未來發展控股有限公司
Prosperous Future Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1259

2019
Annual Report

Contents

This annual report, in both English and Chinese versions, is available on the Company's website at www.fd-holdings.com.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (the "Corporate Communications").

Shareholders may send their request to change their choice of language(s) of Corporate Communications by notice in writing to the Company's Branch Share Registrar and Transfer Office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. Shareholders who have chosen to receive the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this annual report since both languages are bound together into one booklet.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Tsai Wallen *(Chairman)*
Mr. Chau Ling *(resigned on 31 December 2019)*
Mr. Lau Ka Ho *(Chief Executive Officer)*
(appointed on 24 May 2019)
Mr. Chan Hoi Tik *(Chief Financial Officer)*
(appointed on 31 December 2019)

Non-executive Director
Mr. Li Zhouxin

Independent Non-executive Directors
Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

BOARD COMMITTEES

Audit Committee
Ms. Chan Sze Man *(Chairman)*
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

Nomination Committee
Ms. Chan Sze Man *(Chairman)*
Mr. Ma Kwun Yung Stephen *(resigned on 24 May 2019)*
Ms. Bu Yanan
Mr. Lau Ka Ho *(appointed on 24 May 2019)*

Remuneration Committee
Mr. Ma Kwun Yung Stephen *(Chairman)*
Ms. Chan Sze Man
Mr. Chau Ling *(resigned on 31 December 2019)*
Mr. Lau Ka Ho *(appointed on 31 December 2019)*

Executive Committee
Mr. Tsai Wallen *(Chairman) (appointed on 24 May 2019)*
Mr. Chau Ling *(appointed on 24 May 2019 and resigned on 31 December 2019)*
Mr. Lau Ka Ho *(appointed on 24 May 2019)*
Mr. Chan Hoi Tik *(appointed on 31 December 2019)*

COMPANY SECRETARY

Mr. Leung Louis Ho Ming *(resigned on 24 May 2019)*
Mr. Lau Ka Ho *(appointed on 24 May 2019 and resigned on 31 December 2019)*
Mr. Chan Hoi Tik *(appointed on 31 December 2019)*

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Agricultural Bank of China Limited – Zhangzhou Branch
Bank of Communications (Hong Kong) Limited

STOCK CODE

1259

COMPANY WEBSITE

www.fd-holdings.com

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 8, North Wuqiao Road
Lantian Economic Development Zone
Zhangzhou City, Fujian Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2005-2006, Kinwick Centre,
32 Hollywood Road, Central,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Prosperous Future Holdings Limited (the "Company", together with its subsidiaries, the "Group", stock code: 1259.HK), I would like to extend my sincere gratitude to all shareholders and all sectors of the community for your constant support, and present the financial results and operating performance of the Group for the year ended 31 December 2019 (the "Reporting Period") to the shareholders.

For the year ended 31 December 2019, the revenue of the Group's continuing operations was approximately RMB830.2 million, representing an increase of approximately 34.0% from RMB619.7 million for the year ended 31 December 2018. Loss attributable to equity holders of continuing operations of the Company amounted to approximately RMB73.4 million as compared to loss of RMB435.3 million for the corresponding period in 2018; basic loss per share attributable to equity holders of the Company was RMB4.6 cents as compared to basic loss per share of RMB34.1 cents for the corresponding period in 2018.

Looking forward in 2020, the Group will continue to strengthen, develop and diversify its business portfolio in a sustainable manner. In light of the slowdown of the economy in the PRC, the intensified conflicts in international trade and volatility in the stock markets, the Group will continue to adopt a prudent approach for the development of its businesses, including personal care business, money lending business, trading of commodities, securities investment, properties holding and investment holding and provision of food and beverage services.

On behalf of the Board, I would like to take this opportunity to express my gratitude to all of our employees and the management for their hard work and contribution in the past year. I would also like to extend my appreciation again to all our shareholders for your support, as well as your kind understanding and recognition of the Group's future development plan.

Prosperous Future Holdings Limited
Mr. Tsai Wallen
Chairman

27 March 2020

Management Discussion and Analysis

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of personal care products, money lending, trading of commodities, securities investment, properties holding, investment holding and the provision of food and beverage services.

During the year, the Group discontinued its operation of online platform.

