellation of the 2nd Ample Reach CB.

Impairment testing on trademark user right and technical know-how

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

The management performed an impairment assessment and engaged an independent valuer to conduct impairment testing on the trademark user right and technical know-how at the end of the reporting period. Based on the valuation of the independent valuer which was determined based on (a) the five years cash flow projections which are discounted using the discount rate of 13.52%; (b) a terminal value calculated using a discount rate of 3%, and (c) the latest operation figures and business plans provided by the management of Shenzhen Marsa, the carrying amount of trademark user right and technical know-how as at 31 December 2018 was assessed at approximately HK$94,887,000, resulting in an impairment loss of trademark user right and technical know-how of approximately HK$Nil (2017: HK$62,363,000) being recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

Fair value changes of financial liabilities at fair value through profit or loss

The management performed fair value assessment and engaged an independent valuer to conduct assessment on the convertible bonds at fair value through profit or loss at the end of the reporting period. Based on the results of fair value assessment of the Marsa CBs as at 31 December 2017 and the Ample Reach CBs as at 31 December 2018 prepared by the independent valuer, the fair value of the convertible bonds at fair value through profit or loss as at 31 December 2018 was assessed at approximately HK$2,913,000 (2017: HK$13,229,000), resulting in fair value changes of convertible bonds at fair value through profit or loss of approximately HK$35,651,000 (2017: HK$9,048,000) being credited to the consolidated statement of profit or loss for the year ended 31 December 2018.

Fair value changes of financial assets at fair value through profit or loss

The management performed fair value assessment on the Escrowed Shares at fair value through profit or loss at the end of the reporting period. The 78,125,000 Escrowed Shares were converted from the 1st Ample Reach CB at the conversion price of HK$0.175 per Pre-consolidation Share. As at 31 December 2018, the market price was closed at HK$0.192 per Pre-consolidation Share. The fair value of the Escrowed Shares as at 31 December 2018 was assessed at approximately HK$15,000,000 (2017: HK$Nil), resulting in fair value changes of financial assets at fair value through profit and loss of approximately HK$1,328,000 (2017: HK$Nil) being credited to the consolidated statement of profit or loss for the year ended 31 December 2018.

Fair value changes of derivative financial assets

The management performed fair value assessment and engaged an independent valuer to conduct assessment on the redemption option derivation component for Investor CB and Zheyin Tianqin 2018 CB at the end of the reporting period. Fair value changes of derivative financial assets in the amount of approximately HK$28,747,000 (2017: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2018, details of which are set out in Note 24(a)(vi) and (vii) to the consolidated financial statements.

Loss for the year

The Group reported net loss for the year of approximately HK$78,154,000 (2017: HK$322,239,000).

CONNECTED TRANSACTIONS

On 26 January 2018, the Company entered into a subscription agreement regarding the issue by the Company of 3% per annum convertible bonds in the principal amount of HK$120,000,000 to HK Yinger under specific mandate which constitute a connected transaction. The issue of HK Yinger CB was approved by the independent shareholders at the extraordinary general meeting held on 19 March 2018.

In October 2018, the Company proposed not to exercise the Sell-Back Right in respect of Marsa which constitute a connected transaction. The non-exercise of the Sell-Back Right was approved by independent shareholders at the extraordinary general meeting held on 17 January 2019.

On 13 August 2018, the Company entered into a loan agreement with HK Yinger (a company which is wholly-owned by Mr. Yu Qigang, a director and the chairman of the Company) pursuant to which the Company obtained a six-month loan in the principal amount of HK$30,000,000 at the interest rate of 6.5% per annum. No collateral on the Group's assets was required for the said loan. The Board (including the independent non-executive directors who attended the Board meeting but excluding Mr. Yu Qigang and Mr. Chen Hanhong who abstained from voting at the Board meeting due to their directorship in HK Yinger and deemed interest in the transaction) was of the view that the provision of the loan by Mr. Yu Qigang to the Company were conducted on normal commercial terms or better and was fully exempt from all disclosure, annual review, circular and shareholders' approval requirements of the Listing Rules.

EQUITY FUND RAISING ACTIVITIES DURING THE YEAR

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
26 January 2018	Subscription of the HK Yinger CB in the principal amount of HK$120 million under specific mandate, which was completed on 23 March 2018	Approximately HK$118.2 million	For the repayment and set-off of the principal of two loans granted by HK Yinger to the Company in June and October 2017, respectively, in the aggregate principal amount of HK$120 million	Fully utilised as intended
26 January 2018	Subscription of the 6% per annum Zheyin Tianqin CB in the principal amount of HK$60 million under specific mandate, which was completed on 19 April 2018	Approximately HK$59.1 million	For settlement of the Group's debts as they fall due and/or general working capital	Fully utilised as intended
26 January 2018	Subscription of the 6% per annum Investor CB in the principal amount of HK$27.2 million under general mandate, which was completed on 8 February 2018. The Investor CB were fully converted into 160,000,000 Pre-consolidation Shares on 2 March 2018 at the conversion price of HK$0.17 per Pre-consolidation Share.	Approximately HK$26.8 million	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	Fully utilised for the settlement of the Group's debts as intended in partial repayment of the principal amount of the March 2015 CB on its maturity in March 2018
27 November 2018	Subscription of 466,000,000 Pre-consolidation Shares at HK$0.053 per Pre-consolidation Share under general mandate, which was completed on 5 December 2018	Approximately HK$24.5 million	To repay debts and to meet the Group's liabilities when they fall due	Remained unutilised as at 31 December 2018

In addition to the above, the Company has conducted the following securities issue during the year ended 31 December 2018:

(i) On completion of the Hospital Acquisition in January 2018, the Company issued 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.

(ii) Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CB on 1 March 2018, 125,000,000 Pre-consolidation 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 Pre-consolidation Share at maturity. As disclosed in the Company's announcement dated 26 October 2017, the net proceeds of HK$25,000,000 were actually raised in the year ended 31 December 2017.

(iii) 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 which the Company allotted and issued 72,619,050 Pre-consolidation Shares on 17 May 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had total assets of approximately HK$329,057,000 (31 December 2017: HK$199,769,000) and interest-bearing borrowings of approximately HK$40,486,000 (31 December 2017: HK$116,575,000), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 12.30% (31 December 2017: 58.35%).

As at 31 December 2018, the Group had net current liabilities of approximately HK$2,865,000 (31 December 2017: HK$169,817,000), being the shortfall of current assets of approximately HK$117,088,000 (31 December 2017: HK$66,237,000) below the current liabilities of approximately HK$119,953,000 (31 December 2017: HK$236,054,000), representing a current ratio of approximately 0.98 (31 December 2017: 0.28).

As at 31 December 2018, the Group had cash and bank balances (including trust and segregated accounts) of approximately HK$64,737,000 (31 December 2017: HK$33,354,000). As at 31 December 2018, the Group had cash and bank balances (excluding trust and segregated accounts) of approximately HK$52,911,000 (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 was not engaged in any hedging measures during the year ended 31 December 2018. The Group will regularly review its position and will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

CAPITAL STRUCTURE

In this section, references to shares refer to the status of affairs prior to the four-to-one Shares Consolidation which became effective on 4 March 2019.

Save as the disclosure herein, there were no changes in the capital structure of the Company during the year ended 31 December 2018.

(A) Share Capital

	Number of shares	Nominal value
		HK$'000
As at 1 January 2017 and 31 December 2017	**4,000,000,000**	40,000
Increased during the year *(Note (i))*	**16,000,000,000**	160,000
As at 31 December 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 year *(Note (ii))*	**901,744,050**	9,017
As at 31 December 2018	**2,874,196,656**	**28,742**

Notes:

(i) On 19 March 2018, the authorized share capital of the Company was increased from HK$40,000,000 divided into 4,000,000,000 Pre-consolidation Shares to HK$200,000,000 divided into 20,000,000,000 Pre-consolidation Shares.

(ii) The 901,744,050 Pre-consolidation Shares newly issued during the year ended 31 December 2018 comprises: (a) 125,000,000 Pre-consolidation Shares issued on the conversion of Zheyin Tianqin 2017 CB on 5 March 2018; (b) 160,000,000 Pre-consolidation Shares issued on the conversion of Investor CB on 5 March 2018; (c) 72,619,050 Pre-consolidation Shares issued on the conversion of the Marsa CBs on 17 May 2018; (d) 78,125,000 Pre-consolidation Shares issued on the conversion of 1st Ample Reach CB on 10 September 2018; and (e) 466,000,000 Pre-consolidation Shares issued to two subscribers at the subscription price of HK$0.053 per Pre-consolidation Shares on 5 December 2018.

(B) Share Options

Details on the movements of the share options granted under the share option scheme(s) for the year ended 31 December 2018 are set out as follows:

	2018		2017	
	Weighted average exercise price in HK$ per Pre-consolidation Share	**Number of share option**	Weighted average exercise price in HK$ per Pre-consolidation Share	Number of share option
At 1 January	**0.32**	**23,000,000**	0.32	55,800,000
Lapsed during the year	**0.32**	**(9,000,000)**	0.32	(32,800,000)
At 31 December	**0.32**	**14,000,000**	0.32	23,000,000

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.

(ii) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 Pre-consolidation Shares of the Company at an exercise price of HK$0.37 per Pre-consolidation 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 per Pre-consolidation Share 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 Pre-consolidation Shares at an exercise price of HK$0.215 per Pre-consolidation 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

Details on the movements of the convertible bonds during the year ended 31 December 2018 and the outstanding convertible bonds as at 31 December 2018 are set out in Note 24 to the 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 31 December 2018.

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no material contingent liabilities as at 31 December 2018.

As disclosed in the Company's announcement dated 4 May 2018, (i) on 3 May 2018, the Company exercised the PG Failure Cancellation Right to cancel part of the 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 which the Company allotted and issued 72,619,050 Pre-consolidation Shares on 17 May 2018 in full performance of the Company's obligations under the Marsa CBs. However, subsequent to 17 May 2018, the Company received letters from certain holder(s) of Marsa CB (or their legal advisers) seeking to challenge the Company's determination on certain of the Marsa CBs. The Company has instructed its legal adviser to uphold and protect its legal right and interest.

HUMAN RESOURCES

As at 31 December 2018, the Group has 327 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.

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. During the year ended 31 December 2018, the Company successfully recovered a payment of HK$3,300,000 from one of the Loan Receivable Borrowers. The Company has instructed its legal advisers to continue to pursue after the other borrowers.

(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 pursue after these borrowers.

(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 pursue after these borrowers.

DIVIDEND

The Directors do not recommend the payment of an annual dividend for the year ended 31 December 2018 (2017: HK$Nil).

ADDITIONAL INFORMATION RELATING TO THE QUALIFIED OPINION

The auditors of the Company issued a qualified opinion in the independent auditors' report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2018. In view of the qualified opinion, the Board would like to provide the following additional information:

Impairment losses and uncertainties on opening balances

As set out in the Company's annual report for the year ended 31 December 2017 (the "**2017 Annual Report**"), the auditors of the Company issued disclaimer of opinion in the independent auditors' report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2017. As stated in the independent auditors' report, the auditors have been unable to obtain sufficient appropriate audit evidence to satisfy themselves as to whether the opening balances of the loan receivables, the promissory note receivables, the prepayments, deposits and other receivables, the call options derivative financial instrument, and the trademark user right and the technical know-how intangible assets as at 1 January 2017 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017 (the "**Relevant Matters**"). Further information regarding the disclaimer of opinion last year is set out on pages 18 to 20 of the 2017 Annual Report.

The independent auditors' report contained in this annual report sets out the bases for the qualified opinion given by the auditors of the Company on the consolidated financial statements of the Group for the year ended 31 December 2018. The qualified opinion is because of the possible effects of the Relevant Matters on the comparability of the current year's figures and the corresponding figures. These bases for qualified opinion did not arise from different judgments between the management and the auditors. The audit committee concurred with the management in the valuation and impairment of the relevant balance sheet items. Barring unforeseen circumstances which may arise after the date hereof over the relevant balance sheet items, the Company does not expect these bases of qualification to recur in the financial statements for the year ending 31 December 2019.

The Group incurred a loss attributable to the owners of the Company of approximately HK$78,154,000 for the year ended 31 December 2018, and its current liabilities were in excess of its current assets by an amount of approximately HK$2,865,000 as at 31 December 2018, indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In relation to the material uncertainty relating to the going concern basis, the Directors adopted the going concern basis in the preparation of the consolidated financial statements and implemented measures in order to improve the working capital and liquidity and cash flow position of the Group. In particular, the Company has on 25 January 2019 entered into the Subscription Agreement with Jumbo Faith, pursuant to which Jumbo Faith conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue, 754,716,981 Subscription Consolidation Shares at the subscription price of HK$0.212 per Subscription Consolidated Share after the four-to-one Share Consolidation. The Jumbo Faith subscription completed on 3 April 2019, raising net proceeds of approximately HK$156 million. The Company is of the view that the current assets and liabilities position of the Group should be significantly improved by the completion of the subscription. After considering the management's presentation on the measures taken by the Group especially those subsequent to the financial period end as explained above, the audit committee concurred with the going concern presentation of the consolidated financial statements as adopted by the Company's management. The management will continue to try its best to raise more funding for the Company for the remainder of 2019 with the view to continuously improving the Group's financial position and removing the material uncertainty on going concern.

EXECUTIVE DIRECTORS

Mr. Yu Qigang ("Mr. Yu"), age 54, was appointed as an executive Director on 5 September 2013, the Chairman of the Board on 6 June 2017, the chairman of the nomination committee of the Company on 7 June 2017 and a member of the remuneration committee of the Company on 14 June 2017. He was a member of the Standing Committee of the Shenzhen Committee of Chinese Peoples' Political Consultative Conference during the fourth and fifth sessions from 2005 to 2015. He is the founder of Shenzhen Yinger Fashion Group Co., Ltd and has over 25 years of operation and management experience in garment and fashion industries.

Based on the disclosure of interests filings, Mr. Yu regarded himself to be deemed, pursuant to Part XV of the Securities and Futures Ordinance, to be interested in (a) 246,924,406 Consolidated Shares held by Gold Bless International Invest Limited ("**Gold Bless**"), a company which is regarded as a controlled corporation of Mr. Yu; (b) 176,470,588 underlying Consolidated Shares attributed to convertible bonds of the Company in the principal amount of HK$120,000,000 held by Fluent Robust Limited ("**Fluent Robust**"), a wholly-owned subsidiary of Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**") which is regarded as a controlled corporation of Mr. Yu; and (c) 754,716,981 Consolidated Shares held by Jumbo Faith International Limited ("**Jumbo Faith**") a company which is wholly-owned by Ms. Zhou Cuiqiong, the spouse of Mr. Yu.

Mr. Chen Hanhong ("Mr. Chen"), aged 67, was appointed as an executive Director on 1 July 2013. He has over 20 years of experience in the management and investment industries. He completed the Tsinghua Executive Master in Business Administration Research and Advanced Study Class organized by the Research Institute of Tsinghua University in Shenzhen. Mr. Chen is a director of the following subsidiaries of the Company, namely, Sino Front Limited, Victory Ford (HK) Limited, Cheerful Top Group Limited, Tai Cheng International Limited, Asia Agricultural Products Exchange Group Limited, Green Capital (Hong Kong) Limited, Big Point Investment Limited, Green Securities Limited, Green Asset Management Limited, Rainbow Star Global Limited, Eternal Spirit Developments Limited, Harmonic Felicity Limited, China Joy Holdings Limited, Faithful China Enterprises Limited, Charm Eastern Limited and Greatwide Corporation Limited.

Mr. Liu Dong ("Mr. Liu"), aged 50, was appointed as an executive Director on 13 July 2018. He has completed his undergraduate studies in Medical University of People's Armed Police Force of China (now known as Logistics University of People's Armed Police Force of China), Tianjin, China in 1996. Mr. Liu has more than 20 years of experience in financial investment, trading and property development in China and Hong Kong.

Based on the disclosure of interests filings, Mr. Liu regarded himself to be deemed, pursuant to Part XV of the Securities and Futures Ordinance, to be interested in (a) 22,865,000 Consolidated Shares held under his personal capacity and (b) 40,000,000 underlying Consolidated Shares held by Smoothly Good Investment Development Limited ("**Smoothly Good**"), a company which is wholly-owned by Mr. Liu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Hong ("Mr. Wu"), aged 59, was appointed as an independent non-executive Director on 7 November 2011, a member of the audit committee of the Company on 7 November 2011, a member of the remuneration committee and nomination committee of the Company on 30 June 2017.

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

Mr. David Tsoi ("Mr. Tsoi"), aged 71, was appointed as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Company on 12 June 2017. Mr. Tsoi was appointed as the chairman of the audit committee and the remuneration committee of the Company on 14 June 2017.

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

Mr. Wang Chunlin ("Mr. Wang"), aged 55, was appointed as an independent non-executive Director, a member of the audit committee, remuneration committee and nomination committee of the Company on 12 June 2017.

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

REPORT OF THE DIRECTORS

The Board of the Company presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

During the year under review, 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 principal activities of its principal subsidiaries are more particularly set out in Note 38 to the consolidated financial statements.

BUSINESS REVIEW

Details of business review of the Group for the year ended 31 December 2018 are set out in the section headed "Management Discussions and Analysis" of this annual report.

SEGMENT INFORMATION

Details of the Group's segmental information for the year ended 31 December 2018 are set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the accompanying consolidated financial statements. The Board does not recommend the payment of a final dividend for the years ended 31 December 2018 and 2017.

FIVE-YEAR FINANCIAL SUMMARY

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

SHARE CAPITAL

Details of movements in the Company's issued share capital during the year ended 31 December 2018 are set out in Note 23 to the consolidated financial statements and the section headed "Management Discussions and Analysis" of this annual report.

CONVERTIBLE BONDS

Details of the convertible bonds issued by the Company during the year ended 31 December 2018 and the outstanding convertible bonds as at 31 December 2018 are set out in Note 24 to the consolidated financial statements and the section headed "Management Discussions and Analysis" of this annual report.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity and Note 38 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2018 and 2017 were HK$Nil.

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 of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2018 are set out in Note 15 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Yu Qigang *(Chairman)*
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)
Mr. Zeng Xiangdi (resigned on 29 November 2018)

Non-executive Director

Ms. Yu Jiaoli (resigned on 13 July 2018)

Independent Non-executive Directors

Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin
Ms. Sun Zhili (resigned on 30 September 2018)

Biographical Details of Directors

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

Director's Service Contracts

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

Executive Directors	Service agreement commencement date	Service period	Notice period for termination by either party
Mr. Yu Qigang	1 June 2017	3 years	1 month
Mr. Chen Hanhong	1 June 2017	3 years	1 month
Mr. Liu Dong	13 July 2018	3 years	1 month

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

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

Emoluments of the Directors and the Five Highest Paid individuals

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Note 11 to the consolidated financial statements.

Directors' Right to Acquire Shares or Debentures

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

Directors' Interests in Contracts of Significance

Save for the subscription agreement dated 26 January 2018 entered into with HK Yinger, the loan agreement dated 13 August 2018 entered into with HK Yinger and the non-exercise of the Sell-Back Right in respect of Marsa, no contracts of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

None of the Directors and management shareholders of the Company nor any of their respective associates had an interest in a business which competes or may compete with the business of the Group during the year ended 31 December 2018.