BUSINESS REVIEW

Continuing Operations:

Personal Care Products

During the Reporting Period, the Group's business segment of personal care products contributed a total revenue of approximately RMB524.5 million, representing an increase of about 32.4% over the same period of last year (31 December 2018: RMB396.1 million). The personal care products business recorded a loss of approximately RMB38.5 million during the Reporting Period, representing a decrease of about 88.6% over the same period of last year (31 December 2018: RMB338.1 million).

The continued loss was primarily due to the slowdown of economy in the People's Republic of China (the "PRC") and intensified conflicts in international trade.

The decrease in loss was mainly due to the increase of the revenue of personal care products, no impairment losses on property, plant and equipment was provided during the Reporting Period (31 December 2018: RMB170.7 million), and no recalling fee caused by labelling issue of the products for the Reporting Period (31 December 2018: RMB60.6 million).

Money Lending Business

During the Reporting Period, the Group's business segment of money lending business contributed a total revenue of approximately RMB29.0 million, representing a decrease of about 19.4% over the same period of last year (31 December 2018: RMB35.9 million) and recorded a segment loss of approximately RMB2.7 million during the Reporting Period (31 December 2018: profit of RMB4.7 million).

The loan and interest receivables of approximately RMB12.6 million was written off during the Reporting Period (31 December 2018: Nil).

An impairment loss on loan and interest receivables of approximately RMB4.6 million was provided during the Reporting Period (31 December 2018: RMB4.7 million).

As at 31 December 2019, the Group had outstanding (i) unsecured loan of approximately RMB69.8 million with average effective interest rate of approximately 17.5% per annum and terms ranging from 6 months to 120 months; and (ii) mortgage loan of approximately RMB14.4 million with average effective interest rate of approximately 21.1% per annum and terms ranging from 1 month to 240 months. The mortgage loans granted by the Group were typically secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group has the right to proceed with sale of collaterals.

Management Discussion and Analysis (continued)

Trading of Commodities

During the Reporting Period, the Group's business segment of trading of commodities contributed a total revenue of approximately RMB89.6 million to the Group, representing a decrease of about 51.0% over the same period of last year (31 December 2018: RMB182.9 million). The decrease was mainly due to the decrease in sale of electronic products and other electronic components to the electronic product distributors and retailers across the country which contributed approximately RMB89.6 million to the Group (31 December 2018: RMB160.9 million). The Group did not record any revenue from the trading of beverages and trading of other commodities during the Reporting Period (31 December 2018: RMB2.6 million and RMB19.4 million respectively).

During the Reporting Period, the Group's trading of commodities business recorded a loss of approximately RMB22.4 million (31 December 2018: RMB16.6 million).

Securities Investment

The Group's securities investment business includes investment in listed securities and private unlisted fund for long-term purposes which are classified as financial assets at fair value through other comprehensive income.

As at 31 December 2019, the Group had a portfolio of securities investment of approximately RMB32.6 million and all of which were equity securities listed in Hong Kong and unlisted investment fund. During the Reporting Period, the Group recorded a net unrealised loss of approximately RMB55.6 million and a net realised loss of approximately RMB4.2 million (31 December 2018: RMB74.9 million and RMB3.5 million respectively).

Details of the investments performance during the Reporting Period in respect of equity securities listed in Hong Kong and the unlisted fund held by the Group are as follows:

				Movement for the year						
Name of the investments	% to the total assets of the Group as at 1 January 2019 %	% to the interest in the respective investments as at 1 January 2019 %	Fair value as at 1 January 2019 *RMB'000*	Disposal *RMB'000*	Change on fair value *RMB'000*	Exchange on realignment *RMB'000*	Fair value as at 31 December 2019 *RMB'000*	% to the total assets of the Group as at 31 December 2019 *RMB'000*	% to the interest in the respective investments as at 31 December 2019 *RMB'000*	Realised gain/(loss) investments *RMB'000*
Listed securities										
International Entertainment Corporation (1009)	0.92	0.97	11,683	–	(5,042)	136	6,777	0.62	0.92	–
LEAP Holdings Group Limited (1499)	1.61	1.48	20,531	(10,898)	(9,710)	77	–	–	–	(5,174)
Singasia Holdings Limited (8293)	0.83	0.15	10,625	(8,649)	(2,015)	39	–	–	–	4,976
Champion Technology Holdings Limited (92)	0.28	2.41	3,623	(2,982)	(655)	14	–	–	–	(2,927)
Dingyi Group Investment Limited (508)	0.28	0.10	3,566	(2,693)	(886)	13	–	–	–	(1,327)
Gain Plus Holdings Limited (9900)	0.07	0.34	897	(878)	546	11	576	0.05	0.34	238
			50,925	(26,100)	(17,762)	290	7,353			(4,214)
Unlisted fund										
Head and shoulders Global investment Fund SFC	4.90	N/A	62,442	–	(37,813)	582	25,211	2.30	N/A	N/A
Total			113,367	(26,100)	(55,575)	872	32,564			(4,214)

Management Discussion and Analysis (continued)

The Group will continue to be cautious in making new investments and trading of financial assets under current market conditions and economic fluctuation and aims to maintain and grow its portfolio value in future.

Properties Holding

The Group's business segment of properties holding business contributed a total revenue of approximately RMB0.8 million to the Group, representing a decrease of about 83.8% over the same period of last year (31 December 2018: RMB4.8 million) and recorded a segment loss of approximately RMB31.7 million during the Reporting Period (31 December 2018: RMB34.3 million).

An impairment loss on properties for development of approximately RMB26.5 million was provided during the Reporting Period (31 December 2018: RMB20.2 million).

The loss in change in fair value of investment properties of approximately RMB6.1 million was recorded during the Reporting Period (31 December 2018: RMB16.4 million).

The Group currently holds lands and properties located in Yuen Long, Hong Kong and an industrial property located at Cheung Sha Wan, Hong Kong. Relevant applications have been made to the Hong Kong Government in relation to the redevelopment of the land in Yuen Long. During the Reporting Period, the Company received reply letters from Hong Kong Lands Department requesting for additional information relating to the rebuilding application of Yuen Long properties. The Company is currently in the process of addressing the said reply letters.

Provision of Food and Beverage Services

The Group's provision of food and beverage service business has recorded steady growth since its acquisition of Real Power International Group Limited in March 2019 and China Cold Chain Co. Limited in June 2019.

During the Reporting Period, the Group's business segment of provision of food and beverage services business contributed a total revenue of approximately RMB186.4 million to the Group (31 December 2018: Nil).

The provision of food and beverage services business recorded a segment profit of approximately RMB5.7 million during the Reporting Period (31 December 2018: Nil).

Discontinued Operations:

Operation of Online Platform

During the Reporting Period, the Group's business segment of operation of online platform contributed a total revenue of approximately RMB6.6 million to the Group, representing a decrease of about 42.3% over the same period of last year (31 December 2018: RMB11.5 million) and recorded a profit of approximately RMB6.6 million, representing a decrease of about 18.6% over the same period of last year (31 December 2018: RMB8.1 million).

On 23 August 2019, the Company entered into a disposal agreement with Billionaire Asia Limited, an independent third party to dispose of 51% of the issued shares in Marvel Paramount Holdings Limited ("Marvel") for an aggregate cash consideration of HK$40,000,000. Marvel is a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability. Marvel owns the entire equity interest in MyBB Media Limited, a company incorporated in Hong Kong with limited liability. Marvel and MyBB Media Company Limited (the "Disposal Group") is principally engaged in operation of online platform.

The said transaction was completed on 8 October 2019. Upon completion, each member of the Disposal Group ceased to be a subsidiary of the Company and the financial results of the Disposal Group would no longer be consolidated into the Company's consolidated financial statements. The Group discontinued its operation of online platform following the completion of the disposal.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group's continuing operations was approximately RMB830.2 million, representing an increase of about 34.0% over the same period of last year (for the year ended 31 December 2018: RMB619.7 million).

During the Reporting Period, the revenue of the Group's discontinued operations was approximately RMB6.6 million, representing a decrease of about 42.3% over the same period of last year (for the year ended 31 December 2018: RMB11.5 million).

Gross Profit/Loss and Gross Profit/Loss Margin

Gross profit of the Group's continuing operations for the Reporting Period was approximately RMB127.5 million, representing an increase of about 50.6% as compared with RMB84.6 million for the year ended 31 December 2018.

During the Reporting Period, the gross profit margin of continuing operations increased by around 1.7 percentage points over the same period of last year to about 15.4% (for the year ended 31 December 2018: 13.7%).

The total gross profit for personal care products business was about RMB93.6 million for the Reporting Period, representing an increase of about 68.2% as compared with RMB55.7 million of the year ended 31 December 2018. Gross profit margin increased to about 17.9%, representing an increase of about 3.8 percentage points compared with the same period of last year (for the year ended 31 December 2018: 14.1%).