Confirmation of Independence by Independent Non-executive Directors

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 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 3)*
Mr. Yu Qigang	Interest of controlled corporations	1,693,579,979 *(Note 1)*	58.92%
Mr. Liu Dong	Beneficial owner and interest of controlled corporation	251,460,000 *(Note 2)*	8.75%

Notes:

1. These 1,693,579,979 shares and underlying shares deemed to be interested by 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

   (b) 987,697,627 shares 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 Wang Jian ("**Mr. Yang**"), a 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) the 987,697,627 Shares held by Gold Bless are maintained with a licensed financial institution; and (iv) pursuant to the order of the High Court of Hong Kong, Mr. Yang 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. 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 ("**Mr. Liu**") personally; and (b) 160,000,000 shares held by Smoothly Good, a controlled corporation wholly-owned by Mr. Liu. 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.

3. The percentages are calculated based on the total number of 2,874,196,656 issued shares as at 31 December 2018.

4. The number of shares illustrated above are before the four-to-one Share Consolidation approved by shareholders at the extraordinary general meeting of the Company held on 1 March 2019 and took effect on 4 March 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 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)*	24.56%
Fluent Robust	Beneficial owner	705,882,352 *(Note 1)*	24.56%
Mr. Yang	Interest of controlled corporation	987,697,627 *(Note 2)*	34.36%
Gold Bless	Beneficial owner	987,697,627 *(Note 2)*	34.36%
Mr. Li Wen Hua	Interest of controlled corporation	352,941,176 *(Note 3)*	12.28%
Crown Hang International Investment Limited	Beneficial owner	352,941,176 *(Note 3)*	12.28%
Ms. Ye Keyi	Beneficial owner	266,000,000	9.25%
Mr. Huang Zhenxia	Interest of controlled corporation	234,375,000 *(Note 4)*	8.15%
Ample Reach	Beneficial owner	234,375,000 *(Note 4)*	8.15%
Ms. Ye Yingying	Beneficial owner	204,400,000	7.11%
Smoothly Good	Beneficial owner	160,000,000 *(Note 5)*	5.57%

Notes:

1. 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.

2. 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, a 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.

3. According to disclosure of interest filings, these 352,941,176 underlying shares are attributable to the Zheyin Tianqin 2018 CB which were reportedly owned by Crown Hang International Investment Limited ("**Crown Hang**"), a company which is reportedly owned as to 100% by Mr. Li Wen Hua ("**Mr. Li**") and Crown Hang's deemed interests in underlying Shares duplicate with each other.

4. According to disclosure of interest filings, these 234,375,000 shares and underlying shares deemed to be interested by Mr. Huang Zhenxia ("**Mr. Huang**") and Ample Reach (the vendor of the Hospital Acquisition) comprised (a) 78,125,000 shares (the "**1st Ample Reach CB Conversion Shares**") held by Ample Reach, a controlled corporation wholly-owned by Mr. Huang; (b) 78,125,000 underlying shares attributable to the 2nd Ample Reach CB; and (c) 78,125,000 underlying shares attributable to the 3rd Ample Reach CB. As disclosed in the Company's announcement dated 29 March 2019, the 1st Ample Reach CB Conversion Shares were liable to be sold by the Company and the 2nd Ample Reach CB was cancelled, in each case due to the non-fulfillment of the second profit guarantee of the Hospital Acquisition. Mr. Huang and Ample Reach's deemed interests in underlying shares duplicated with each others.

5. According to disclosure of interest filings, these 160,000,000 shares held by Smoothly Good, a controlled corporation wholly-owned by Mr. Liu. Mr. Liu and Smoothly Good's deemed interests in 160,000,000 shares duplicated with each others. The deemed interest of Smoothly Good here duplicates with those of Mr. Liu as described in Note 1(a) in the section headed "Directors' Interests in Shares" above.

6. The percentages are calculated based on the total number of 2,874,196,656 issued shares as at 31 December 2018.

7. The number of shares illustrated above are before the four-to-one Share Consolidation approved by shareholders at the extraordinary general meeting of the Company held on 1 March 2019 and took effect on 4 March 2019.

Save as disclosed above, as at 31 December 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.

SHARE OPTION SCHEME

Details on the movements of the share options granted under the share option scheme(s) for the year ended 31 December 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)
At 31 December 2018	**0.32**	**14,000,000**

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.

(ii) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 Pre-consolidation Shares of the Company at an exercise price of HK$0.37 per Pre-consolidation 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 per Pre-consolidation Share 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 Pre-consolidation Shares at an exercise price of HK$0.215 per Pre-consolidation 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.

CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue attributable to the Group's five largest customers combined was less then 30% of the Group's total purchases and sales, respectively.

MANAGEMENT CONTRACTS

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

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 36 to the consolidated financial statements, at no time during the year had the Company or any of its subsidiaries entered into any contract of significance with any controlling shareholder of the Company or any entities beneficially owned by such controlling shareholder(s).

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

AUDIT COMMITTEE

As at the date of this annual report, the audit committee comprises three independent non-executive directors, namely Mr. David Tsoi (Chairman), Mr. Wu Hong and Mr. Wang Chunlin. 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 audited consolidated financial statements of the Group for the year ended 31 December 2018 have been reviewed by the audit committee of the Company.

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 were audited by HLB Hodgson Impey Cheng Limited ("**HLB**") whose term of office will expire upon the forthcoming annual general meeting. The audit committee has recommended to the Board of the Company that HLB be re-appointed as the auditors of the Company at the forthcoming annual general meeting.

EVENTS AFTER THE REPORTING PERIOD

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

On behalf of the Board

Yu Qigang
Chairman of the Board

Hong Kong, 29 March 2019

CORPORATE GOVERNANCE PRACTICES

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

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 year from ended 31 December 2018 (the "**Year**"), 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 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 Year.

(iv) With respect to Code Provision C.1.3, unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis. The Directors are aware of material uncertainties that may cast doubt on the Company's going concern as stated in the independent auditors' report. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The consolidated financial statements do not include any of these adjustments that would result from the failure to continue to operate as a going concern.

(v) With respect to Code Provisions C.2.1, C.2.2 and C.2.4, (a) the Board is responsible for the risk management and internal control systems and reviewing their effectiveness; (b) the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss; (c) the Company has adopted an internal control policy requiring proper financial reporting and record keeping; (d) 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; (e) the review should cover all material controls, including financial, operational and compliance controls and risk management functions; and (f) 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, including suggested improvements on the monitoring and approval procedures in relation to records keeping.

(vi) 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 Year.

(vii) In relation to A.2.1 of the CG Code, the roles of chairman and Chief Executive Officer (the "**CEO**") should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and CEO should be clearly established and set out in writing. During the year, Mr. Yu Qigang is the Chairman of the Company but since the resignation of Mr. Zeng Xiangdi on 29 November 2018, the position of CEO is vacated. The Company intends to identify satisfiable candidate to fill the vacancy.

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS OF LISTED ISSUERS

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (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 Year.

THE BOARD OF DIRECTORS

Responsibilities

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

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

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

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

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

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

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

All Directors have full and timely access to all relevant information in relation to the Group as well as advice from and services provided by the company secretary of the Company, if and when required, with a view to ensure that the procedures are in compliance and all applicable rules and regulations are followed.

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

Composition

The Board currently comprises three (3) executive Directors, three (3) independent non-executive Directors from different business and professional fields. The Directors, including independent non-executive Directors, have brought a balance of valuable and diversified businesses and professional expertise, experiences and independent judgment to the Board for its efficient and effective management for the Group's business.

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

Executive Directors

Mr. Yu Qigang *(Chairman)*
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)
Mr. Zeng Xiangdi (resigned on 29 November 2018)

Non-executive Director

Ms. Yu Jiaoli (resigned on 13 July 2018)

Independent Non-executive Directors

Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin
Ms. Sun Zhili (resigned on 30 September 2018)

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

Chairman and Chief Executive

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

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

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

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

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

Since the resignation of Mr. Zeng Xiangdi on 29 November 2018, the position of CEO is vacated. The Company intends to identify satisfiable candidate to fill the vacancy.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed at least three (3) independent non-executive Directors, of whom Mr. David Tsoi have appropriate professional qualifications and related experience in financial matters.

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

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

Company Secretary

During the Year, Mr. Chan Chun Kau was the Company Secretary of the Company. Mr. Chan is a solicitor in Hong Kong. The company secretary is responsible to the Board for overseeing the conduct of the meeting and compliance with applicable law, rules and regulations. During the year, Mr. Chan undertook 15 hours or more of professional training to update his skills and knowledge.

Appointment and Re-election of Directors

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

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

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

Induction and Continuing Professional Development for Directors

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

Directors	Type of trainings *(Notes)*
Executive Directors	
Mr. Yu Qigang *(Chairman)*	(b)
Mr. Chen Hanhong	(b)
Mr. Liu Dong (appointed on 13 July 2018)	(b)
Mr. Yang Wang Jian (retired on 7 June 2018)	unknown
Ms. Eva Au (retired on 7 June 2018)	(b)
Mr. Zeng Xiangdi (resigned on 29 November 2018)	unknown
Non-executive Director	
Ms. Yu Jiaoli (resigned on 13 July 2018)	(b)
Independent Non-executive Directors	
Mr. Wu Hong	(b)
Mr. David Tsoi	(b)
Mr. Wang Chunlin	(b)
Ms. Sun Zhili (resigned on 30 September 2018)	(b)

Notes:

(a) attending seminars and/or training sessions

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

Directors' and officers' liability insurance and indemnity

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

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

Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing the Group's financial statements. The financial statements for the year ended 31 December 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

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

Going Concern Basis

With respect to Code Provision C.1.3, unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis. The Directors are aware of material uncertainties that may cast doubt on the Company's going concern as stated in the independent auditors' report contained in this Annual Report. The Group incurred a loss attributable to the owners of the Company of approximately HK$79,454,000 for the year ended 31 December 2018, and its current liabilities were in excess of its current assets by an amount of approximately HK$2,865,000 as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the Company.

The consolidated financial statements for the year ended 31 December 2018 have been prepared on a going concern. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in view of the fact that the Group incurred a loss of approximately HK$78,154,000 during the year ended 31 December 2018 and had net current liabilities of approximately HK$2,865,000 as at 31 December 2018.

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

(1) Alternative sources of external funding

On 25 January 2019, the Company entered into a subscription agreement (the "**Subscription Agreement**") with Jumbo Faith International Limited (the "**Subscriber**") pursuant to which the Company conditionally agreed to allot and issue to the Subscriber 754,716,981 consolidated shares at the subscription price of HK$0.212 per subscription consolidated share ("**Subscription**"). The net proceeds to be raised for Subscription are expected to be approximately HK$156,000,000.

(2) Financial support

Director's controlled corporation has agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fail due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2018.

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

Board Meetings

During the Year, ten (10) Board meetings were held and the individual attendance of each Director is set out below:

Directors	Attendance
Executive Directors	
Mr. Yu Qigang *(Chairman)*	9/10
Mr. Chen Hanhong	10/10
Mr. Liu Dong (appointed on 13 July 2018)	4/4
Mr. Yang Wang Jian (retired on 7 June 2018)	4/5
Ms. Eva Au (retired on 7 June 2018)	4/5
Mr. Zeng Xiangdi (resigned on 29 November 2018)	9/10
Non-executive Director	
Ms. Yu Jiaoli (resigned on 13 July 2018)	4/6
Independent Non-executive Directors	
Mr. Wu Hong	9/10
Mr. David Tsoi	10/10
Mr. Wang Chunlin	7/10
Ms. Sun Zhili (resigned on 30 September 2018)	6/8

BOARD COMMITTEES

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

The majority of the members of each Board committee are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

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

Members of Audit Committee

Mr. David Tsoi *(Chairman)*
Mr. Wu Hong
Mr. Wang Chunlin
Ms. Sun Zhili (resigned on 30 September 2018)

As at the date of this annual report, the Audit Committee comprises three (3) independent non-executive Directors, namely, Mr. David Tsoi (chairman of the Audit Committee). Mr. Wu Hong and Mr. Wang Chunlin.

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

The primary functions of the Audit Committee include:

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

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

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

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

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

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

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

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

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

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

Name of Members	Attendance
Mr. David Tsoi *(Chairman)*	4/4
Mr. Wu Hong	4/4
Mr. Wang Chunlin	4/4
Ms. Sun Zhili (resigned on 30 September 2018)	4/4

Remuneration Committee

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

Members of Remuneration Committee

Mr. David Tsoi *(Chairman)*
Mr. Yu Qigang
Mr. Wu Hong
Mr. Wang Chunlin
Ms. Sun Zhili (resigned on 30 September 2018)

As at the date of this annual report, the Remuneration Committee comprises the Chairman of the Board, Mr. Yu Qigang, and three (3) independent non-executive Directors, namely, Mr. David Tsoi (chairman of the Remuneration Committee), Mr. Wu Hong and Mr. Wang Chunlin.

The primary functions of the Remuneration Committee include:

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

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

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

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

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

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

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

(ii) assessing the performance of executive Directors;

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

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

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

Name of Members	**Attendance**
Mr. David Tsoi *(Chairman)*	2/2
Mr. Yu Qigang	2/2
Mr. Wu Hong	1/2
Mr. Wang Chunlin	2/2
Ms. Sun Zhili (resigned on 30 September 2018)	1/2

Remuneration Paid to Members of Senior Management

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

	Number of Individuals
HK$Nil — HK$1,000,000	10
HK$1,000,001 or above	1

Nomination Committee

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

Members of Nomination Committee

Mr. Yu Qigang *(Chairman)*
Mr. David Tsoi
Mr. Wang Chunlin
Mr. Wu Hong
Ms. Sun Zhili (resigned on 30 September 2018)

As at the date of this annual report, the Nomination Committee comprises the Chairman of the Board, Mr. Yu Qigang (also chairman of the Nomination Committee), and three (3) independent non-executive Directors, namely, Mr. David Tsoi, Mr. Wu Hong and Mr. Wang Chunlin.

The primary functions of the Nomination Committee include:

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

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

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

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

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

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

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

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

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

Name of Members	**Attendance**
Mr. Yu Qigang *(Chairman)*	2/2
Mr. David Tsoi	2/2
Mr. Wu Hong	1/2
Mr. Wang Chunlin	2/2
Ms. Sun Zhili (resigned on 30 September 2018)	1/2

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year was duly held on 7 June 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

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

BOARD DIVERSITY POLICY

The Company adopts the Board diversity policy (the "**Board Diversity Policy**") in accordance with the requirement set out in the CG Code. The Company recognizes that the Board diversity is an essential element contributing to the sustainable development of the Company. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to the skills, knowledge, gender, age, cultural and educational background or professional experience. All Board appointments are based on merits and considered against a variety of objective criteria, having due regard for the benefits of diversity on the Board.

NOMINATION POLICY

The Company has a nomination policy of having a board of directors with a diversity of skills and experience. The selection and proposed appointment of the Directors are submitted to the approval of both the Nomination Committee of the Company and the Board, and the re-election of Directors is conducted in accordance with the Articles. The criteria of assessing a candidate include his/her ability to devote sufficient time and attention to participate in the affairs of the Company including the attendance of Board meetings and serving on committees, to bring business experience to the Board and to contribute to the Board diversity. If the candidate is proposed to be appointed as an independent non-executive Director, his/her independence shall be assessed in accordance with the requirements under the Listing Rules. The totality of the candidate's education, qualifications and experience shall be evaluated in assessing his/her suitability.

DIVIDEND POLICY

The Company adopts a dividend policy, taking into consideration all circumstances including the following factors before declaring or recommending dividends: (i) the current and projected financial performance of the Company; (ii) the growth and investment opportunities; (iii) other macro and micro economic factors; and (iv) other factors or events that the Board may consider relevant or appropriate from time to time. The payment of dividend is also subject to any restrictions under the applicable laws and the Articles.

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 were audited by the HLB whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

AUDITORS' REMUNERATION

A summary of services provided by the external auditors for the year ended 31 December 2018 and their corresponding remuneration are as follows:

Nature of service	**Amount** *HK$'000*
Audit service	1,500
Non-audit service	100

SHAREHOLDERS' RIGHTS

Procedures for shareholders to put forward enquiries to the Board

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

Procedures for attending general meetings and demanding poll

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The chairman of the Board as well as the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee, or in their absence, other members of the respective committees, is available to answer questions at the shareholders' meetings. Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. During the year, there was no significant change in the constitutional documents.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders issued during the financial year ended 31 December 2018, and will be explained during the proceedings of meetings.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all the resolutions set out in the notice of the forthcoming annual general meeting of the Company will be voted by poll, and the poll results will be published on the websites of the Company and the Stock Exchange on or before the business day following the shareholders' meeting.

Procedures for shareholders to convene an extraordinary general meeting

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

Procedures for shareholders to put forward proposals at general meetings

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

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

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

COMMUNICATIONS WITH SHAREHOLDERS

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

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

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

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

INVESTOR RELATIONS

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

A. DEFINITION AND INTERPRETATION

Throughout this report, the following terms, except where the context otherwise requires, have the following meanings:

- **Group** : refers to GREEN INTERNATIONAL HOLDINGS LIMITED and its subsidiaries
- **ESG** : means ENVIRONMENTAL, SOCIAL AND GOVERNANCE
- **Appendix 27 or ESG Reporting Guide** : refers to the Appendix 27 — Environmental, Social and Governance Reporting Guide of the Listing Rules
- **KPIs** : means Key Performance Indicators
- **Listing Rules** : means the Rules Governing the Listing of Equity Securities on the GEM of the Stock Exchange of Hong Kong Limited
- **HKEx** : means The Stock Exchange of Hong Kong Limited

B. OVERVIEW

(I) OPERATIONS, SCOPE AND REPORTING PERIOD

This is the third Environmental, Social and Governance ("**ESG**") report by Green International Holdings Limited (the "**Company**"), together with its subsidiaries (referred to as the "**Group**"), reviewing and disclosing its ESG performance in accordance with the ESG Reporting Guide (the "**ESG Reporting Guide**") outlined in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEx**"), for the period from 1 January 2018 to 31 December 2018 (the "**Reporting Period**"). The ESG report has been reviewed and approved by the board of the Company (the "**Board**").

Group is now principally engaged in the 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. This is the first ESG report to include our new health and medical related services operations following the acquisition of the Phoenix and Zizhong hospitals in the PRC in January 2018. These operations include internal medicine, hemodialysis treatment, general surgery, Chinese medicine, laboratory medicine and medical imaging.

(II) THE GROUP'S COMMITMENTS, MANAGEMENT AND ACTIONS

We are committed to being a socially and environmentally responsible company, and sustainable development is an integral part of the Group's short and long-term business strategy. Our ESG strategies are based on compliance with relevant legal and regulatory requirements, the principle of sustainability and opinions from our key stakeholders. The Board has overall responsibility for the ESG strategy and reporting as set out in the ESG Reporting Guide and determines and approves the ESG strategies, policies and guidelines for implementation by the Chief Executive Officer.