The gross profit for money lending business for the Reporting Period was about RMB29.0 million (for the year ended 31 December 2018: RMB35.9 million).

The gross loss of trading of commodities business for the Reporting Period was about RMB21.4 million (31 December 2018: RMB11.7 million) and the gross loss margin was about 23.9% (31 December 2018: 6.4%).The gross loss was mainly due to the sale of electronic products and other electronic components.

The gross profit for properties holding business for the Reporting Period was about RMB0.8 million (for the year ended 31 December 2018: RMB4.8 million).

The gross profit for the provision of food and beverage services business for the Reporting Period was about RMB25.5 million (31 December 2018: Nil). Gross profit margin for the provision of food and beverage was 13.7% (31 December 2018: Nil).

Management Discussion and Analysis (continued)

Selling and Distribution Expenses

Selling and distribution expenses of the continuing operations primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. Selling and distribution expenses amounted to approximately RMB67.5 million for the Reporting Period, representing an increase of about 1.9% as compared with approximately RMB66.2 million for the year ended 31 December 2018.

The selling and distribution expenses of the continuing operations accounted for about 8.1% of the revenue during the Reporting Period (for the year ended 31 December 2018: 10.7%), among which, advertising and promotion expenses, as a percentage of revenue, decreased from 4.8% for the year ended 31 December 2018 to about 1.8% for the year ended 31 December 2019, representing a decrease of about 3.0 percentage points. The transportation expenses and other expenses, as a percentage of revenue, decreased about 0.6 percentage points to about 3.7% for the Reporting Period as compared with the same period of 2018 (for the year ended 31 December 2018: 4.3%).

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, share option expenses and other expenses.

Administrative expenses of the Group's continuing operations amounted to approximately RMB124.1 million for the Reporting Period (for the year ended 31 December 2018: RMB132.8 million), representing a decrease of about 6.5% over the same period of last year. Administrative expenses accounted for about 14.9% of the Group's revenue for the Reporting Period (for the year ended 31 December 2018: 21.4%). The administrative expenses decreased mainly due to the disposed of several subsidiaries resulting in decrease in the salaries and wages for administrative staff and the general administrative expenses.

Finance Costs

The Group's continuing operations had finance costs of approximately RMB4.8 million for the Reporting Period (for the year ended 31 December 2018: RMB11.2 million).

Acquisition of subsidiaries

On 1 March 2019, the Company as purchaser, and Pine Victory Limited ("Pine Victory"), a company incorporated in Hong Kong with limited liability, as vendor, entered into a sales and purchase agreement pursuant to which Pine Victory has conditionally agreed to sell and the Company has conditionally agreed to acquire the remaining 80% of the entire issued share capital of Real Power International Group Limited ("Real Power").

Real Power was incorporated in the BVI with limited liability on 1 November 2018 and is an investment holding company. Real Power is interested in the entire issued share capital of Advance Global Food Limited ("Advance Global"), a company incorporated in Hong Kong with limited liability on 9 June 2017, and is primarily engaged in the trading of agriculture products in Hong Kong, i.e. frozen meats. The major products are frozen beef, pork and chicken related products.

Management Discussion and Analysis (continued)

Prior to completion of the said acquisition, the Company was interested in 20% of the entire issued share capital of Real Power. The sale and purchase agreement was completed on 29 May 2019. The consideration of the said acquisition was HK$42,000,000, of which HK$22,000,000 was paid in cash and HK$20,000,000 was settled by the Company allotting and issuing 200,000,000 consideration shares at the issue price of HK$0.10 each. Following completion, Real Power and its subsidiaries become wholly-owned subsidiaries of the Company. For details of the said acquisition, please refer the announcements dated 1 March 2019, 29 May 2019 and circular dated 30 April 2019 made by the Company.

On 4 June 2019, Powerful Force Limited ("Powerful Force"), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company as purchaser, and the independent third parties, as vendors, entered into a sale and purchase agreement.

Pursuant to the sales and purchase agreement, the vendors have agreed to sell and Powerful Force has agreed to acquire the entire issued share capital of China Cold Chain Co. Limited ("China Cold Chain"). China Cold Chain is principally engaged in the provision of frozen warehouse services. The sale and purchase agreement was completed on 4 June 2019. The consideration of the said acquisition was HK$800,000, which was paid in cash.

Disposal of Subsidiaries

On 27 February 2019, the Company, as borrower, and Frankinton Technology Limited ("Frankinton Technology"), as lender, entered into a facility agreement pursuant to which Frankinton Technology has agreed to grant a term loan facility of HK$100 million to the Company.

On 10 July 2019, the Company as vendor, and Frankinton Technology as purchaser entered into a disposal agreement in relation to the disposal of the entire issued share capital in Golden Virtue Investment Holdings Limited ("Golden Virtue") for a total consideration of HK$125 million.

The consideration would be satisfied on the completion date as (i) an amount equivalent to the outstanding loan to be offset on a dollar-for-dollar basis; and (ii) the balance upon the offset to be paid by Frankinton Technology in cash to the Company.

Golden Virtue is a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company. The principal business of Golden Virtue is investment holding. Golden Virtue indirectly hold Frog Prince (China) Daily Chemicals Co., Limited 青蛙王子(中國)日化有限公司, a properties holding company incorporated in the PRC with limited liability.

The transaction was completed on 14 October 2019. Loan and interest payable of approximately HK$83.5 million had been offset to the consideration and the balance of HK$41.5 million was paid by Frankinton Technology in cash to the Company. Golden Virtue and it's subsidiaries ceased to be subsidiaries of the Company and their financial result would no longer be consolidated into the Company's consolidated financial statements.

On 23 August 2019, the Company entered into a disposal agreement with Billionaire Asia Limited, an independent third party to dispose of 51% of the issued shares in Marvel for an aggregate cash consideration of HK$40,000,000. Marvel is a company incorporated in the BVI with limited liability. Marvel owns the entire equity interest in MyBB Media Limited, a company incorporated in Hong Kong with limited liability. The Disposal Group is principally engaged in operation of online platform.

Management Discussion and Analysis (continued)

The transaction was completed on 8 October 2019. Upon completion, each member of the Disposal Group ceased to be a subsidiary of the Company and the financial results of the Disposal Group would no longer be consolidated into the Company's consolidated financial statements.

Net Loss and Net Loss Margin

For the Reporting Period, loss attributable to equity holders of the Company amounted to approximately RMB48.4 million as compared with loss attributable to equity holders of the Company of RMB431.4 million for the year ended 31 December 2018. The net loss margin was about 5.8% as compared with 68.3% of net loss margin for the year ended 31 December 2018, with basic loss per share of approximately RMB3.0 cents (basic loss per share for the year ended 31 December 2018: RMB33.8 cents).

Basic loss per share attributable to equity holders of the Company from continuing operations amounted to approximately RMB4.6 cents, as compared to basic loss per share attributable to equity holders of the Company from continuing operations amounted to approximately RMB34.1 cents over the same period in 2018.

The decrease in net loss was mainly due to increase in the revenue of Group's business segment of personal care products and the decrease of the Group's provision for impairment losses of several assets. During the Reporting Period, the Group made provisions for impairment losses of property, plant and equipment, goodwill and properties for development of Nil, RMB2.8 million and RMB26.5 million respectively (for the year ended 31 December 2018: RMB170.7 million, RMB31.2 million and RMB20.2 million respectively).

Loss on change in fair value of investment properties of approximately RMB6.1 million was recorded by the Group during the Reporting Period (RMB16.4 million for the year ended 31 December 2018). In addition, no recalling fee caused by labelling issue of personal care products for the Reporting Period (31 December 2018: RMB60.6 million). Furthermore, disposal of several subsidiaries, result in decrease in the general administrative expenses of the Group.

Capital Expenditure

For the Reporting Period, the Group's material capital expenditure amounted to approximately RMB21.7 million (for the year ended 31 December 2018: RMB11.0 million), and was mainly used for renovation of plants, offices, and consolidation work of plants and warehouse and acquisition of new equipment (for the year ended 31 December 2018: renovation of plants, offices and consolidation work of plant and acquisition of new equipment).

Financial Resources and Liquidity

As at 31 December 2019, cash and cash equivalents of the Group amounted to approximately RMB414.1 million (31 December 2018: RMB218.9 million). The current ratio was 2.8 (31 December 2018: 1.4). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, developing the provision of food and beverage services business. Secondly, developing the money lending business, including but not limited to participation of financial leasing business in the PRC and developing lending business in oversea markets. Thirdly, pursuing of the potential acquisition and other investment.