We have introduced internal systems across the Group to constantly manage, monitor, review and update, if necessary, and communicate them with our employees, clients, suppliers, regulators and the communities in which we operate. Details of the management approaches to sustainable development of different areas are illustrated in the ESG report and include:

- lessen the impact on the environment including our use of natural resources;
- provide a safe and pleasant working environment for our employees and clients;
- comply with legal and regulatory requirements;
- adhere to high ethical standards; and
- and contribute back to the communities in which we operate.

Since our first ESG report in 2016, the Group has identified the following material aspects (and adopted relevant KPIs from them) and we have monitored and managed them strictly in accordance with our policies and guidelines and in compliance with the relevant legal and regulatory standards:

- Environmental safety and pollution;
- Working Conditions and employee development, health and safety;
- Adhere to high ethical standards and comply with all legal and regulatory requirements;
- Public Safety and Security;
- Privacy Information Protection; and
- Anti-corruption.

As this is the first year where we have developed the new hospital and medical services business, we are still developing and refining the KPIs and the information processes required to monitor and accurately report these. We will include new and more expressive KPIs and breakdowns in future ESG reports.

1. ENVIRONMENTAL MATTERS AND RELATED KPIs

Environmental protection is one of the key focuses of the Group in fulfilling its social responsibilities. The Group is committed to minimizing its environmental impact through environmental protection and prevention and minimization of pollution. As a responsible company, the Group provides high quality services, whilst being energy, water and resource usage efficient and strictly complying with all local environmental laws and regulations including the Environmental Protection Law of the PRC. We have implemented policies and taken measures to ensure our operations and activities minimize any adverse impacts on and to prevent pollution to the environment.

The Group has applied the 4R Principle (i.e. Reduce, Reuse, Replace and Recycle) to implement a variety of waste reduction measures. In order to reduce the packaging materials waste, packaging materials were re-used as storage boxes where possible, carton boxes used in transportation process were re-used and products with less or eco-friendly packaging materials were procured. The Group also strives to reduce paper waste by working towards a paperless office. In this regard for our reporting and instructive documentations, where possible we disseminate through electronic means such as email and WeChat and information is saved in electronic format. Whenever paper consumption is necessary, employees are encouraged to use double sides of paper to maximize the utilization of paper.

During the Reporting Period, the Group was not aware of any material non-compliance issue in relation to any environmental laws.

1.1 Emissions and Wastes — Policies and Compliance with Relevant Laws

(i) Air Emission

(a) Non-Hazardous Air Emissions

The operation and activities of the Group do not generate any hazardous greenhouse gases emission, and the only the non-hazardous gas emission of Carbon Dioxide (CO_2) is generated indirectly from the use of electricity and vehicle fuel across all our operations.

During the Reporting Period, the Group fully commenced its hospital and medical services operations in the PRC which have added to the Group's total electricity consumption. Overall, the Group's operation generated 1,851,380.78 tonnes of CO_2 indirectly from the use of electricity and fuel.

(b) Hazardous Air Emissions

The Group operates vehicles to provide transport to customers. During the report period, a total of 4,840g NOx, 95.5g Sox, and 356.34g PM were generated. Although the amounts were not significant, the Group is considering to minimize these hazardous gases emission by replacing the fossil fuel based vehicles with electric ones in future.

(c) Hazardous and Non-Hazardous Wastes emission

The Group advocates natural and pollution-free philosophy in service delivery. All products are sourced from pure natural ingredients and would not generate any hazardous waste. For non-hazardous waste, domestic waste was the major non- hazardous waste generated from the Group's operations. The major hazardous wastes were light bulbs, printer toner cartridges, batteries and obsolete computer and small machines during the period. All these hazardous wastes were collected by qualified collectors for further handling.

With the commencement of hospital and medical services operations, the Group has now started to produce hazardous and non-hazardous medical treatment waste in solid and liquid form as well as to utilise chemical gas (oxygen and nitrogen) as part of medical services. As these operations grow, the Group will endeavour to develop KPIs to measure these and report this in future ESG reports to our stakeholders.

On non-hazardous wastes, due to the nature of our business, certain sewage and garbage, mainly non-hazardous emissions from solid wastes are produced in the kitchen operations in our wellness centre and hospitals. The sewage and garbage is collected daily in our establishments to ensure and maintain hygienic conditions and this includes grease traps in our kitchens to prevent the seepage of oil into the waste water system.

Across all our operations we proactively separate our waste where possible into recyclable and non-recyclable materials. Our offices, only daily living waste from staff and recyclable waste (including paper, pharmaceutical packaging materials for goods sold and purchased) from daily operation, and the amount was not substantial. All of them are non-hazardous and were collected and discharged separately.

During the Reporting Period, the Group had not received any complaints or warning notices from relevant government authorities on our wastes discharge and disposal.

(d) Mitigation Measures on Emission and Results

Given the previous nature of our business activities, the Group did not produce much hazardous and non-hazardous emissions. However, with the new hospital and medical services operations, we have commenced activities that potentially produce much larger volumes of hazardous and non-hazardous emissions, particularly medical treatment waste both in solid and liquid form.

As a responsible corporation, we are conscious of the effects our operations may have on the environment at all times and constantly strive to maximise energy efficiency and minimise waste by integrating eco-friendly measures to reduce the environmental impact of our daily operations. We encourage the economic and efficient use of resources, while enhancing our recycling efforts to prevent the waste of resources. We have taken the following special measures to reduce the emission of air and greenhouse gas, discharges into water and land, and generation of hazardous and non-hazardous waste, as well as to save energy in our daily operations:

- Encourage the establishment of a waste-classification system and the practice of recycling used papers and double-sided printing in workplace;
- Reduce unnecessary business trips and promote the use of information technology such as video conference;
- Adjust the temperature of our offices appropriately and switch office equipment to energy-saving mode, such as the automatically power down of printers and computers after a period of inactivity, to economize the use of electricity;
- Utilize temperate and lighting controls and efficient energy bulbs where possible operations so as to reduce energy inefficiencies;
- Utilize recycled packaging and products in our kitchen/meal preparation operations;
- Encourage water-saving habits of our staff; and
- Use of electronic platforms such as WeChat to provide non-paper-based analysis and information and receipts to patients in our hospital and to customers.

As a result, the Group did not have any air emission and wastes discharges related fines or warning notices from the relevant environmental agencies in the PRC in 2018.

1.2 Use of Resources — Policies on Efficient Use of Resources

The Group aims to promote the saving of resources and has implemented various energy and water saving measures in order to improve the resources saving performance and achieve operational optimization while complying with the Law of the People's Republic of China on Energy Conservation. The Group mainly uses electricity and fresh water. We also use gas and cooking oil in our kitchen/meal preparation activities at our hospitals and wellness centre and consume a small amount of gasoline fuel for our small transport fleet.

Although the Group's activities and operations do not generate much environmental hazards, we are committed to act environmentally responsibly and aim at minimizing the impact on the environment. We promote smart usage to reduce consumption of electricity, fresh water, gas and paper through the introduction of various measures disclosed above and in last year's ESG reporting.

(i) Electricity and Fuel Consumption

The major source of the Group's energy consumption was electricity with minimal fuel consumption (64,789km or approximately 647.89L of fuel). To reduce energy consumption, the Group regularly monitors its electricity consumption across all parts of its operations and advocates various energy conservation strategies. The Group has purchased low-power electrical appliances and energy-saving products, such as refrigerators and washing machines with energy-saving labels, in which less energy is consumed during their operations. The air-conditioning in operations has been controlled by the property management office and operates only during business hours. Furthermore, it has been maintained at an appropriate temperature (e.g. 26 degrees Celsius) to minimize electricity consumption. In order to strengthen energy saving awareness of our employees, energy saving slogans have been posted at the entrances and power control switches to encourage employees to save energy.

During the Reporting Period, the Group consumed an aggregate of 2,695,998 Kwh of electricity of which 525,290 Kwh was for hospital and medical services operations and 2,170,708 Kwh was for beauty and wellness operations. This was a total increase of 303,638 Kwh. However, this entire increase was due to the inclusion of the hospital and medical services operations and thus the Group on a like for like basis actually achieved a reduction in electricity usage of 9.26% or 221,652 Kwh. We also consumed 122,255 cubic metres of gas in our kitchen/meal preparation areas of both our hospitals and beauty and wellness operations. The Group will continue to implement energy efficient processes throughout its operations.

(ii) Water Consumption

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

Water is supplied from the city central water systems in the cities in which we operate in the PRC and there are no problems with water supply. Overall, with the first inclusion of hospital and medical services operations, our Group consumed a total of 67,393 cubic metres of water of which the hospitals contributed 23,578 cubic metres or 35% and our beauty and wellness services contributed 43,815 cubic metres or 65%. We note that on a like for like basis, we reduced our consumption of water in our beauty and wellness operations by 4,173 cubic metres or 8.7% over 2017. We will continue to monitor this KPI closely.

(iii) Paper and Packaging Materials Consumption

Given its business nature, the Group does not use much paper and packaging materials. Paper is mainly for printing and writing purposes in the offices and administration areas of our operations.

1.3 Environment and Natural Resources — Policies on Minimizing Significant Impacts

As discussed above and in our previous ESG reports, the Group's operations do not generate many environmental hazards nor utilise many natural resources. With the commencement of hospital and medical services operations we are even more acutely aware of this and have instigated strong operational procedures to ensure this. We have not polluted any air, water and land, and have complied with all the environmental laws and regulations of the regions in which we have operations.

As a responsible corporation, the Group is committed to conserving resources in order to reduce its impact on the environment as well as saving operation costs. We continue to actively promote energy efficiency, conservation and environmental awareness to our employees and stakeholders. As set out in our environmental policies, staff should pay attention to the use of air conditioning and electricity, and implement practices such as turning off lights, air conditioning and computers when not in use. We encourage the regular maintenance and prolonged use of our computers, printers, fax machines, photocopiers, POS machines and other common office and retail equipment to reduce the frequency of replacement. We cooperate with the local government agencies and support environmental organizations' activities to build a "green" society. The Group has also implemented green purchasing practices and best practice technologies to conserve natural resources where applicable.

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

2. SOCIAL MATTERS AND RELATED KPIs

The Group strives to create a harmonious and prosperous society and build mutually beneficial relationships with our stakeholders, including our employees, customers, suppliers, communities, as well as the public and government authorities. We incorporate our long-term corporate development goals with considerations on the various stakeholders and society in which we operate while formulating our ESG strategies and policies.

2.1 Employment and Labour Practices

2.1.1 Employment — Policies and Compliance with Relevant Laws

The Group recognises its continued success and the key to its competitiveness depends highly on the skills and commitment of its employees. The Group is committed to maintaining a safe and equal working environment for our employees, providing development opportunities and promoting employees' health and well-being. Our staff handbook demonstrates this commitment and covers the Group's standards in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare.

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

We provide equal employment opportunities for all without discrimination in hiring, promotion, dismissal, remuneration, benefits, training and development. Our recruitment and selection process is based on merit, in respect of essential and desirable criteria of the job nature and in line with the policy of equal opportunity. Fair and impartial performance appraisals are conducted to rank and adjust job positions in accordance with the Group's rules and regulations.

The Group operates at all times in strict compliance with the Labour Law of the PRC, the Labour Contract Law of the PRC and other applicable laws and regulations in the PRC.

During the Reporting Period, the Group was not aware of any material non-compliance with those applicable laws and regulations relating to employment.

(i) Employment Mix

At 31 December 2018, including the hospital and medical services operations the Group's total head count increased to 327 employees, in which, 310 employees were stationed in the PRC and 17 employees are Hong Kong headquarters staff. Among the employees in the PRC, a total of 59 or 19.0% were managerial grade and all the remaining 251 employees or 81.0% were operational or general grade. In terms of diversity, 59 or 19.0% were male and 251 or 81.0% were female. In terms of age mix, 137 (44.2%) were under 30 years of age, 86 (27.7%) were between 31-40 years, 53 (17.1%) were 41-50 years, 21 (6.8%) were 51-60 years and 13 (4.2%) were over 60 years of age. Overall, the new hospital and medical services operations added a total of 119 new employees to our Group.

(ii) Employee Compensation and Benefits — Policies and Compliance with Relevant Laws

The Group's employees' salary and compensation packages are a major material ESG. At all times we are in strict compliance with relevant laws and regulations including the Labour Law of the PRC (《中華人民 共和國勞動法》) and Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) to provide remuneration not less than the applicable statutory minimum wage, overtime compensation and social insurance to employees. Employees are also entitled to various fringe benefits such as statutory holidays, paid annual and maternity leaves, etc.

The Group has created a fair and non-discriminatory atmosphere where male and female staff are equally entitled to employment and promotion opportunities, as well as the prevention of child labour and forced labour.

All employees are required to sign a contract with the Group, which contains terms and conditions according to the local labour laws. We have developed clear rules and regulations to provide provisions on remuneration, dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity and other benefits as well as welfare for employees.

All remuneration packages are linked to individual performance, the Group's business performance, and taking into consideration of industry practices and market conditions, and are reviewed on an annual basis. Our senior management regularly organise meetings with the employees to listen to their concerns and thereafter to take appropriate actions, and also arranged social and sport events in which the employees could participate for relaxation.

The Group did not have any employment related legal disputes on record in the year 2018.

2.1.2 Health and Safety — Policies and Compliance with Relevant Laws

The Group is committed to provide a safe, healthy and pleasant working environment to the employees and to protect them from work-related injuries by implementing occupational health and safety policies and safety training. We have equipped all our operations with adequate equipment and facilities to ensure safety and convenience to employees. All permanent staff have been covered with social, medical and accidental insurance as required by laws. We operate in strict compliance with the Law of the PRC on Prevention and Control of Occupational Diseases and other applicable laws and regulations in the PRC.

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

To enhance the quality of indoor air, all service areas are equipped with ventilation and fresh air systems. The air outlets are cleaned regularly to reduce the dust level and increase efficiency of the ventilation system. The Group also places a great emphasis on the safety of the instruments by requiring instrument suppliers to provide relevant testing certificates, conduct regular functional and safety checks on the instruments, arranging maintenance of all electrical appliances and conducting safety checks regularly.

Risk of fire is minimised by installing equipment in all facilities such as emergency lights, fire extinguishers, fire alarms and fire hydrants that have been tested and approved by the fire service authority.

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

There were no fatalities, work injury, occupational health and safety hazard cases recorded for year 2018, same as 2017.

2.1.3 Development and Training — Policies on Improving Employees' Knowledge and Skills

The Group is aware of the value and contribution of its employees, and is willing to invest and to offer training and development courses for them to enhance their capabilities. We have implemented a system that links our employees' remuneration and promotion to their work experience, capabilities and performance, which incentivizes their proactivity and eagerness of advancement through continuous learning.

The human resources department is responsible for employee training and our Group has introductory and continuous training programs, and the relevant policies and guidelines in respect of their respective posts, for our employees to ensure the consistency of our high-quality customer services across all of our operations.

The Group has continued to offer training programs and job rotation based on employees' willingness, potential competence and business development needs. The training programs include in-house and external training courses, seminars, workshops and conferences, regular sharing sessions, peer learning, on-the-job coaching and the self-study of training materials compiled by the Group management. Work safety training are also provided to our operational staff. We review our training programs based on market trends and updates as well as changes in compliance and regulatory environment. Employees are also encouraged to attain relevant examination and obtain relevant certificates to enhance personal performance.

In 2018, we provided a total of 7,224 hours of training to over 100 of our employees, mostly from the operational hospital level.

2.1.4 Labour Standards — Policies and Compliance with Relevant Laws

In 2018, there were no labour strikes within the Group and we did not experience any material labour disputes nor any material insurance claims related to employees' injuries.

Equal opportunities have been given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees have not been discriminated against or deprived of opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws. We firmly believe that we have maintained a good working relationship with our employees. The Group also did not experience any material safety problems and no material safety accidents occurred due to the fault of the Group.

The Group is committed to supporting the effective abolition of child labour. The Group has strictly complied with the Labour Law of the PRC and Labour Contract Law of the PRC and other relevant laws and regulations in the PRC. The Group has formulated regulations on managing the prohibition of child labour. All new job applicants are required to present their identity cards for age verification. Individuals under the age of 16 or without identification documents are disqualified from employment. The Group prohibits child labour and also upholds the elimination of all forms of forced labour and compulsory labour in accordance with relevant legislation ensuring that all work be performed on voluntary basis at all times. We regularly monitor information and data related to employment to prevent non-compliance with rules on child labour and forced labour.

We are not aware of any material non-compliance with the relevant standards, rules and regulations in relation to our employment and labour practices in 2018.

2.2 Operating Practices and Social Investment

2.2.1 Supply Chain Management — Policy on Managing Environmental and Social Risks

Supply chain management in the ESG Reporting Guide mainly refers to management of sourcing and procurement. The Group has established a material and supplier management system, covering the process and procedure for procurement.

In order to manage and mitigate the environmental and social risks in the supply chain, the Group has established diverse and stringent procedures for the selection of and consistent monitoring of suppliers and products carefully, and maintains a stable relationship with qualified suppliers through strict selection criteria and supplier assessment. The Group has also integrated sustainability into our supply chain by purchasing products and equipment that cause minimal impact on the environment. All procurement contracts and agreements now include an evaluation of the suppliers' environmental performance. For example, the Group requests its suppliers to select low-energy consumption means for reasonable planning of goods delivery and storage.

Based on the requirements and plans of the respective departments and categories of purchases, the Group usually places orders through price competitiveness and shortlisting, and chooses suppliers through a screening and evaluation process. Our suppliers are selected carefully based on a set of selection criteria, which includes (i) ability to meet specification and standards; (ii) product and service quality; (iii) pricing of the products and services; (iv) quality control methods and practices, and reliable delivery method; (v) past performance; and (vi) environmental standards considerations including energy efficiency. We maintain a list of suppliers who have track records in dealing with us or in the market. Regular assessments on the suppliers including field investigations, requests to provide basic certifications, licenses and product catalogues will be conducted to ensure that the suppliers are not only committed to the cost and quality of the products supplied, but also have not violated any laws and practices.

In addition, The Group recognizes its responsibility to source sustainable products and equipment to deliver high quality services and requires suppliers to consider ESG performance and to implement green management. During the procurement and monitoring process, suppliers are required to submit testing certificates of their products to confirm that they do not contain any substances hazardous to the environment and human body and furthermore to provide proof that they engaged in production under statutory environmental standards including where possible attaining the certification of ISO14001 environmental management system. In the selection of equipment, the Group has emphasized green procurement and put its priority in purchasing environmental-friendly equipment such as low-power and energy-saving electrical appliances, in order to reduce energy consumption and minimize the impacts on the environment.

During the Reporting Period, we had a total of 44 suppliers an increase of 100% from the 22 suppliers we had in 2017. The main reason for this large increase was because of the inclusion of hospital and medical service operations during this year. All suppliers were local in the PRC, which reaffirmed our strategy of supporting the local economy.

During the Reporting Period, we did not experience any significant problems with the products provided by our suppliers, any material limitations in the supply nor any shortage of any products. We believe that our supply chain management and procedures ensure the safety and quality of our supply chain. As we develop the hospital and medical services business we will continue to develop and refine our KPIs and information collection processes for this and we expect the number and diversity of our suppliers to grow.

2.2.2 Product/Service Responsibility — Policy and Compliance with Relevant Laws

The Group regards services and product quality as key competitive advantages of its business and makes every effort to improve the service quality while strengthening communications with its customers to offer excellent customer experience.

All services delivered by our personnel are in line with standardized treatment handbooks and guidelines. Service personnel are required to execute the requirements defined in these handbooks and service delivery processes to ensure all services are provided with a consistence of quality. In addition, service personnel are provided with comprehensive and professional training programs to ensure that they clearly understand the requirements defined in handbooks and are qualified to deliver responsive and attentive services to customers.

The Group's comprehensive procurement management system helps screen-out undesirable products related to our services. The Group has prioritized the procurement of products which are environmentally-friendly or composed of pure natural ingredients. We also require all suppliers to provide testing certificates of their products to confirm that they do not contain any substances hazardous to the environment or people.

The Group strictly complies with the Product Quality Law of the PRC and Law of the PRC on Protection of Consumer Rights and Interests. During the Reporting Period, the Group was not aware of any material non-compliance related to product or service responsibility.

(i) Safety, Fire and Hygiene

One major condition imposed by applicable laws and regulations in respect of our operations includes compliance of relevant safety, hygiene and fire requirements. Our operation managers across all lines of business are responsible to ensure compliance of these requirements by conducting checks and inspections of our hospital and health and beauty service premises regularly including ensuring that fire extinguishers and other equipment are in proper working order and fire escape corridors are kept clear from obstruction. Fire and evacuation drills are conducted annually.

Our Group places great emphasis on the quality, hygiene and safety of the equipment and pharmaceuticals and other products used in our service delivery process. All responsible employees are required to operate equipment or dispense pharmaceuticals and deliver service in accordance with national standards and our internal operating guidelines. In addition, the Group conducts safety checks and maintenance where necessary of its equipment and audits of its pharmaceuticals and general items used in its hospital services, on an ongoing basis, to ensure strict compliance with relevant safety, hygiene and public security requirements.

(ii) Security

As the Group offers the majority of our services in high volume hospitals with public access, security is a major issue to us. We have established safety and anti-crime manuals and safety and security training are also provided to our staff regularly to ensure that they are well aware of our safety and security procedures. At all our hospitals, we have designated a team of staff to monitor the CCTV camera systems to ensure that we are able to identify theft or harassment of medical and service staff promptly and stop such activities. Our security team will attend the scene to investigate immediately if any suspicious circumstances arise or stop any fights or harassment of staff or patients and their families once identified.

During the Reporting Period no cases resulting in serious life threatening events and accidents to our employees and customers or patients was reported.

(iii) Privacy

The Group ensures a high standard of information security and confidentiality of personal data. Our operations generate large volumes of private, confidential and sensitive patient and client information including medical records, family background and financial information. By law, we are required to safeguard and protect such information at all times and fully understand this obligation, exercising caution in all daily operations to safeguard patient and client information, protecting such information from unauthorized access, usage and leakage through various technologies and procedures.

For our beauty and wellness operations, personal information of the customers is stored in the internal membership management system. The system can only be accessed by authorized person and is not connected to external network in order to ensure that information is kept confidential. According to the Group's terms and conditions, prior written approval must be obtained from relevant customer whenever such information is required to be utilized by third party.

All employment contracts specifically contain confidentiality provisions and employees are prohibited from accessing information without approval and/or leaking private and confidential information to third parties. Our employees are trained to handle and use patient information with extreme caution, protect patient information, and comply with statutory requirements in privacy law and legal action will be taken against any violation.

During the Reporting Period, there were no cases initiated against us, nor any complaints received, regarding any breach of relevant privacy laws, regulations and policies in any area in which we operate.

(iv) Customer Service and Complaints

The Group is committed to delivering high quality and professional services to our customers and we have implemented various procedures to deal with both customer opinion feedback as well as complaint handling and follow up.

Opinions from our customers provide information to drive our continuous improvement programs and all our customers are requested to conduct satisfaction evaluation after the completion of services. To further monitor our customers' satisfaction, all operations' managers will contact customers via after-sales phone calls or WeChat follow up to conduct customer satisfaction surveys. This data is recorded and analysed to improve customer service.

We dedicate efforts to deal with complaints by our customers and establish procedures to handle such complaints and implement corrective measures, with a view to preventing the reoccurrence of similar complaints. Staff shall report all complaints to their supervisors who will review the matter with the relevant customer and offer them remedial proposals. The complaint will be recorded for internal review. If the complaint cannot be resolved on site or if a complaint has been received online through email or WeChat, the incident will be reported to the general manager, who will investigate the incident and file a report to the management with solutions to improve or avoid similar incidents in the future. An explanation will be sent to the relevant customer to ensure the matter has been resolved and to maintain good customer relationships.

During the Reporting Period, we were not aware of any incident of customer complaint claiming material compensation, or any investigation by any government authorities in relation to such complaint, that could have a material adverse impact on our business.

(v) Insurance and Third Party Liability

Our hospitals and beauty centres maintain relevant third party liability insurance for public liability, permanent disability, accidental death, fire or other accidents inside any of our premises. We maintain at all times relevant employees' compensation insurance for injuries or death in the course of employment.

(vi) Intellectual Property

Our Group's principal intellectual property rights include the trademarks registered for our beauty service centre brand-name as well as for the name and associated signs of our hospitals. We primarily rely on trademark and intellectual property laws, and confidentiality agreements with our senior employees to protect all intellectual property relating to the Group and operations.

For the Reporting Period, the Group was not aware of any infringement of its or any other intellectual property rights including medical devices, procedures or pharmaceutical products which had or could have a material adverse effect on our business, and there were no legal proceedings against the Group.

2.2.3 Anti-corruption — Policies and Compliance with Relevant Laws

Our Group has adopted a zero tolerance policy towards corruption, bribery, extortion, fraud and money laundering. At all times, all employees must adhere to ethical considerations as embodied in our code of conduct in our Staff Handbook, when engaging in the Group's business activities. We have adopted and implemented clear policies and procedures with regards to procurement, sales and patient service delivery, operational management and finance, which comply with applicable national and local laws and regulations such as the Criminal Law of the PRC. As we develop the hospital and medical services operations, we are also developing internal systems to monitor and ensure compliance with relevant laws and regulations such as Law of the People's Republic of China on Medical Practitioner (中華人民共和國執業醫師法), Law of the People's Republic of China Against Unfair Competition (中華人民共和國反不正當競爭法) and the Provisions on the Establishment of Commercial Bribery Records in the Purchase and Sale of Medicines (關於建立醫藥購銷領域商業賄賂不良記錄的規定) and Regulations of Consolidating the Implementation of "Nine Prohibitions" for Proper Medical and Healthcare Industry Practices.

The Group's whistle-blowing procedures encourage and enables its employees to confidentially and anonymously report on observed and suspected non-compliance and questionable practices through telephone or email.

There were no complaints of corruption against the Group or its staff during the Reporting Period, same as 2017.

2.2.4 Community Investment

The Group strives to be a socially responsible corporate citizen making contributions to the general communities within which we operate by addressing local community environmental, employment and cultural concerns and issues. By recruiting employees from the local communities we secure employees familiar with the local environment and who are more acutely aware of local concerns and issues. As we continue to develop and grow the new hospital division, we will devote more resources to local community investment thereby creating a win-win situation for both our Group and the community at large.

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

QUALIFIED OPINION

We have audited the consolidated financial statements of Green International Holdings Limited (the"**Company**") and its subsidiaries ("**the Group**") set out on pages 65 to 170, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the corresponding figures of the matters described in the Bases for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and consolidated cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASES FOR QUALIFIED OPINION

Opening balances as at 1 January 2017 and comparative figures

As explained in our auditors' report on the consolidated financial statements of the Group for the year ended 31 December 2017, we have been unable to obtain sufficient appropriate audit evidence about whether the opening balances as at 1 January 2017 of certain of the assets of the Group described in paragraphs (a) to (e) below were free from material misstatements. Since opening balances of these assets as at 1 January 2017 entered into the determination of the financial performance and cash flows of the Group for the year ended 31 December 2017, we were unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 31 December 2017 reported in the consolidated statement of profit or loss and other comprehensive income and the cash flows of the Group for the year ended 31 December 2017 reported in the consolidated statement of cash flows. Our audit opinion on the consolidated financial statements for the year ended 31 December 2017 was modified accordingly. Our opinion on the current year's consolidated financial statements for the year ended 31 December 2018 is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

(a) *Impairment loss of loan receivables*

As disclosed in Note 21 to the consolidated financial statements, the outstanding balances of loan receivables as at 31 December 2017 were long overdue beyond their respective maturity dates and a provision for full impairment of these loans, including accrued interests, amounting to approximately HK$30,597,000 was recognized as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of loan receivables of the Group as at 1 January 2017 of HK$26,068,000 were free from material misstatements and hence whether the impairment loss on loan receivables, including accrued interests, amounting to approximately HK$30,597,000 for the year ended 31 December 2017 was free from material misstatement.

(b) *Impairment loss of promissory note receivables*

As disclosed in Note 18 to the consolidated financial statements, the outstanding balances of promissory notes as at 31 December 2017 were past due and a provision for full impairment of the promissory notes, including accrued interests, amounting to approximately HK$165,617,000 was recognised as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of the promissory note receivables of the Group as at 1 January 2017 of HK$154,218,000 were free from material misstatements and hence whether the impairment loss on the note receivables, including accrued interests, amounting to approximately HK$165,617,000 for the year ended 31 December 2017 was free from material misstatement.

(c) *Impairment loss of prepayments, deposits and other receivables*

As disclosed in Note 21 to the consolidated financial statements, the balances of prepayments, deposits and other receivables as at 31 December 2017 include balances amounting to HK$7,774,000 which were long outstanding and a provision for full impairment of the prepayments, deposits and other receivables, amounting to approximately HK$7,774,000, was recognised as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of the prepayments, deposits and other receivables of the Group as at 1 January 2017 of HK$24,742,000 were free from material misstatements and hence whether the impairment loss on the prepayments, deposits and other receivables, amounting to approximately HK$7,774,000 for the year ended 31 December 2017 was free from material misstatement.

(d) *Impairment loss of derivative financial instruments of call options*

As disclosed in Note 18 to the consolidated financial statements, the directors of the Company are of the opinion that the fair value of the call options derivative financial instrument was zero as at 31 December 2017, based on their assessment of the contractual terms of the call options and the relevant facts and circumstances as at 31 December 2017. Accordingly, a loss on decrease in fair value of the call options derivative financial instrument of approximately HK$11,040,000 was recognised in consolidated statement of profit or loss of the Group for the year ended 31 December 2017. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balance of the call options derivative financial instrument as at 1 January 2017 of HK$11,040,000 were free from material misstatements and hence whether the fair value loss on the call options, amounting to approximately HK$11,040,000 for the year ended 31 December 2017 was free from material misstatement.

(e) Impairment loss of trademark user right and technical know–how

As disclosed in Note 16 to the consolidated financial statements, in view of continuous losses in the beauty and wellness business, the Group performed an impairment assessment as at 31 December 2017 of the trademark user right and technical know-how intangible assets which belonged to the cash generating unit ("**CGU**") represented by the beauty and wellness business. The carrying amount of the CGU which contained the trademark user right and technical know-how intangible assets exceeded its recoverable amount, resulting in an impairment loss on trademark user right and technical know-how of approximately HK$62,363,000 being recognised in the consolidated profit or loss of the Group for the year ended 31 December 2017. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of trademark user right and technical knowhow intangible assets of the Group as at 1 January 2017 of HK$157,250,000 were free from material misstatements and hence whether the impairment loss on trademark user right and technical know-how intangible assets, amounting to approximately HK$62,363,000, was free from material misstatement.

Any adjustments found to be necessary in respect of the matters described in (a) to (e) above would have consequential impact on the Group's loss and cash flows for the year ended 31 December 2017, and the related disclosures thereof in the consolidated financial statements.

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

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

As disclosed in Note 2.3 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company for the year of approximately HK$79,454,000 for the year ended 31 December 2018 and its current liabilities were in excess of its current assets by an amount of approximately HK$2,865,000 as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the Company.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Bases for Qualified Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment on goodwill and trademark user right and technical know-how Refer to Note 16 to the consolidated financial statement Management performed impairment assessment of goodwill and trademark user right and technical know-how and concluded that an impairment loss on goodwill and trademark user right and technical know-how of approximately HK$17,812,000 and HK$Nil respectively was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation was obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking on a sampling basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

Key Audit Matter (Continued)

How our audit addressed the key audit matter (Continued)

Valuation of redemption option of convertible bonds

Refer to the Note 24 to the consolidation financial statement

Management has estimated the fair value of the Group's redemption option of convertible bonds of approximately HK$703,000 as at 31 December 2018, with fair value loss for the year ended 31 December 2018 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK$28,747,000. Independent external valuations was obtained in order to support the management's estimates. The valuations are dependent on certain key assumptions that required significant management judgement, including risk-free rates and dilution effect.

Our procedures in relation to management's valuation of redemption option of convertible bonds included:

- Evaluating of the independent valuer's competence, capabilities and objectivity;
- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the convertible bonds and using our valuation experts; and
- Checking, on a sampling basis, the accuracy and relevance of the input data used.

We found that the key assumptions were supported by the available evidence.

Valuation of financial liabilities at fair value through profit or loss

Refer to the Note 24 to the consolidation financial statement

Management performed fair value assessment on financial liabilities at fair value through profit or loss of approximately HK$2,913,000 as at 31 December 2018, with fair value gain of approximately HK$35,651,000 recorded in the consolidated statement of profit and loss and other comprehensive income. Independent external valuations was obtained in order to support the management's estimates. The valuations are dependent on certain key assumptions that required significant management judgement.

Our procedures in relation to management's valuation of redemption option of convertible bonds included:

- Evaluating of the independent valuer's competence, capabilities and objectivity;
- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the convertible bonds and using our valuation experts; and
- Checking, on a sampling basis, the accuracy and relevance of the input data used.

We found that the key assumptions were supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "**Other Information**").

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility toward or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement director on audit resulting in this independent auditors' report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	82,092	54,320
Direct costs and operating expenses	9	(27,958)	(9,819)
Gross profit		54,134	44,501
Other income and gains, net	7	9,536	2,039
Selling expenses	9	(38,775)	(33,912)
Administrative expenses	9	(80,514)	(69,590)
Gain on disposal of a subsidiary	27	240	–
Fair value changes of			
— Call options	18	–	(11,040)
— Financial liabilities at fair value through profit or loss	24	35,651	9,048
— Financial asset at fair value through profit or loss		1,328	–
— Derivative financial assets	24	(28,747)	–
Impairment loss of goodwill	16	(17,812)	–
Impairment loss of trademark user right and technical know-how	16	–	(62,585)
Impairment loss of loan and interest receivables		–	(30,597)
Impairment loss of promissory note receivables	18	–	(165,617)
Impairment loss of prepayments, deposits and other receivables	21	–	(7,774)
Finance costs, net	8	(13,534)	(1,387)
Loss before income tax		(78,493)	(326,914)
Income tax credit	10	339	4,675
Loss for the year		(78,154)	(322,239)
Loss for the year attributable to:			
— Equity holders of the Company		(79,454)	(323,029)
— Non-controlling interests		1,300	790
		(78,154)	(322,239)
			(Restated)
Loss per share for loss for the year attributable to the equity holders of the Company			
— Basic and diluted (HK$ cents)	13	(13.78)	(65.51)

The notes on pages 71 to 170 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 *HK$'000*	2017 *HK$'000*
Loss for the year	**(78,154)**	(322,239)
Other comprehensive income/(expense), net of tax		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences		
— Exchange differences arising during the year	**431**	(3,783)
— Reclassification adjustments relating to foreign operations disposed of during the year	**–**	460
	431	(3,323)
Total comprehensive expenses for the year	**(77,723)**	(325,562)
Total comprehensive expenses for the year attributable to:		
— Equity holders of the Company	**(78,288)**	(326,812)
— Non-controlling interests	**565**	1,250
	(77,723)	(325,562)

The notes on pages 71 to 170 are an integral part of these consolidated financial statements.

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	80,662	37,291
Goodwill	16	36,420	–
Trademark user right and technical know-how	16	94,887	94,887
Other intangible assets	16	–	1,354
		211,969	133,532
Current assets			
Inventories	17	9,240	7,899
Trade receivables	20	4,341	178
Prepayments, deposits and other receivables	21	22,360	24,087
Financial asset at fair value through profit or loss		15,000	–
Derivative financial assets	24	703	–
Tax recoverable		707	719
Bank balances — trust and segregated accounts	22	11,826	6,896
Bank balances (general accounts) and cash	22	52,911	26,458
		117,088	66,237
Total assets		329,057	199,769
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	23	28,742	19,725
Reserves		57,479	(106,472)
		86,221	(86,747)
Non-controlling interests		12,038	6,678
Total equity		98,259	(80,069)

The notes on pages 71 to 170 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible bonds	24(a)	56,807	12,358
Financial liabilities at fair value through profit or loss	24(b)	–	13,229
Bonds payables	25	9,733	8,516
Obligations under finance lease	33	34,316	–
Deferred tax liabilities	28	9,989	9,681
		110,845	43,784
Current liabilities			
Trade payables	29	18,209	9,545
Contract liabilities	30	11,117	–
Other payables, accruals and deposits received	31	39,752	53,366
Convertible bonds	24(a)	14,379	63,404
Financial liabilities at fair value through profit or loss	24(b)	2,913	–
Promissory note payables	32	–	6,287
Loan from a related company	36(c)	30,753	101,772
Obligations under finance lease	33	2,465	–
Tax payable		365	1,680
		119,953	236,054
Total liabilities		230,798	279,838
Total equity and liabilities		329,057	199,769
Net current liabilities		(2,865)	(169,817)
Total assets less current liabilities		209,104	(36,285)

On behalf of the Board

Yu Qigang
Director

Chen Hanhong
Director

The notes on pages 71 to 170 are an integral part of these consolidated financial statements.