Management Discussion and Analysis (continued)

Fund raising activity of the Group during the past twelve months

Fundraising Activities of the Group

On 18 June 2019, the Company entered into the placing agreement with Merdeka Capital Limited ("Merdeka Capital") pursuant to which Merdeka Capital has conditionally agreed, as agent of the Company, to procure on a best effort basis to not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 220,000,000 placing shares at the placing price of HK$0.136 per placing share. Completion of the said placing took place on 15 July 2019 and 220,000,000 placing shares were placed to not less than six placees at the placing price of HK$0.136 per placing share.

The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the said placing, amounted to approximately HK$29.3 million, which was fully utilised as for the purchase of inventories, namely frozen pork, beef and chicken related products, in connection with the Group's food and beverage services business and the balance to be utilised as intended. Details of the said placing are set out in the Company's announcements dated 18 June 2019 and 15 July 2019.

Trade and Bills Receivables

As at 31 December 2019, the Group's trade and bills receivables were approximately RMB97.7 million (31 December 2018: approximately RMB82.2 million). The Group usually grants a credit period of 30 to 180 days to our customers. A provision for impairment loss of trade and bills receivable of approximately RMB6.8 million was practiced during the Reporting Period (31 December 2018: RMB1.7 million). An reversal of impairment of trade and bill receivable of approximately RMB1.9 million was reversal during the Reporting Period (31 December 2018: Nil).

Loan and Interest Receivables

As at 31 December 2019, the Group's loan and interest receivables were approximately RMB79.9 million (31 December 2018: RMB176.1 million). During the year, the Group had provided loans of approximately RMB64.5 million (2018: RMB95.6 million), with an average annual interest rate of approximately 21.2% (31 December 2018: 30.2%).

Written off of the loan and interest receivables was approximately RMB12.6 million during the Reporting Period (31 December 2018: Nil).

A provision for impairment loss on loan and interest receivables of approximately RMB4.6 million was made during the Reporting Period (31 December 2018: RMB4.7 million).

Trade and Bills Payables

As at 31 December 2019, trade and bills payables were approximately RMB104.3 million (31 December 2018: approximately RMB70.8 million). The Group settled its payables within one to six months in general and kept good payment records.

Management Discussion and Analysis (continued)

Inventories

As at 31 December 2019, inventories of the Group were approximately RMB40.8 million (31 December 2018: approximately RMB102.2 million). As at 31 December 2019, the inventory balance decreased by about 60.1% over the same period of 2018.

The substantial decrease in inventories level was mainly due to the decrease in the sale of electronic products and other electronic components business of the Group.

Gearing Ratio

As at 31 December 2019, current assets and total assets of the Group were approximately RMB756.9 million, and RMB1,096.4 million respectively, the current liabilities and total liabilities of the Group were approximately RMB274.8 million and RMB307.0 million respectively. The gearing ratio (total liabilities/total assets) of the Group was approximately 28.0% (31 December 2018: 33.6%).

Bank and Other Borrowings

As at 31 December 2019,

(i) No banking facilities were provided to the Group by banks in the PRC that were secured by a guarantee from suppliers in the PRC (31 December 2018: RMB55.0 million).

(ii) the Group had other secured borrowings of approximately RMB87.0 million (31 December 2018: RMB98.8 million).

(iii) the Group had other unsecured borrowings of approximately RMB10.0 million (31 December 2018: RMB20.0 million).

Pledge of Assets

As at 31 December 2019,

(i) the Group had pledged deposits of RMB16.9 million (31 December 2018: RMB7.4 million) for bills payable (31 December 2018: short-term bank borrowings and bills payable).

(ii) investment property of RMB80.5 million (31 December 2018: RMB83.4 million) was pledged for other borrowings.

(iii) certain shares of subsidiaries have been pledged for other borrowing (31 December 2018: certain shares of subsidiaries have been pledged for other borrowing).

Management Discussion and Analysis (continued)

Capital Structure

The major objective of the Group's capital management is to ensure the ability of sustainable operations and maintain a healthy capital ratio in order to support its businesses and maximise the interests of the shareholders' (the "Shareholders") of the Company. The Group continued to emphasise the appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost.

Risk of Foreign Exchange

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in Renminbi. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities (31 December 2018: Nil).