	Attributable to the equity holders of the Company								
	Share capital	Share premium	Share-based equity reserve*	Convertible bonds-equity component reserve*	Exchange reserve*	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2017	19,725	544,946	11,394	15,891	9,611	(362,213)	239,354	5,428	244,782
Loss for the year	–	–	–	–	–	(323,029)	(323,029)	790	(322,239)
Other comprehensive income/ (expenses) for the year	–	–	–	–	(3,783)	–	(3,783)	460	(3,323)
	–	–	–	–	(3,783)	(323,029)	(326,812)	1,250	(325,562)
Redemption of convertible bonds	–	–	–	(4,276)	–	4,274	(2)	–	(2)
Issue of convertible bonds	–	–	–	713	–	–	713	–	713
Lapse of share option	–	–	(6,698)	–	–	6,698	–	–	–
	–	–	(6,698)	(3,563)	–	10,972	711	–	711
As at 31 December 2017	19,725	544,946	4,696	12,328	5,828	(674,270)	(86,747)	6,678	(80,069)
Addition of HKFRS 9 *(Note)*	–	–	–	–	–	(369)	(369)	–	(369)
Adjusted balance at 1 January 2018	19,725	544,946	4,696	12,328	5,828	(674,639)	(87,116)	6,678	(80,438)
Loss for the year	–	–	–	–	–	(79,454)	(79,454)	1,300	(78,154)
Other comprehensive income/ (expenses) for the year	–	–	–	–	1,166	–	1,166	(735)	431
	–	–	–	–	1,166	(79,454)	(78,288)	565	(77,723)
Issue of share capital	4,660	20,038	–	–	–	–	24,698	–	24,698
Issue of convertible bonds	–	–	–	168,458	–	–	168,458	–	168,458
Redemption of convertible bonds	–	–	–	(10,390)	–	10,390	–	–	–
Issue of share upon conversion of financial liabilities at fair value through profit or loss	1,507	18,252	–	–	–	–	19,759	–	19,759
Issue of share upon conversion of convertible bonds	2,850	44,054	–	(7,165)	–	–	39,739	–	39,739
Laspe of share options	–	–	(1,838)	–	–	1,838	–	–	–
Initial recognition of deferred tax liabilities from convertible bonds	–	–	–	(1,029)	–	–	(1,029)	–	(1,029)
Acquisition of subsidiaries	–	–	–	–	–	–	–	4,795	4,795
	9,017	82,344	(1,838)	149,874	–	12,228	251,625	4,795	256,420
As at 31 December 2018	28,742	627,290	2,858	162,202	6,994	(741,865)	86,221	12,038	98,259

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

Note:

Upon the adoption of HKFRS 9 "Financial Instruments" on 1 January 2018, an impact of HK$369,000 was recorded as an adjustment to the accumulated losses as at 1 January 2018, which represented the impairment loss allowance. Details of the adjustment are set out in Note 2.

The notes on pages 71 to 170 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	34	(48,660)	53,479
Profits tax paid		(1,495)	(1,872)
Net cash (used in)/generated from operating activities		(50,155)	51,607
Cash flows from investing activities			
Additions to property, plant and equipment	15	(18,176)	(13,622)
Increase in loan receivables		–	(760)
Proceeds from additions to obligations under finance lease		10,490	–
Interest received		58	30
Acquisition of subsidiaries	26	(29,691)	–
Net cash inflow on disposal of a subsidiary	27	1,343	–
Proceeds from disposal of property, plant and equipment		144	240
Net cash used in investing activities		(35,832)	(14,112)
Cash flows from financing activities			
Interest paid		(5,459)	(2,583)
Proceeds from issue of equity share		24,698	–
Net proceeds from issue of convertible bonds		207,200	25,000
Net proceeds from issue of bonds		–	3,960
Repayment of obligations under finance lease		(2,811)	–
Prepayment of bonds payables		–	(14,000)
Redemption of promissory note		(6,363)	–
Loan from a related company		50,000	–
Repayment loan from a related company		(120,000)	–
Redemption of convertible bonds		(38,058)	(44,000)
Net cash generated from/(used in) financing activities		109,207	(31,623)
Net increase in cash and cash equivalents		23,220	5,872
Cash and cash equivalents at 1 January		26,458	24,514
Effects of exchange rate changes on balances denominated in foreign currencies		3,233	(3,928)
Cash and cash equivalents at 31 December	22	52,911	26,458

The notes on pages 71 to 170 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

The Group was principally engaged in provision of (i) health, 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 during the year under review.

These 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. These consolidated financial statements have been approved for issue by the Board on 29 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

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

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

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

2.2 Basic of preparation

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

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

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

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

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

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

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

2.3 Basis of preparation of consolidated financial statements

Going concern basis

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in view of the fact that the Group incurred a loss of approximately HK$78,154,000 during the year ended 31 December 2018 and had net current liabilities of approximately HK$2,865,000 as at 31 December 2018.

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

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

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

Going concern basis *(Continued)*

(1) Alternative sources of external funding

On 25 January 2019, the Company entered into a subscription agreement (the "**Subscription Agreement**") with Jumbo Faith International Limited (the "**Subscriber**") pursuant to which the Company conditionally agreed to allot and issue to the Subscriber 754,716,981 consolidated shares at the subscription price of HK$0.212 per subscription consolidated share ("**Subscription**").

The net proceeds to be raised for subscription are expected to be approximately HK$156,000,000.

(2) Financial support

Director's controlled corporation has agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fail due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2018.

2.4 Application of new and amendments to HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year.

The Company and its subsidiaries (collectively referred to as the "**Group**") has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The above new 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.

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

2.4 Application of new and amendments to HKFRSs *(Continued)*

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)

	31 December 2017 *HK$'000*	HKFRS 9 *HK$'000*	HKFRS 15 *HK$'000*	**1 January 2018** ***HK$'000***
Current assets				
Prepayments, deposits and other receivables	24,087	(369)	–	**23,718**
Current liabilities				
Other payables, accruals and deposits received	53,366	–	(24,288)	**29,078**
Contract liabilities	–	–	24,288	**24,288**
Net current liabilities	(169,817)	(369)	–	**(170,186)**
Net liabilities	(80,069)	(369)	–	**(80,438)**
Capital and reserves				
Reserves	(106,472)	(369)	–	**(106,841)**
Total equity	(80,069)	(369)	–	**(80,438)**

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation 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, and 2) expected credit losses ("**ECL**") for financial assets and other items (for example, deposits and other receivables).

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 under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

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

2.4 Application of new and amendments to HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note to consolidated financial statement.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost except derivative financial instruments which are continued to be recognised at fair value under HKFRS 9 as financial assets at fair value through profit or loss.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits, other receivables and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

Other financial assets measured at amortised cost

Other financial assets at amortised cost include deposits and other receivables. The Group has applied the expected credit loss model to other receivables as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

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

2.4 Application of new and amendments to HKFRSs *(Continued)*

Other financial assets measured at amortised cost *(Continued)*

The following tables summarized the impact, net of tax, of transition to HKFRS 9 on the opening balance of accumulated losses as 1 January 2018 as follow:

	HK$'000
Accumulated losses	
As at 31 December 2017	674,270
Increase in ECL in	
— Other receivables	369
Accumulated losses as at 1 January 2018 (restated)	674,639

All loss allowances, including other receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Other receivables *HK$'000*
At 31 December 2017 — HKAS39	–
Amounts re-measured through opening	
— accumulated losses	369
At 1 January 2018 — HKFRS9	369

HKFRS 15 Revenue from Contracts with Customers and the related amendments

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

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

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

2.4 Application of new and amendments to HKFRSs *(Continued)*

HKFRS 15 Revenue from Contracts with Customers and the related amendments *(Continued)*

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note to the audited consolidated financial statement.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

— Health and medical business

— Beauty and wellness business

— Financial business

Except for the reclassification of the contract liabilities from receipt in advance of HK$24,288,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

2.5 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[4]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
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 business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2020.

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

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

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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

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

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows, whereas under the HKFRS 16 model, the lease payments will be spilt into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$46,205,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

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

2.6 Basis of consolidations

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

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

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

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

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

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

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

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

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

2.7 Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangement are recognised and measured in accordance with HKAS 12 Income Tax and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

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

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

2.7 Business combinations *(Continued)*

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

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

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

2.8 Goodwill

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

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

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

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

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

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

2.9 Segment reporting

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

2.10 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where the items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

(c) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at date of that statement of financial position;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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

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

2.10 Foreign currency translation *(Continued)*

(d) Disposal and partial disposal of foreign operation

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

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

2.11 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.13).

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

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

2.11 Property, plant and equipment *(Continued)*

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

2.12 Other intangible assets

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

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

2.13 Impairment of non-financial assets

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

2.14 Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018)

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

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

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

2.14 Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) *(Continued)*

Financial assets

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically

(a) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("**SPPI**"), are subsequently measured at amortised cost;

(b) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and

(c) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies, in other comprehensive income; and

- the Group may irrevocably designate a debt instrument that meets the amortised cost of FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("**ECLs**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

2.14 Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Amortised cost and effective interest method (Continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

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

2.14 Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are neither measured at FVTPL:

(a) deposits

(b) other receivables

(c) cash and bank balances

ECLs are required to be measured through a loss allowance at an amount equal to:

(a) 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage l); or

(b) Lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m 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. Assessment are done 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 amounts due from related companies. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m 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.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

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

2.14 Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. The measurement of loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

2.14 Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

(a) significant financial difficulty of the borrower or issuer;

(b) a breach of contract such as a default or past due event;

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

(d) the disappearance of an active market for a security because of financial difficulties; or

(e) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

2.14 Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, 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 original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each separate group continues to share similar credit risk characteristics.

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

2.14 Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Measurement and recognition of ECLs (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risk are taken into account by adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9 and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

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 recognized through a loss allowance account.

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for ECL are presented in the consolidated statements of financial position as follows:

(a) for financial assets measured at amortised cost; loss allowances for ECL are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the assets;

(b) for equity instruments measured at FVTOCI, no loss allowance is recognised in the consolidated statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the FVTOCI reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

2.14 Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) *(Continued)*

Financial assets *(Continued)*

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities, including other payables and accruals, convertible bonds, promissory note payables, loan from a related company and bonds payable, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Equity instruments

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

2.15 Financial instruments

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

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

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

2.15 Financial instruments *(Continued)*

Financial assets (before the adoption of HKFRS9 prior to 1 January 2018)

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

Effective interest method

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

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

Loans and receivables

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

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

Impairment of financial assets

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

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

2.15 Financial instruments *(Continued)*

Financial assets (before the adoption of HKFRS9 prior to 1 January 2018) *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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

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

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

Financial liabilities and equity instruments

Classification as debt and equity

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

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

2.15 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Equity instruments

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

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

Convertible bonds

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

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

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

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

Financial liabilities

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

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

2.15 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Effective interest method

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

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

Derivative financial instruments

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

Derecognition

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

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

2.15 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition (Continued)

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

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

2.16 Inventories

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

2.17 Cash and cash equivalents

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

2.18 Borrowing costs

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

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

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

2.19 Current and deferred income tax

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

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

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

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

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

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

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

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

2.20 Employee benefits

(a) Pension obligations

(i) Hong Kong

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

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

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

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

(b) Employee leave entitlements

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

(c) Share-based compensation plan

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

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

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

2.20 Employee benefits *(Continued)*

(c) Share-based compensation plan (Continued)

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

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

(d) Bonus plan

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

2.21 Provisions

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

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

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

2.22 Contingent liability

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

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

2.23 Revenue and other income recognition

Revenue from contracts with customers (Applicable upon 1 January 2018)

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

For the commission income of financial business, revenue is recorded when the trades are executed.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest come is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue recognition (Applicable before 1 January 2018)

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

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

2.23 Revenue and other income recognition *(Continued)*

(a) Revenue from sales of goods

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

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

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

(b) Revenue from clubhouse and beauty and wellness business

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

(c) Commission income from brokerage services

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

(d) Commission income from placing and underwriting services

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

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

2.23 Revenue and other income recognition *(Continued)*

(e) Handling and settlement fee income

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

(f) Interest income

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

(g) Dividend income

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

2.24 Leases

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

The Group as leasee

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

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

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

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

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

2.25 Related parties

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

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

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

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

(b) Credit risk

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

As at 31 December 2018 and 2017, the majority of bank balances are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality.

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

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

The Group applies simplified approach to provide for expected credit losses presented by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking.

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

3.1 Financial risk factors *(Continued)*

(b) ***Credit risk*** *(Continued)*

As at 1 January 2018	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
Expected credit losses ("ECL") rate	–%	–%	–%	–%	100%	99.7%
Gross carrying amount (HK$'000)	178	–	–	–	51,979	52,157
Lifetime ECL (HK$'000)	–	–	–	–	(51,979)	(51,979)
	178	–	–	–	–	178

As at 31 December 2018	**Within 30 days**	**31-60 days**	**61-90 days**	**91-180 days**	**Over 180 days**	**Total**
Expected credit losses ("ECL") rate	**–%**	**–%**	**–%**	**–%**	**99.9%**	**92.4%**
Gross carrying amount (HK$'000)	**3,485**	**572**	**182**	**54**	**52,027**	**56,320**
Lifetime ECL (HK$'000)	**–**	**–**	**–**	**–**	**(51,979)**	**(51,979)**
	3,485	**572**	**182**	**54**	**48**	**4,341**

Money lending business

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's loan receivables at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts. As at 31 December 2018, the directors of the Company are of the opinion that impairment loss of loan and interest receivables of HK$27,297,000 (2017: HK$30,597,000) is necessary in respect of these balances were overdue beyond their respective expiry dates and no subsequent settlements were received by the Group from the borrowers.

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

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

3.1 Financial risk factors *(Continued)*

(b) ***Credit risk*** *(Continued)*

Provision of brokerage services

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

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

Deposits and other receivables

For deposits and other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

The movement of loss allowances for deposits and other receivables during the year are as follows:

	Other receivables *HK$'000*
At 31 December 2017	–
Amounts re-measured through opening accumulated losses *(Note 3)*	369
At 1 January 2018, restated	**369**
Allowance for expected credit losses	**453**
Effect of foreign currency exchange difference	**(37)**
Balance as at 31 December 2018	**785**

Bank Balances

The credit risk on bank balances are limited because the majority of the counterparties are bank with high credit-ratings assigned by International credit-ratio agencies. The Group has no other significant concentration of credit risk.

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

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

The Group has net current liabilities of HK$2,865,000 as at 31 December 2018. As stated in Note 2.3, these events or conditions, along with other matters as set forth in Note 2.3, indicate that a material uncertainly exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

	Weighted average interest rate	On demand or within 1 year	1 to 2 years	Over 2 years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018						
Trade payables	–	18,209	–	–	18,209	18,209
Contract liabilities	–	11,117	–	–	11,117	11,117
Other payables and accruals	–	39,752	–	–	39,752	39,752
Convertible bonds	6.3%	14,880	67,200	–	82,080	71,186
Loan from a related company	5.8%	31,068	–	–	31,068	30,753
Financial liabilities at fair value through profit or loss	–	31,422	–	–	31,422	2,913
Obligations under finance lease	4.9%	4,241	4,916	37,660	46,817	36,781
Bonds payables	5.6%	–	14,000	–	14,000	9,733
		150,689	86,116	37,660	274,465	220,444

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

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

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

(d) Cash flow and fair value interest rate risk

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

The Group has no significant in interest-bearing liabilities at floating rates. As at 31 December 2018, the Groups has convertible bonds, bonds payables, promissory note payables, obligations under finance lease and loan from a related company (2017: convertible bonds, bonds payables, promissory note payables and loan from a related company) carried interest at fixed rates. Save as disclosed above, the Group does not have any other interest bearing borrowings. The details of convertible bonds, bonds payables, promissory note payables, obligations under finance lease and loan from a related company are disclosed in Notes 24, 25, 32, 33 and 36(c) respectively.

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

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

3.2 Fair value estimation on a recurring basis

(i) Fair value estimation on a recurring basis

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

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

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

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2018				
Financial assets				
Financial asset at fair value through profit or loss	**15,000**	**–**	**–**	**15,000**
Derivative financial assets *(Note 24(a))*	**–**	**–**	**703**	**703**
Financial liability				
Financial liabilities at fair value through profit or loss *(Note 24(b))*	**–**	**–**	**2,913**	**2,913**
2017				
Financial liability				
Financial liabilities at fair value through profit or loss *(Note 24(b))*	–	–	13,229	13,229

There were no transfer between Levels 1, 2 and 3 and changes in valuation techniques during the years ended 31 December 2018 and 2017.

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

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

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

Derivative financial instruments are measured at fair value as at 31 December 2018. The following table gives information about how the fair values of these financial instruments are determined.

	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	2018	2017			
	HK$'000	*HK$'000*			
Financial assets					
— Derivative financial assets *(Note 24(a))*	**703**	–	Level 3	The Binomial Option model	Risk free rate adopted: 2018: 74.34% Expect volatility: 2018: 1.73% *(Note i)*
Financial liabilities					
— Financial liabilities at fair value through profit or loss *(Note 24(b))*	**2,913**	13,229	Level 3	Generating a large number of possible random price paths using Binomial model simulation to calculate the average present value of the extra payoff from the simulated paths	Discount rate adopted: 2018: 10.68% Share price volatility: 2018: 40.80% *(Note ii)*

Notes:

(i) An increase in risk free rate adopted would result in decrease in fair value of derivative financial assets.

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

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

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

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

Reconciliation of Level 3 fair value measurements:

Financial asset

	HK'000
At 1 January 2018	**–**
Issue of convertible bonds — derivative financial assets	**42,221**
Cancellation of convertible bonds	**(12,771)**
Fair value change	**(28,747)**
At 31 December 2018	**703**

Financial liability

	HK'000
At 1 January 2017	22,277
Fair value change	(9,048)
At 31 December 2017 and 1 January 2018	**13,229**
Issue of convertible bonds, at fair value	**31,422**
Redemption and cancellation of convertible bonds	**(6,087)**
Fair value change	**(35,651)**
At 31 December 2018	**2,913**

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

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

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

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

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

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

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

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities:				
Convertible bonds	71,186	72,476	75,762	70,329
Promissory note payables	–	–	6,818	6,287

As at 31 December 2018, the fair value of convertible bonds of approximately HK$72,476,000. The fair value of liabilities component of convertible bonds was valued by an independent valuer. The convertible bonds was calculated by discounting the future cash flow at market rate and including some unobservable inputs. See Note 24 for the details information of convertible bonds.

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

	Valuation technique	Significant unobservable inputs	
Convertible bonds	Binomial model	Risk free rate	1.73% to 1.77%
		Volatility	74.34% to 111%
		Discount rate	12% to 12.3%

There was no transfers between all levels in both years.

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

3.3 Capital risk management

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

The capital structure of the Group consists of debt (which includes bank loan) and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits/accumulated losses.

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

The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018	2017
	HK$'000	*HK$'000*
Debt *(i)*	**151,366**	205,566
Equity *(ii)*	**86,221**	(86,747)
Gearing ratio	**175.6%**	N/A

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

Beauty and wellness business CGU

In 2018, impairment indication arose in the beauty and wellness business CGU, resulting in the carrying amount of the trademark user right and technical know-how being written down to its recoverable amount by HK$Nil (2017: HK$62,363,000). At the reporting date, the carrying amount of the trademark user right and technical know-how is HK$94,887,000 (2017: HK$94,887,000).

(b) Estimated Impairment of trade and other receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Notes 20 and 21.

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

(c) Income taxes

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

(d) Estimated fair values financial instruments

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

(e) Going concern

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

5. REVENUE AND SEGMENT INFORMATION

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

(a) the health and medical segment engages in the operation of 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 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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment results are presented as operating profit or loss.

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

	Health and medical business *HK$'000*	Beauty and wellness business *HK$'000*	Financial business *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2018				
Hong Kong				
— At a point in time	–	–	173	173
— Over time	–	–	–	–
The PRC				
— At a point in time	37,061	44,858	–	81,919
— Over time	–	–	–	–
	37,061	44,858	173	82,092

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

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 year ended 31 December 2018 and 2017.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Results by operating segments are as follows:

	2018 *HK$'000*	2017 *HK$'000*
Health and medical business *(Note (i))*	**(37,629)**	(18,405)
Beauty and wellness business *(Note (ii))*	**9,251**	(51,888)
Financial business	**(3,376)**	(4,040)
Trading business	**–**	(5)
Total net operating loss by operating segments	**(31,754)**	(74,338)
Unallocated corporate expenses, net	**(41,224)**	(46,240)
Gain on issue of bonds payables	**–**	1,031
Gain on disposal of a subsidiary	**240**	–
Fair value changes of		
— Call options	**–**	(11,040)
— Financial liabilities at fair value through profit or loss	**35,651**	9,048
— Financial asset at fair value through profit or loss	**1,328**	–
— Derivative financial assets	**(28,747)**	–
Allowance for expected credit losses on other receivables	**(453)**	–
Impairment loss of loan and interest receivables	**–**	(30,597)
Impairment loss of promissory note receivables	**–**	(165,617)
Impairment loss of prepayments, deposits and other receivables	**–**	(7,774)
Finance costs, net *(Note 8)*	**(13,534)**	(1,387)
Loss before income tax	**(78,493)**	(326,914)
Income tax credit *(Note 10)*	**339**	4,675
Loss for the year	**(78,154)**	(322,239)

Notes:

(i) For the year ended 31 December 2018, impairment loss of goodwill of approximately HK$17,812,000 (2017: HK$Nil) was included within health and medical business segment.

(ii) For the year ended 31 December 2018, impairment loss of trademark user right and technical know-how of approximately HK$Nil (2017: HK$62,363,000) was included within beauty and wellness business segment.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Amount included in the measure of segment results:

	2018 HK$'000	2017 HK$'000
Depreciation and amortization		
— Health and medical business	4,808	778
— Beauty and wellness business	5,627	4,866
— Financial business	240	431
	10,675	6,075
— Unallocated	1,017	1,414
	11,692	7,489
Net allowance for expected credit losses recognized in respect of other receivables		
— Health and medical business	453	–

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

	Health and medical business HK$'000	Trading business HK$'000	Beauty and wellness business HK$'000	Financial business HK$'000	Unallocated corporate assets HK$'000	Consolidated HK$'000
As at 31 December 2018						
Hong Kong	–	–	–	18,057	30,779	48,836
The PRC	135,019	–	140,261	–	4,941	280,221
Segment total assets	135,019	–	140,261	18,057	35,720	329,057

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

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

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

	Health and medical business ***HK$'000***	**Beauty and wellness business** ***HK$'000***	**Financial business** ***HK$'000***	**Unallocated corporate assets** ***HK$'000***	**Consolidated** ***HK$'000***
As at 31 December 2018					
Hong Kong	**–**	**–**	**69**	**1,123**	**1,192**
The PRC	**82,476**	**127,682**	**–**	**619**	**210,777**
Segment total non-current assets (excluding financial instruments)	**82,476**	**127,682**	**69**	**1,742**	**211,969**

	Health and medical business *HK$'000*	Beauty and wellness business *HK$'000*	Financial business *HK$'000*	Unallocated corporate assets *HK$'000*	Consolidated *HK$'000*
As at 31 December 2017					
Hong Kong	–	–	308	1,740	2,048
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

6. REVENUE

The Group's revenue represents by health and medical business, beauty and wellness business and financial business.

An analysis of revenue by types of goods as follows:

	2018 *HK$'000*	2017 *HK$'000*
Health and medical business	**37,061**	16,180
Beauty and wellness business	**44,858**	38,089
Financial business	**173**	51
Total revenue recognized at a point in time	**82,092**	54,320

All of the Group's revenue from contracts with customers is generated in the Hong Kong and PRC based on where goods are sold. All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed.

7. OTHER INCOME AND GAINS, NET

	2018 *HK$'000*	2017 *HK$'000*
Recovery of loan receivables	**3,300**	–
Donation received	**3,820**	–
Sundry income	**2,361**	1,131
Exchange gain, net	**–**	6
Gain on issue of bonds payables *(Note 25)*	**–**	1,031
Gain/(loss) on disposal of property, plant and equipment	**55**	(129)
	9,536	2,039

8. FINANCE COSTS, NET

	2018 HK$'000	2017 HK$'000
Interest incomes:		
— Bank deposits	58	30
— Loan receivables	–	3,769
— Promissory note receivables *(Note 18)*	–	11,399
Interest expenses:		
— Convertible bonds *(Note 24)*	(7,859)	(8,450)
— Bonds payables *(Note i)*	(1,793)	(6,262)
— Other borrowings *(Note ii)*	(2,202)	(1,873)
— Obligations under finance lease	(1,738)	–
Finance costs, net	(13,534)	(1,387)

Notes:

(i) Interest expense on bonds payables comprises interest expense on bonds payables of approximately HK$1,717,000 and interest expenses on promissory note payables of approximately HK$76,000.

(ii) Interest expense on other borrowings comprises loan from a related company of approximately HK$2,202,000.

9. LOSS BEFORE INCOME TAX

	2018 HK$'000	2017 HK$'000
Auditor's remuneration	1,500	1,000
Depreciation of property, plant and equipment *(Note 15)*	11,692	7,489
Merchandise purchased and changes in inventories *(Note 17)*	15,702	8,346
Employee benefit expenses	46,967	37,518
Operating lease rental expenses	19,227	18,143
Allowance for expected credit losses in other receivables	453	–

10. INCOME TAX CREDIT

The amounts of income tax credit refunded to the consolidated statement of profit or loss are as follows:

	2018 *HK$'000*	2017 *HK$'000*
Current taxation		
PRC enterprise income tax		
— Current year	192	1,561
Deferred taxation	(531)	(6,236)
	(339)	(4,675)

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

	2018 *HK$'000*	2017 *HK$'000*
Loss before income tax	(78,493)	(326,914)
Calculated at Hong Kong profits tax rate of 16.5% (2017: 16.5%)	(12,951)	(53,941)
Effect of different tax rates in other jurisdictions	(1,436)	(2,910)
Income not subject to tax	(157)	(4)
Expenses not deductible	1,965	10,671
Tax losses for which no deferred income tax asset was recognised	12,240	41,509
Income tax	(339)	(4,675)

11. EMPLOYEE BENEFIT EXPENSES

	2018 *HK$'000*	2017 *HK$'000*
Wages, salaries and other short-term employee benefits	42,744	35,916
Pension costs — defined contribution plans	4,223	1,602
	46,967	37,518

11. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2018 is set out below:

Name of Director	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Employer's contribution to pension scheme *HK$'000*	Share options *HK$'000*	Total *HK$'000*
Executive Directors					
YU, Qigang (Chairman)	–	2,400	18	–	2,418
Zeng Xiangdi *(Note (i))*	770	–	–	–	770
YANG, Wang Jian *(Note (ii))*	–	157	8	–	165
CHEN, Hanhong	720	–	–	–	720
AU, Eva *(Note (ii))*	79	–	–	–	79
LIU, Dong *(Note (iii))*	–	84	4	–	88
Non-executive Directors					
YU, Jiaoli *(Note (iv))*	64	–	–	–	64
Independent Non-executive Directors					
WU, Hong	180	–	–	–	180
TSOI, David *(Note (v))*	180	–	–	–	180
WANG, Chunlin *(Note (vi))*	180	–	–	–	180
Sun Zhili *(Note (vii))*	135	–	–	–	135
	2,308	2,641	30	–	4,979

11. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments *(Continued)*

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

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

11. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(i) Appointed on 24 February 2017 and resigned on 29 November 2018
(ii) Retired on 7 June 2018
(iii) Appointed on 13 July 2018
(iv) Resigned on 12 July 2018
(v) Appointed on 12 June 2017
(vi) Appointed on 12 June 2017
(vii) Appointed on 12 June 2017 and resigned on 30 September 2018
(viii) Resigned on 10 January 2017
(ix) Resigned on 12 June 2017
(x) Resigned on 12 June 2017
(xi) Appointed on 25 April 2017 and resigned on 19 June 2017
(xii) Appointed on 13 February 2017 and resigned on 30 June 2017
(xiii) Resigned on 13 February 2017
(xiv) Resigned on 14 June 2017
(xv) Resigned on 14 June 2017
(xvi) Resigned on 30 June 2017

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

(b) 5 highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 including 4 Directors (2017: 4), whose emoluments are disclosed in Note 11(a). Details of emoluments of the remaining 1 (2017: 1) individuals are as follows:

	2018	2017
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**960**	434
Pension costs — defined contribution plans	**18**	11
	978	445

The emoluments are within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
HK$Nil – HK$500,000	**–**	1
HK$500,001 – HK$1,000,000	**1**	–
	1	1

12. LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$152,424,000 (2017: HK$173,162,000) (Note 38(c)).

13. 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:

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(79,454)**	(323,029)
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares in issue	**576,539**	493,113
		(Restated)
Loss per share		
Basic loss per share *(HK$ cents)*	**(13.78)**	(65.51)

Note: The weighted average number of ordinary shares for the years ended 31 December 2018 and 2017 has been adjusted for four-to-one share consolidation of the Company which became effective on 4 March 2019.

Diluted

For the years ended 31 December 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.

14. DIVIDENDS

No dividend in respect of the year ended 31 December 2018 (2017: Nil) is to be proposed at the forthcoming annual general meeting.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Office equipment furniture and fixtures *HK$'000*	Transportation vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At 1 January 2017						
Cost	37,988	23,371	3,891	6,145	252	71,647
Accumulated depreciation and impairment	(19,865)	(15,245)	(2,808)	(2,550)	(252)	(40,720)
Net book amount	18,123	8,126	1,083	3,595	–	30,927
Year ended 31 December 2017						
Opening net book amount	18,123	8,126	1,083	3,595	–	30,927
Additions	8,401	3,665	1,295	261	–	13,622
Depreciation *(Note 9)*	(3,830)	(2,035)	(741)	(883)	–	(7,489)
Disposal	–	–	–	(369)	–	(369)
Exchange realignment	370	157	22	51	–	600
Closing net book amount	23,064	9,913	1,659	2,655	–	37,291
At 31 December 2017						
Cost	47,140	27,471	5,265	6,143	256	86,275
Accumulated depreciation and impairment	(24,076)	(17,558)	(3,606)	(3,488)	(256)	(48,984)
Net book amount	23,064	9,913	1,659	2,655	–	37,291

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

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Office equipment furniture and fixtures *HK$'000*	Transportation vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Year ended 31 December 2018						
Opening net book amount	23,064	9,913	1,659	2,655	–	37,291
Acquisition of subsidiaries *(Note 26)*	6,586	31,054	2,973	73	–	40,686
Additions	3,022	14,126	1,028	–	–	18,176
Depreciation *(Note 9)*	(4,773)	(4,830)	(1,356)	(733)	–	(11,692)
Disposal	–	(8)	(81)	–	–	(89)
Exchange realignment	(179)	(3,215)	(254)	(62)	–	(3,710)
Closing net book amount	27,720	47,040	3,969	1,933	–	80,662
At 31 December 2018						
Cost	56,430	68,461	14,204	5,291	–	144,386
Accumulated depreciation and impairment	(28,710)	(21,421)	(10,235)	(3,358)	–	(63,724)
Net book amount	27,720	47,040	3,969	1,933	–	80,662

Depreciation expense for the year ended 31 December 2018 of approximately HK$8,654,000 (2017: HK$4,663,000) and HK$3,038,000 (2017: HK$2,826,000) have been recognised as selling expenses and administrative expenses, respectively.

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

	Trademark user right and technical know-how	Goodwill	Other Intangible Assets: Medical license	Other Intangible Assets: Cross-boundary vehicle licence	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (a))	*(Note (b))*	*(Note (c))*	*(Note (d))*	
At 1 January 2017					
Cost	222,222	–	968	1,568	224,758
Accumulated amortisation and impairment	(127,335)	–	(960)	(222)	(128,517)
Net book amount	94,887	–	8	1,346	96,241
Year ended 31 December 2017					
Opening net book amount	157,250	–	97	1,568	158,915
Amortisation	–	–	(92)	–	(92)
Impairment loss	(62,363)	–	–	(222)	(62,585)
Exchange realignment	–	–	3	–	3
Closing net book amount	94,887	–	8	1,346	96,241
At 31 December 2018					
Cost	**222,222**	**54,232**	**968**	**1,568**	**278,990**
Accumulated amortisation and impairment	**(127,335)**	**(17,812)**	**(968)**	**(1,568)**	**(147,683)**
Net book amount	**94,887**	**36,420**	**–**	**–**	**131,307**
Year ended 31 December 2018					
Opening net book amount	**94,887**	**–**	**8**	**1,346**	**96,241**
Acquisition of subsidiaries *(Note 26)*	**–**	**54,232**	**–**	**–**	**54,232**
Impairment loss	**–**	**(17,812)**	**–**	**–**	**(17,812)**
Amortisation	**–**	**–**	**(8)**	**–**	**(8)**
Disposal of a subsidiary *(Note 27)*	**–**	**–**	**–**	**(1,346)**	**(1,346)**
Closing net book amount	**94,887**	**36,420**	**–**	**–**	**131,307**

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

Notes:

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

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

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

During the year ended 31 December 2018, an impairment loss of approximately HK$Nil (2017: HK$62,363,000) was recognised in respect of the trademark user right and technical know-how within the beauty and wellness segment. This year, the performance of the beauty and wellness business improved significantly as compared to last year.

(b) Goodwill has been allocated for impairment testing purposes to the cash-generating units of health and medical business by Charm Eastern Limited and its subsidiaries ("**Charm Eastern Group**"), which is classified into the Group's reportable segment of health and medical operation.

Particular of impairment testing on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

Health and medical business

Before recognition of impairment loss, the carrying amount of goodwill was allocated to cash-generating units as follows:

	2018	2017
	HK$'000	*HK$'000*
Health and medical business	**54,232**	–

For the year ended 31 December 2018, the recoverable amount of goodwill with indefinite useful life is determined based on a value in use calculation by reference to the valuation report issued by an independent valuer. The cash flow projection based on financial budgets approved by the directors and valued by the professional valuer covering a five year period, and discount rate of 15% per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market.

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

Notes: (Continued)

(b) *(Continued)*

The key assumptions used in the value-in-use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects the past experience.

During the year ended 31 December 2018, an impairment loss of approximately HK$17,812,000 was recognised in respect of the goodwill within the health and medical segment. In the opinion of the directors of the Company, the main factor contributing to the impairment loss was that the actual performance of the health and medical business was not as good as anticipated by the then-incumbent Board at the time of acquisition.

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

(d) The cross-boundary vehicle license has a legal life of 1 year but is renewable every 1 year at minimal costs. The directors are of the opinion that the Group would renew the cross-boundary vehicle license continuously and has the ability to do so. As a result, the cross-boundary vehicle license is considered by management of the Group as having an indefinite useful life and will not be amortised. For the year ended 31 December 2017, the cross-boundary vehicle license was impaired to the recoverable amount which is determined by subsequent selling price to HK$1,346,000.

17. INVENTORIES

	2018 *HK$'000*	2017 *HK$'000*
Raw materials and consumables	**9,240**	7,899

The cost of inventories recognised as expenses and included in cost of sales during the year ended 31 December 2018 amounted to approximately HK$15,702,000 (2017: HK$8,346,000) (Note 9).

18. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS

Movements of promissory note receivables during the years ended 31 December 2018 and 2017 are as follows:

	Winning Rose Promissory Note	Puregood Promissory Note	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017	81,548	72,670	154,218
Add: Interest incomes *(Note 8)*	4,471	6,928	11,399
Less: Impairment of promissory note receivables	(86,019)	(79,598)	(165,617)
At 31 December 2017 and 1 January 2018 and 31 December 2018	–	–	–

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

The fair value recognized at the date of issue of the Winning Rose Promissory Note and Puregood Promissory Note was approximately HK$73,098,000 and HK$66,344,000 respectively. As at 31 December 2017, the carrying value (after provision of impairment) of the Winning Rose Promissory Note and Puregood Promissory Note was approximately HK$Nil and HK$Nil respectively. The outstanding balances of promissory notes as at 31 December 2017 of approximately HK$165,617,000 were past due and no subsequent settlements were received by the Group from the respective note holders after the end of the financial reporting period. On 14 March 2018, the Group issued writs of summons to each of the defaulting parties. In the opinion of the directors of the Company, the likelihood of the Group recovering the monies owed under these notes was uncertain and hence a provision for full impairment of the promissory notes, including accrued interests, amounting to approximately HK$165,617,000 was recognized as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017.

19. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables *HK$'000*	Financial assets at fair value *HK$'000*
Assets as per statement of financial position		
At 31 December 2018		
Trade and other receivables, excluding prepayments	**25,122**	**–**
Financial asset at fair value through profit or loss	**–**	**15,000**
Derivative financial assets	**–**	**703**
Bank balances — trust and segregated accounts	**11,826**	**–**
Bank balances (general accounts) and cash	**52,911**	**–**
	89,859	**15,703**
Assets as per statement of financial position		
At 31 December 2017		
Trade and other receivables, excluding prepayments	10,329	–
Bank balances — trust and segregated accounts	6,896	–
Bank balances (general accounts) and cash	26,458	–
	43,683	–

19. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Financial liabilities at fair value *HK$'000*	Financial liabilities at amortised cost *HK$'000*
Assets as per statement of financial position		
At 31 December 2018		
Financial liabilities at fair value through profit or loss	**2,913**	**–**
Convertible bonds	**–**	**71,186**
Bonds payables	**–**	**9,733**
Obligations under finance lease	**–**	**36,781**
Loan from a related company	**–**	**30,753**
Trade and other payables, excluding membership deposits received	**–**	**57,961**
	2,913	**206,414**
Assets as per statement of financial position		
At 31 December 2017		
Financial liabilities at fair value through profit or loss	13,229	–
Convertible bonds	–	75,762
Bonds payables	–	8,516
Promissory note payables	–	6,287
Loan from a related company	–	101,772
Trade and other payables, excluding membership deposits received	–	38,623
	13,229	230,960

20. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables arising from the ordinary course of business of dealing in securities transactions:		
— Cash clients	75	–
— Clearing house	–	–
	75	–
Trade receivables arising from ordinary course of business, except for business of dealing in securities transactions	56,245	52,157
Less: Provision for discount on past due balances	(51,979)	(51,979)
	4,266	178
	4,341	178

Trade receivables arising from the business of dealing in securities

The Group seeks to maintain tight control over its outstanding trade receivables and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limit are approved by designated approvers according to the clients' credit worthiness.

The normal settlement terms of trade receivable from clients and clearing house arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

Trade receivables due from cash clients are secured by clients' securities, which are publicly traded equity securities listed in Hong Kong. The fair values of the securities as at 31 December 2018 were approximately HK$75,000 (2017: Nil). All trade receivables from cash clients are neither past due nor impaired as at 31 December 2018 and 2017 and the directors of the Company are of the opinion that the amount are recoverable. Cash client receivables which were past due but not impaired bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion.

In addition, the Group has a policy for determining the allowance for impairment of trade receivables without sufficient collateral based on the evaluation of collectability and aging analysis of accounts and on management's judgement including the creditworthiness, collateral and the past collection history of each client.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to the reporting date and the fair values of the collateral held.

20. TRADE RECEIVABLES *(Continued)*

Trade receivables arising from businesses other than dealing in securities

The Group's trade receivables are generally with credit periods of 90 days (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 Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise the credit risk.

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

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**3,410**	178
31–60 days	**572**	–
61–90 days	**182**	–
91–180 days	**54**	–
Over 180 days	**52,027**	51,979
	56,245	52,157

Management assessed the credit quality of those trade receivables of approximately HK$4,164,000 (31 December 2017: HK$178,000) that are neither past due nor impaired by reference to the repayment history and current financial position of those customers. Those receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and those balances are expected to be fully recoverable.

Trade receivables are denominated in the following currencies:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong dollars	**75**	–
Renminbi	**4,191**	178
US dollars	**51,979**	51,979
	56,245	52,157

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Prepayments	1,579	13,936
Prepayment for establishment of an associated company	4,000	4,000
Other deposits paid	1,335	1,345
Other receivables	24,005	12,580
Interest receivables	6,629	6,629
	37,548	38,490
Less: Allowance for expected credit losses on other receivables *(Note (a))*	(785)	–
Less: Impairment loss on interest receivables *(Note (b))*	(6,629)	(6,629)
Less: Impairment loss on prepayments, deposits and other receivables *(Note (c))*	(7,774)	(7,774)
	22,360	24,087

Notes:

(a) Movement in allowance for ECL that has been recognised for deposits and other receivables under ECL model of HKFRS 9 for the year ended 31 December 2018 was detailed in Note 3.1(b).

(b) As regarding the Loan Receivables Default, the loan receivables were overdue beyond their respective loan credit period. Though the management of the Group has been proactively seeking to recover these loan receivables and demand letters were sent by the Group and its legal advisor to these borrowers and writs of summons were sent to each of the borrowers in March 2018, no subsequent settlements were made. Consequently, a provision for impairment on the interest receivable of HK$6,629,000 in relation to these loan receivables was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

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

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

Prepayments, deposits and other receivables are denominated in the following currencies:

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong dollars	2,016	14,407
Renminbi	20,344	9,680
	22,360	24,087

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Loan receivables:

	2018 HK$'000	2017 HK$'000
91–180 days	–	–
181–365 days	–	–
Over 1 year	23,968	23,968
	23,968	23,968
Less: Recovery of loan receivables	(3,300)	–
Less: Impairment loss	(20,668)	(23,968)
	–	–

The loan receivables are unsecured, bear interests ranging from 10% to 36% per annum, and repayable within one year.

At each of the reporting date, the Group's loan receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain loan receivables and appropriate provision for impairment has been made against these loan receivables. The individually impaired receivables are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

Included in the above provision for impairment is a provision for individually impaired loan receivables of HK$20,668,000 (2017: HK$23,968,000). The individually impaired loan receivables relate to several borrowers that were in default or delinquency in repayments ("**Loan Receivables Default**").

The loan receivables were overdue beyond their respective loan credit period. Specific impairment provision was made to these loan receivables during the year ended 31 December 2017 when no settlement was made despite proactive recovery actions taken by the management including the issue of demand letters and writs of summons.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date of initial grant of credit up to the reporting date. Accordingly, the directors of the Company believe that there is no further impairment required in excess of the allowance for doubtful debts.

On 27 July 2018, the Group received repayment of loan receivables of HK$3,300,000 from one of the borrower.

The carrying amount of the loans receivable approximate their fair value.

22. CASH AND BANK BALANCES

	2018 HK$'000	2017 HK$'000
Bank balances — trust and segregated accounts *(Note (iii))*	11,826	6,896
Bank balances (general accounts) and cash *(Note (iv))*	52,911	26,458
	64,737	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 clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding trade payables to respective client. However, the Group does not have a currently enforceable right offset those payables with deposits placed.

(ii) The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

(iii) Segregated Accounts

From the Group's ordinary business in provision of brokerage and related services, the Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognized the corresponding accounts payable to respective clients. As at 31 December 2018, the segregated accounts with authorized institutions in relation to its brokerage business totaled HK$11,826,000 (2017: HK$6,896,000).

(iv) House accounts

Cash and bank balances comprise cash held by the Group and bank deposits at variable interest rate with original maturity of three months or less.

At 31 December 2018, the Group's certain bank deposits of approximately HK$35,594,000 (2017: HK$2,548,000) denominated in RMB were placed with bank in the PRC.

Cash and bank balances are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
Hong Kong dollars	35,497	30,764
Renminbi	29,239	2,590
US dollars	1	–
	64,737	33,354

Cash at banks earns interest at floating rates based on daily bank deposit rates.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control imposed by the government of the PRC. The Group's cash and bank balances denominated in RMB which located in Hong Kong are not subject to the foreign exchange control.

23. SHARE CAPITAL

	Number of shares		Amount	
	2018	2017	**2018**	2017
	Number	Number		
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary of shares of HK$0.01 each				
At 1 January	**4,000,000**	4,000,000	**40,000**	40,000
Increased in authorized share capital *(Note (a)(i))*	**16,000,000**	–	**160,000**	–
At 31 December	**20,000,000**	4,000,000	**200,000**	40,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	**1,972,453**	1,972,453	**19,725**	19,725
Issue shares upon conversion of convertible bonds *(Note (a)(ii), (a)(iii), (a)(iv) and (a)(v))*	**435,744**	–	**4,357**	–
Issue share subscriptions of new shares *(Note (a)(vi))*	**466,000**	–	**4,660**	–
At 31 December	**2,874,197**	1,972,453	**28,742**	19,725

Notes:

(a) Changes in authorized and issued share capital during the year:

(i) On 19 March 2018, the authorized share capital of the Company was increased from HK$40,000,000 divided into 4,000,000,000 shares to HK$200,000,000 divided into 20,000,000,000 shares.

(ii) On 5 March 2018, Zheyin Tianqin 2017 CB with principal amount of HK$25,000,000 was converted into 125,000,000 ordinary shares at the conversion price of HK$0.20 per share.

(iii) On 5 March 2018, Investor CB with principal amount of HK$27,200,000 was converted into 160,000,000 ordinary shares at the conversion price of HK$0.17 per share.

(iv) On 17 May 2018, Marsa CBs were partially cancelled due to failure of profit guarantee with the remained principal amount being converted into 72,619,050 ordinary shares at the conversion price of HK$0.50 per share.

(v) On 28 September 2018, 1st Ample Reach CB with principal amount of HK$13,671,875 was converted into 78,125,000 ordinary shares at the conversion price of HK$0.175 per share.

(vi) On 5 December 2018, an aggregate of 466,000,000 Subscription Shares were allotted and issued to the Share Subscribers at the Subscription Price of HK$0.053 per Subscription Share.

23. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) Share Option Scheme:

On 2 September 2006, a share option scheme (the "**Share Option Scheme**") was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

(i) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

The weighted average fair value of options granted was determined using the Trinomial Option Pricing Model at HK$0.21 per option. The significant inputs into the model were weight average share price of HK$0.37 at the grant date, exercise price shown above, volatility of 45%, dividend yield of 0%, an expected option life of 10 years, and annual risk-free interest rate of 1.14%.

(ii) In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,245,260 share options under the Share Option Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). However, no share options were accepted by the grantees within 28 days from the date of offer in accordance with the rules of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year ended 31 December 2018.

(iii) Movements in the share options are as follows:

	2018		2017	
	Weighted average exercise price In HK$ per Share	Number of Share options	Weighted average exercise price In HK$ per Share	Number of Share options
At 1 January	0.32	23,000,000	0.32	55,800,000
Lapsed	0.32	(9,000,000)	0.32	(32,800,000)
At 31 December	0.32	14,000,000	0.32	23,000,000

	2018	2017
— Number of share options exercisable at year ended	14,000,000	23,000,000
— Range of exercise prices	0.32	0.32
— Weighted average remaining contractual life	3.35 years	4.35 years

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

In this note, references to number of conversion shares and conversion prices refer to the status of affairs prior to the four-to-one share consolidation of the Company which became effective on 4 March 2019. The adjustments to conversion shares and conversion prices as a result of the share consolidation are disclosed in the Company's announcement dated 1 March 2019.

(a) Convertible Bonds

Movements of convertible bonds during the years ended 31 December 2018 and 2017 are summarised as below:

	1st Tai Cheng CB	2nd Tai Cheng CB	3rd Tai Cheng CB	2015 CB	1st 2016 CB	Qianhai CB	Zheyin Tianqin 2017 CB	Investor CB	Zheyin Tianqin 2018 CB	Total
	HK'000	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*
	(Note (i))	*(Note (i))*	*(Note (i))*	*(Note (ii))*	*(Note (iii))*	*(Note (iv))*	*(Note (v))*	*(Note (vi))*	*(Note (vii))*	
As at 1 January 2017, as restated	6,163	5,046	372	26,961	43,014	11,632	–	–	–	93,188
Issue of convertible bonds	–	–	–	–	–	–	24,287	–	–	24,287
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 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

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

(a) Convertible Bonds *(Continued)*

	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 2018	–	5,628	431	30,841	–	12,358	26,504	–	–	75,762
Issue of convertible bonds	–	–	–	–	–	–	–	27,200	60,000	87,200
Equity component on initial recognition	–	–	–	–	–	–	–	(6,462)	(40,967)	(47,429)
Redemption option derivative component on initial recognition	–	–	–	–	–	–	–	5,160	37,061	42,221
Deferred tax liabilities on initial recognition	–	–	–	–	–	–	–	(257)	(772)	(1,029)
Conversion of convertible bonds	–	–	–	–	–	–	(26,504)	(25,689)	–	(52,193)
Redemption of convertible bonds	–	(5,965)	(483)	(31,610)	–	–	–	–	–	(38,058)
Interest expenses	–	337	52	769	–	2,021	496	164	4,020	7,859
Accrued interest	–	–	–	–	–	–	(496)	(116)	(2,535)	(3,147)
As at 31 December 2018	–	–	–	–	–	14,379	–	–	56,807	71,186
Analysed by maturity date as:										
Within one year and included in current liabilities	–	–	–	–	–	14,379	–	–	–	14,379
Over one year and included in non-current liabilities	–	–	–	–	–	–	–	–	56,807	56,807
	–	–	–	–	–	14,379	–	–	56,807	71,186

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

(a) Convertible Bonds *(Continued)*

(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 Shing (the "**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.

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 matured on 13 October 2017. The principal amount and accrued interest of the 2nd Tai Cheng CB were fully repaid in cash by the Company in July 2018, upon exercising of the cash redemption right at the option of Tai Shing.

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 matured on 8 September 2018. The principal amount and accrued interest of the 3rd Tai Cheng CB were fully repaid in cash by the Company in November 2018, upon excising of the cash redemption right at the option of Tai Shing.

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

(a) Convertible Bonds *(Continued)*

(ii) 2015 CB

On 6 March 2015, the Company issued 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.

(iii) 1st 2016 CB

On 15 January 2016, the Company issued 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 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited in an aggregate principal amount of HK$12,000,000 (the "**Qianhai CB**") carrying conversion right to convert into 40,000,000 shares at the conversion price of HK$0.30 per share (after adjustment) maturing on 15 April 2019. The carrying value of the Qianhai CB as at 31 December 2018 was approximately HK$14,379,000.

(v) Zheyin Tianqin 2017 CB

On 3 March 2017, the Company issued 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.

24. 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 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.

	Liability component *HK$'000*	Equity component *HK$'000*	Redemption option derivative component *HK$'000*	Total *HK$'000*
At 31 December 2017 and 1 January 2018	–	–	–	–
Issue of Investor convertible bonds	25,641	6,719	(5,160)	27,200
Deferred tax liability upon conversion of convertible bonds	–	(257)	–	(257)
Effective interest charged	164	–	–	164
Interest payable	(116)	–	–	(116)
Release of deferred tax liability upon of conversion of convertible bonds	–	257	–	257
Change in fair value of derivative financial asset component of convertible bonds	–	–	(7,611)	(7,611)
Conversion of convertible bonds	(25,689)	(6,719)	12,771	(19,637)
At 31 December 2018	–	–	–	–

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

(a) Convertible Bonds *(Continued)*

(vii) Zheyin Tianqin 2018 CB

On 19 April 2018, the Company issued 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 20 April 2020, being the second anniversary of the date of issue of the convertible bonds (or the next business day, if the anniversary date is not a business day). The carrying value of the Zheyin Tianqin 2018 CB as at 31 December 2018 was approximately HK$56,807,000.

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Redemption option derivative component** *HK$'000*	**Total** *HK$'000*
At 31 December 2017 and 1 January 2018	–	–	–	–
Issue of Zheyin Tianqin 2018 convertible bonds	55,322	41,739	(37,061)	60,000
Deferred tax liability upon conversion of convertible bonds	–	(772)	–	(772)
Effective interest charged	4,020	–	–	4,020
Interest payable	(2,535)	–	–	(2,535)
Change in fair value of derivative financial asset component of convertible bonds	–	–	36,358	36,358
At 31 December 2018	**56,807**	**40,967**	**(703)**	**97,071**

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

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

Movements of financial liabilities at fair value through profit or loss during the years ended 31 December 2018 and 2017 are summarised as below:

	Mara CBs *HK$'000*	Ample Reach CBs *HK$'000*	Total *HK$'000*
As at 1 January 2017, as restated	22,277	–	22,277
Changes in fair value	(9,048)	–	(9,048)
	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
As at 1 January 2018	**13,229**	**–**	**13,229**
Issue of convertible bonds, at fair value *(Note 26)*	**–**	**31,422**	**31,422**
Conversion and cancellation of convertible bonds	**(6,087)**	**–**	**(6,087)**
Changes in fair value	**(7,142)**	**(28,509)**	**(35,651)**
As at 31 December 2018	**–**	**2,913**	**2,913**
Analysed by maturity date as at 31 December 2018:			
Within one year and included in current liabilities	**–**	**2,913**	**2,913**

(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.

24. 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'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 and 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. In addition, the Company shall have the right to redeem any uncancelled 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. The Company has duly exercised the PG Failure Cancellation Right on 3 May 2018 and the Share Redemption Election Right on 4 May 2018 in respect of the 1st, 2nd and 3rd Marsa CBs, details of which are set out in the Company's announcement dated 4 May 2018.

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 has decided not to exercise the Sell-back Right for the reasons set out in the Company's announcement dated 16 October 2018 and the Company's circular dated 28 December 2018. The non-exercise of the Sell-back Right was approved by independent shareholders at an extraordinary general meeting of the Company held on 17 January 2019.

As disclosed in the Company's announcement dated 4 May 2018, the Company cancelled part of the 1st, 2nd and 3rd Marsa CBs based on the fulfillment shortfall of the Profit Guarantee and exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation, as a result of which the Company has allotted and issued 72,619,050 Shares on 17 May 2018 in full performance of its obligations under the Marsa CBs.

24. 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

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**"). On completion of the Hospital Acquisition on 31 January 2018, Ample Reach CBs in the face value of HK$41,015,625 were issued to the Ample Reach 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 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 (excluding one-off income) 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 (the "**First PG**"), RMB5,000,000 (the "**Second PG**") and RMB5,000,000 (the "**Third PG**"), 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.

As disclosed in the Company's announcement dated 10 September 2018, the Company exercised the automatic conversion right over the entire principal amount of the 1st Ample Reach CB and allotted and issued 78,125,000 Shares (the "**Escrowed Shares**") at the conversion price of HK$0.175 per Share but put them in escrow and withhold their release until and unless the Second PG is determined by the Company to be satisfied in full. Under the Deed of Undertaking given by Ample Reach on 10 September 2018, if the Second PG is not satisfied in full, the Company shall be entitled to engage a financial institution as the placing agent to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages.

The Hospital Group was loss-making during the six months ended 31 December 2018. On 29 March 2019, the Company determined that the Vendor has failed to satisfy the Second PG in its entirety. Accordingly, the entire tranche of the 2nd Ample Reach CB shall be cancelled, and the Company intends to engage a placing agent to sell the Escrowed Shares in due course.

The carrying value of the Ample Reach CBs as at 31 December 2018 was approximately HK$2,913,000.

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

(c) HK Yinger CB

On 23 March 2018, the Company issued 3% per annum convertible bonds to the nominated entity of Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**"), Fluent Robust Limited, in an aggregate principal amount of HK$120,000,000 (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 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 issue 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 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 issue price of HK$120,000,000, which in the opinion of directors of the Company represented its fair value at its issue date, less transaction costs.

25. BONDS PAYABLES

Movements of bonds payables during the years ended 31 December 2018 and 2017 are summarised as below:

	HK$'000
As at 1 January 2017	16,031
Issue of bond	4,000
Direct issue costs	(40)
Gain on issue of bonds payables	(1,031)
Interest paid	(2,583)
Interest expenses	6,139
Settlement of bonds payables	(14,000)
As at 31 December 2017	**8,516**
Interest paid	**(500)**
Interest expenses	**1,717**
As at 31 December 2018	**9,733**
Analysed by maturity date as at 31 December 2018:	
Over one year and included in non-current liabilities	**9,733**

25. BONDS PAYABLES *(Continued)*

As at 31 December 2018, there were outstanding bonds with an aggregate principal amount HK$14,000,000 (2017: HK$14,000,000).

(i) 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.

(ii) 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 issue was calculated using market interest rates for equivalent bonds. The difference between the fair value at issue and the net proceeds received was recognised within other income and gains Note 7 to the consolidated statement of profit or loss.

26. 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 ("**Charm Eastern Group**") at total consideration of HK$65,422,000. The Hospital Acquisition was completed on 31 January 2018.

Consideration transferred

	HK$'000
Cash	34,000
Ample Reach CBs *(Note 24(b))*	31,422
Total consideration	65,422

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

	HK$'000
Identifiable assets acquired and liabilities recognised:	
Property, plant and equipment *(Note 15)*	40,686
Inventories	1,016
Trade receivables	1,774
Prepayments, deposits and other receivables	8,321
Cash and bank balances	4,309
Trade payables	(1,284)
Obligations under finance lease	(30,020)
Other payables, accruals and deposit received	(8,817)
Total identifiable net assets acquired	15,985
Non-controlling interests	(4,795)
Acquiree's net assets	11,190
Goodwill *(note)*	54,232
Total consideration	65,422

Note:

Goodwill arose in the acquisition of Charm Eastern Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Charm Eastern Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

26. ACQUISITION OF SUBSIDIARIES *(Continued)*

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow

	HK$'000
Consideration paid in cash and bank balance	34,000
Less: cash and balance acquired of	(4,309)
	29,691

Impact of acquisitions on the results of the Charm Eastern Group

Included in the loss for the year is HK$3,942,000 attributable to the additional business generated by Charm Eastern Group. Revenue for the year includes HK25,015,000 in respect of Charm Eastern Group.

Had these business combinations been effected at 1 January 2018, the revenue of the Group from continuing operations would have been HK$26,662,000 and the loss for the year from continuing operations would have been HK$5,201,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

27. DISPOSAL OF A SUBSIDIARY

On 13 March 2018, the Group entered into a sale and purchase agreement to disposal of its 100% equity interest in Hung Cheong Paper Products Factory Limited ("**Hung Cheong**") to an independent third party (the "**Purchaser**") for cash consideration of HK$1,346,000. The disposal was completed on 13 March 2018. Summary of the effects of the disposal is as follows:

Consideration:

	HK$'000
Total consideration	1,346

Analysis of asset and liabilities over which control was lost:

	Acquiree's carrying amount and fair value *HK$'000*
Non-current asset	
Other intangible assets	1,346
Current assets	
Prepayments, deposits and other receivables	1
Cash and bank balances	3
Current liability	
Other payables	(244)
Net assets disposal	1,106
Gain on disposal of a subsidiary	
Consideration received	1,346
Net assets disposal	(1,106)
Gain on disposal	240
Net cash inflow on disposal of a subsidiary	
Consideration received in cash and bank balances	1,346
Less: cash and bank balances disposal of	(3)
	1,343

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and the movements thereon during the current and prior year:

	Trademark user right and technical know-how *HK$'000*	Accelerated tax depreciation *HK$'000*	Convertible bonds *HK$'000*	Total *HK$'000*
At 1 January 2017	15,725	193	–	15,918
Charged to consolidated statement of profit or loss	(6,237)	–	–	(6,237)
At 31 December 2017	9,488	193	–	9,681
Recognition of tax from convertible bonds	–	–	1,029	1,029
Charged to consolidated statement of profit or loss	–	(193)	(338)	(531)
Release of deferred tax upon conversion of convertible bonds	–	–	(190)	(190)
At 31 December 2018	9,488	–	501	9,989

29. TRADE PAYABLES

	2018 ***HK$'000***	2017 *HK$'000*
Trade payables arising from the ordinary course of business of dealing in securities transactions:		
— Cash clients	11,900	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	6,308	2,649
	18,209	9,545

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 data 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.

29. TRADE PAYABLES *(Continued)*

Trade payables arising from other businesses

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

	2018 *HK$'000*	2017 *HK$'000*
Within 30 days	2,737	50
31–60 days	1,064	36
61–90 days	57	139
91–180 days	72	30
Over 180 days	2,378	2,394
	6,308	2,649

The carrying amounts of trade payables approximate their fair values.

Trade payables are denominated in the following currencies:

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong dollars	11,901	6,896
Renminbi	6,308	2,649
	18,209	9,545

The carrying amounts of trade payables approximate their fair values.

30. CONTRACT LIABILITIES

	31 December 2018 *HK$'000*	1 January 2018 *HK$'000*
Receipts in advance	**11,117**	24,288

* The amounts in this column are after the adjustments from the application on HKFRS 15.

	Membership deposits received from customers *HK$'000*
At 31 December 2017	**–**
Reclassification from membership deposits received *(Note 31)*	**24,288**
At 1 January 2018 (restated)	**24,288**
Decrease in contract liabilities as a result of recognizing revenue or other income during the year that was included in the contract liabilities at the beginning of the year	**(28,496)**
Increase in contract liabilities excluding amounts recognized as revenue during the year	**16,097**
Effect of foreign currency exchange difference	**(772)**
At 31 December 2018	**11,117**

31. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2018 *HK$'000*	2017 *HK$'000*
Accruals	**9,794**	7,560
Membership deposits received	**–**	24,288
Other payables	**29,958**	21,518
	39,752	53,366

31. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED *(Continued)*

Other payables, accruals and deposits received are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
Hong Kong dollars	6,838	6,064
Renminbi	32,914	47,302
	39,752	53,366

32. PROMISSORY NOTE PAYABLES

Movements of promissory note payables during the years ended 31 December 2018 and 2017 are as follows:

	HK$'000
At 1 January 2017	–
Transferred from convertible bonds	6,163
Interest expense	124
At 31 December 2017	6,287
Interest expense	76
Redemption of promissory note	(6,363)
At 31 December 2018	–

On 15 March 2017, the Company entered into a side letter with Tai Shing, pursuant to which the Company and Tai Shing agreed to cancel the 1st Tai Cheng CB in the principal amount of HK$6,163,639 in exchange for 2% per annum promissory note in the same principal amount issued by the Company, which was supposed to mature on 30 November 2017. Details of the 1st Tai Cheng CB are set out in the Note 24(a)(i) to the consolidated financial statements. On 11 July 2018, its principal amount and accrued interest were fully repaid in cash by the Company.

33. OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease payment		PV of minimum lease payment	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**4,241**	–	**2,465**	–
More than one year	**42,576**	–	**34,316**	–
	46,817	–	**36,781**	–
Less: Future finance charges	**(10,036)**	–	**–**	–
Present value of lease obligations	**36,781**	–	**36,781**	–
Less: Amount due within one year shown under current liabilities			**(2,465)**	–
Amount due after one year shown under non-current liabilities			**34,316**	–

During the year ended 31 December 2018, the Group has leased certain of its medical machinery under finance leases. The average lease term is ten years and the contractual interest rate for the year is 4.9% per annum. All leases are denominated in functional currency of respective group entities and no arrangement has been entered into for contingent rental payments.

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

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash used in operation

	Notes	2018 HK$'000	2017 HK$'000
Loss before income tax		(78,493)	(326,914)
Tax adjustment for:			
— Depreciation of property, plant and equipment	15	11,692	7,489
— (Gain)/loss on disposal of property, plant and equipment		(55)	129
— Gain on disposal of a subsidiary	27	(240)	–
— Fair value change of derivative financial instruments			
Call options		–	11,040
Financial liabilities at fair value through profit or loss	24(b)	(35,651)	(9,048)
Financial asset at fair value through profit or loss		(1,328)	–
Derivative financial assets	24(a)	28,747	–
— Impairment loss of goodwill		17,812	–
— Impairment loss of promissory note receivables	18	–	165,617
— Impairment loss of trademark user right and technical know-how	16(a)	–	62,585
— Impairment loss of loan and interests receivables	21	–	30,597
— Allowance for expected credit losses on other receivables	21	453	–
— Impairment loss of prepayments, deposits and other receivables	21	–	7,774
— Amortisation of other intangible assets		8	92
— Gain on issue of bonds payables	25	–	(1,031)
— Finance costs, net	8	13,534	1,387
		(43,521)	(50,283)
Changes in working capital:			
— Inventories		(325)	(4,436)
— Trade receivables		(2,389)	8
— Prepayments, deposits and other receivables		9,594	(7,119)
— Bank balances — trust and segregated accounts		(4,930)	(2,889)
— Trade payables		7,380	2,987
— Contract liabilities		11,117	–
— Other payables, accruals and deposits received		(25,586)	15,211
— Amount due to related company		–	100,000
Cash (used in)/generated from operations		(48,660)	53,479

Significant non-cash transactions

The Group had the following significant non-cash activities during the year ended 31 December 2018:

(i) In January 2018, the Company issued Ample Reach CBs in the principal amount of approximately HK$41,016,000 as part of the consideration for the Hospital Acquisition, which was completed on 31 January 2018.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Significant non-cash transactions *(Continued)*

(ii) 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.

Reconciliation of liabilities arising from financing activities

	Convertible bonds	Bonds payables	Promissory Note Payables	Loan from a related company	Obligations under finance lease	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net debt as at 1 January 2017	93,188	16,031	–	–	–	109,219
Accrued interest	8,450	6,139	124	1,772	–	16,485
Interest paid	–	(2,583)	–	–	–	(2,583)
Issue of bonds and loans payable	24,287	3,960	–	100,000	–	128,247
Repayment of bonds payable	–	(14,000)	–	–	–	(14,000)
Redemption of convertible bonds	(44,000)	–	–	–	–	(44,000)
Transfer convertible bonds to promissory note	(6,163)	–	6,163	–	–	–
Gain on issuance of bonds payable	–	(1,031)	–	–	–	(1,031)
Net debt as at 31 December 2017	75,762	8,516	6,287	101,772	–	192,337
Interest expenses	7,859	1,717	76	2,202	1,738	13,592
Accrued interest	(3,147)	–	–	–	–	(3,147)
Interest paid	–	(500)	–	(3,221)	(1,738)	(5,459)
Loan from a related company	–	–	–	50,000	–	50,000
Repayment of loan from a related company	–	–	–	(120,000)	–	(120,000)
Repayment of obligations under finance lease	–	–	–	–	(2,811)	(2,811)
Redemption of promissory note payables	–	–	(6,363)	–	–	(6,363)
Issue of convertible bonds	87,200	–	–	–	–	87,200
Redemption of convertible bonds	(38,058)	–	–	–	–	(38,058)
Non-cash items	(58,430)	–	–	–	–	(58,430)
Acquision of subsidiaries *(Note 26)*	–	–	–	–	30,020	30,020
Proceeds from additions to obligations under finance lease	–	–	–	–	10,490	10,490
Exchange realignment	–	–	–	–	(918)	(918)
Net debts at 31 December 2018	71,186	9,733	–	30,753	36,781	148,453

35. COMMITMENTS

Operating lease commitments

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

	2018 *HK$'000*	2017 *HK$'000*
Not later than 1 year	18,194	15,911
Later than 1 year but not later than 5 years	15,497	22,627
More than 5 years	12,514	–
	46,205	38,538

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Key management compensation

	2018 *HK$'000*	2017 *HK$'000*
Wages, salaries and other short-term employee benefits	4,949	6,519
Pension costs — defined contribution plans	30	49
	4,979	6,568

(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:

	2018 *HK$'000*	2017 *HK$'000*
Interest expense to Hong Kong Sheen Smile International Investment Limited, a company wholly owned by Mr Yu *(Note 8)*	2,202	1,772
Interest expense to Ms. Tan	–	100
Rentals paid	–	61

36. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with a related party

	2018	2017
	HK$'000	*HK$'000*
Loans from Hong Kong Sheen Smile International Investment Limited, a company wholly owned by Mr. Yu	**30,753**	101,772

The loans from Hong Kong Sheen Smile International Investment Limited was unsecured and carried interest at rate ranged from 4.8% to 6.5% per annum. They are repayable within 1 year and classified as current liabilities. As at 31 December 2018, the principle amount outstanding was HK$30,000,000 (2017: HK$100,000,000).

37. CONTINGENT LIABILITIES

Save as disclosed below, the Group had no material contingent liabilities as at 31 December 2018.

As disclosed in the Company's announcement dated 4 May 2018, (i) on 3 May 2018, the Company exercised the PG Failure Cancellation Right to cancel part of the 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 which the Company allotted and issued 72,619,050 Pre-consolidation Shares on 17 May 2018 in full performance of the Company's obligations under the Marsa CBs. However, subsequent to 17 May 2018, the Company received letters from certain holder(s) of Marsa CB (or their legal advisers) seeking to challenge the Company's determination on certain of the Marsa CBs. The Company has instructed its legal adviser to uphold and protect its legal right and interest.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2018

	2018 *HK$'000*	2017 *HK$'000*
ASSETS		
Non-Current assets		
Property, plant and equipment	139	199
Investments in subsidiaries	169,955	169,955
	170,094	170,154
Current assets		
Prepayments, deposits and other receivables	397	12,988
Financial asset at fair value through profit or loss	15,000	–
Derivative financial assets	703	–
Amounts due from subsidiaries *(Note (b))*	14,555	17
Cash and cash equivalents	3,960	11,797
	34,615	24,802
Total assets	204,709	194,956
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital *(Note 23)*	28,742	19,725
Reserves	53,847	(36,337)
Total equity	82,589	(16,612)

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

As at 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
LIABILITIES		
Non-current liabilities		
Convertible bonds	**56,807**	12,358
Bonds payables	**9,733**	8,516
Financial liabilities at fair value through profit or loss	**–**	13,229
Deferred tax liabilities	**501**	–
	67,401	34,103
Current liabilities		
Other payables, accruals and deposits received	**6,778**	6,002
Convertible bonds	**14,379**	63,404
Financial liabilities at fair value through profit or loss	**2,913**	–
Amounts due to subsidiaries	**256**	–
Loan from a related company	**30,753**	101,772
Promissory note payables	**–**	6,287
	55,079	177,465
Total liabilities	**122,480**	211,568
Total equity and liabilities	**205,069**	194,956
Net current liabilities	**(20,464)**	(152,663)
Total assets less current liabilities	**149,630**	17,491

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) The following is a list of the subsidiaries which, in the opinion of the Directors, principally affected the results of the Group for the years ended 31 December 2018 and 2017 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Company Name	Places of incorporation/ establishment and kind of legal entity	Issued and fully paid-up share capital/ registered or paid-in capital	Equity interests attributable to the Company				Principal activities and places of operations
			Direct		Indirect		
			2018	2017	2018	2017	
Green Capital (Hong Kong) Limited	Hong Kong, limited liability	HK$1	100%	100%	–	–	Investment holding and money lending in Hong Kong
格林銀湖健康養生（深圳）有限公司	The PRC, wholly-owned foreign enterprise	HK$30,000,000	–	–	100%	100%	Operations of clubhouse business in the PRC
深圳市瑪莎嘉兒連鎖實業有限公司	The PRC, wholly-owned foreign enterprise	RMB10,000,000	–	–	70%	70%	Operations of beauty and wellness business in the PRC
深圳市瑪莎康盈生物科技有限公司	The PRC, wholly-owned foreign enterprise	RMB1,000,000/ RMB2,000,000	–	–	70%	70%	Operations of beauty and wellness business in the PRC
澧縣鳳凰醫院有限公司	The PRC, wholly-owned foreign enterprise	RMB15,000,000	–	–	70%	–	Medical services of internal medicine, nephrology, surgery, Chinese medicine, medical laboratory and Medical imaging in the PRC
益陽子仲腎臟病醫院有限公司	The PRC, wholly-owned foreign enterprise	RMB10,000,000	–	–	70%	–	Medical services of internal medicine, nephrology, medical laboratory, medical imaging, ultrasound diagnosis and electrocardiography
Green Securities Limited	Hong Kong, limited liability	HK$16,500,000	–	–	100%	100%	Securities brokerage in Hong Kong
Green Asset Management Limited	Hong Kong, limited liability	HK$7,000,000	–	–	100%	100%	Asset management in Hong Kong

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: (Continued)

(b) The amounts due from subsidiaries are denominated in Hong Kong dollars. The balances are unsecured, interest-free and repayable on demand.

(c) Reserves

	Share premium	Share-based equity reserve*	Convertible bonds-reserve*	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	544,946	11,394	15,891	(436,117)	136,114
Loss for the year	–	–	–	(173,162)	(173,162)
Redemption on convertible bonds	–	–	(4,276)	4,274	(2)
Issue of convertible bonds	–	–	713	–	713
Lapse of share option	–	(6,698)	–	6,698	–
At 31 December 2017	544,946	4,696	12,328	(598,307)	(36,337)
Loss for the year	–	–	–	(152,424)	(152,424)
Issue of share capital	20,038	–	–	–	20,038
Issue of convertible bonds	–	–	168,458	–	168,458
Initial recognition of deferred tax liabilities from convertible bonds	–	–	(1,029)	–	(1,029)
Redemption on convertible bonds	–	–	(10,390)	10,390	–
Issue of share upon conversion of financial liabilities at fair value	18,252	–	–	–	18,252
Issue of share upon conversion of convertible bonds	44,054	–	(7,165)	–	36,889
Lapse of share options	–	(1,838)	–	1,838	–
At 31 December 2018	627,290	2,858	162,202	(738,503)	53,847

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

39. EVENTS AFTER THE REPORTING PERIOD

The following subsequent events occurred between the end of the financial year ended 31 December 2018 and the date hereof:

(i) At the extraordinary general meeting of the Company held on 17 January 2019, the non-exercise of the Sell-Back Right of Marsa was approved by the independent shareholders.

(ii) On 22 January 2019, the Company proposed to consolidate four Pre-consolidation Shares of par value of HK$0.01 each into one ordinary share of par value of HK$0.04 each (each a "**Consolidated Share**"). The four-to-one share consolidation (the "**Share Consolidation**") was approved by shareholders at the extraordinary general meeting of the Company held on 1 March 2019 and took effect on 4 March 2019.

(iii) On 25 January 2019, the Company and Jumbo Faith International Limited ("**Jumbo Faith**") entered into the Subscription Agreement, pursuant to which Jumbo Faith conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue, 754,716,981 Consolidated Shares (the "**Subscription Consolidated Shares**") of par value of HK$0.04 each in the share capital of the Company at the subscription price of HK$0.212 per Subscription Consolidated Share after the four-to-one Share Consolidation. At the extraordinary general meeting of the Company held on 18 March 2019, the issuance of 754,716,981 Subscription Consolidated Shares was approved by the independent shareholders.

(iv) As disclosed in the Company's announcement dated 29 March 2019, the Company determined that the Second PG failed in its entirety and the entire 2nd Ample Reach CB in the principal amount of HK$13,671,875 shall be cancelled. As a result of the non-fulfillment of the Second PG, the Company will engage a placing agent to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages.

40. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year presentation.

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**82,092**	54,320	46,960	45,620	160,940
Direct costs and operating expenses	**(27,958)**	(9,819)	(8,813)	(18,595)	(147,899)
Gross profit	**54,134**	44,501	38,147	27,025	13,041
Other income and gains, net	**9,536**	2,039	883	2,055	1,021
Gain on bargain purchase on acquisitions of subsidiaries	**–**	–	–	36,918	–
Gain on disposal of a subsidiary	**240**	–	3,005	–	–
Selling expenses	**(38,775)**	(33,912)	(29,940)	(29,767)	(25,877)
Administrative expenses	**(80,514)**	(69,590)	(60,995)	(69,256)	(41,627)
Fair value change of derivative financial instruments					
— Early redemption option	**–**	–	(9,803)	(47,690)	–
— Call options	**–**	(11,040)	(23,999)	–	–
— Financial liabilities at fair value through profit or loss	**35,651**	9,048	–	–	–
— Financial asset at fair value through profit or loss	**1,328**	–	–	–	–
— Derivative financial assets	**(28,747)**	–	–	–	–
Impairment loss of goodwill	**(17,812)**	–	–	–	–
Impairment loss of trademark user right and technical know-how	**–**	(62,585)	(64,972)	–	–
Impairment loss of property plant and equipment	**–**	–	(406)	(10,240)	–
Impairment loss of goodwill	**–**	–	–	(160,877)	(29,759)
Impairment loss of loan and interest receivables	**–**	(30,597)	–	–	–
Impairment loss of promissory note receivables	**–**	(165,617)	–	–	–
Impairment loss of prepayments, deposits and other receivables	**–**	(7,774)	–	–	–
Discount on past due balances of trade receivables	**–**	–	–	–	(10,601)
Finance (costs)/income, net	**(13,534)**	(1,387)	11,090	45,605	(4,255)
Loss before income tax	**(78,493)**	(326,914)	(136,990)	(206,227)	(98,057)
Income tax credit	**339**	4,675	4,047	(2,624)	(728)
Loss for the year	**(78,154)**	(322,239)	(132,943)	(208,851)	(98,785)

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year attributable to:					
— Equity holders of the Company	**(79,454)**	(323,029)	(134,537)	(205,103)	(99,147)
— Non-controlling interests	**1,300**	790	1,594	(3,748)	362
	(78,154)	(322,239)	(132,943)	(208,851)	(98,785)
			(Restated)		
ASSETS AND LIABILITIES					
TOTAL ASSETS	**329,057**	199,769	438,787	539,127	499,372
TOTAL LIABILITIES	**(230,798)**	(279,838)	(194,005)	(191,128)	(37,766)
Non-controlling interests	**(12,038)**	(6,678)	(5,428)	(4,257)	(6,876)
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**86,221**	(86,747)	239,354	343,742	454,730