OUTLOOK

The Group will continue to strengthen, develop and diversify its business portfolio in a sustainable manner. In light of the slowdown of the economy in the PRC, the intensified conflicts in international trade and volatility in the stock markets, the Group will continue to adopt a prudent approach for the development of its businesses, including personal care business, money lending business, trading of commodities, securities investment, properties holding and investment holding and provision of food and beverage services.

Following completion of the acquisition of food and beverage services business, the Group had recorded steady growth in the financial performance of this business segment. Despite the outbreak of the coronavirus since early 2020, the Directors considers that the prospect of the food and beverage service industry in Hong Kong to remain promising in the medium to long term. The Group also has a strong customer network, which mainly comprises of reputable branded chain-stores, hotel restaurants and supermarkets in Hong Kong. The Group is also seeking further investment, opportunity of the provision of food and beverage services, including but not limited to purchasing its own inventory storage if suitable opportunity arise and may further seek to form cooperation with reliable logistic specialist in order to lower inventory and transportation costs.

The Group is actively developing its provision of frozen warehouse services which forms part of the food and beverage services business. During the Reporting Period, the Group, as tenant, had entered into the tenancy agreement with ATL Logistics Centre Hong Kong Limited, in relation to the lease of certain portion of a multi-storeyed container freight station located at Kwai Chung. The Group is developing its own frozen warehouse at the said premise. As at 31 December 2019, the frozen warehouse is still under development.

The Group's money lending business has gradually expanded over time. The Group is currently exploring potential opportunities to expand its money lending business through participation of financial leasing business in the PRC. The Group is also seeking an opportunity to developing the money lending business, including but not limited to developing lending business in the oversea markets.

Management Discussion and Analysis (continued)

Taking into account the volatile global economy and weak demand from customers, the Company anticipates that the operating environment for the Group's trading of commodities business will remain challenging. Hence, the Group will continue to adopt stringent cost control measures for this business segment.

The Group currently holds lands and properties located in Yuen Long, Hong Kong and an industrial property located at Cheung Sha Wan, Hong Kong. The Group is optimistic about the development of property market in Hong Kong due to shortage in supply of land and therefore, has been identifying the potential property investment and development opportunities in Hong Kong. The Company plans to demolish the properties erected on the parcels of lands in Yuen Long, Hong Kong held by the Group and to redevelop such parcels of land. Relevant applications have been made to the Hong Kong Government in relation to the redevelopment of the said parcels of lands. To the best knowledge, information and belief of the directors of the Company, there is no legal impediment in obtaining the relevant approval from the Hong Kong Government.

During the Reporting Period, the Company received reply letters from Hong Kong Lands Department requesting for additional information relating to the rebuilding application of Yuen Long properties. The Company is currently in the process of addressing the said reply letters. The Group is also seeking an opportunity to development it property holding business, including but not limit to Hong Kong, PRC or other oversea markets.

As part of its current strategic plans, the Group has been exploring opportunities to diversify its existing businesses into the financial services industry taking into account that: (a) the prospect of Hong Kong's financial services industry remains promising in light of Hong Kong's unique advantage of having close links with Mainland China and Hong Kong's role as the global hub for offshore renminbi business; and (b) the Group's manufacture and sale of personal care products business had recorded significant losses for the year ended 31 December 2018 and to a lesser extent for the year ended 31 December 2019. The expansion of other existing businesses of the Group and the diversification into the financial services industry will enable the Group to enhance its overall financial performance in the future.

During the Reporting Period, the Group had acquired 10% of the issued shares in each of Goldenway Investments (HK) Limited ("GWIHK") and Goldenway Asset Management Limited ("GWAM"). On 23 January 2020, the Group had entered into an acquisition agreement to acquire the remaining 90% of the issued shares in each of GWIHK and GWAM (the "Acquisition").

The Board considers that the Acquisition would enable the Group to diversify its existing business. Upon completion, the Group would be able to attain the relevant SFC licenses to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO in Hong Kong, which could create a synergy effect and complement the growth of the Group existing money lending and investment in securities businesses. The Group is expected to take advantage of the future growth in capital markets and to broaden the Group's revenue base.

On 20 March 2020, the Group had entered into the sale and purchase agreement to acquire 60% of the issued shares in Ayasa Globo Financial Services (BVI) Limited ("Ayasa Globo BVI"), a company incorporated in the BVI with limited liability and principally engaged in investment holding.

Ayasa Globo BVI holds the entire issued shares in Ayasa Globo Financial Services Limited ("Ayasa Globo") which is principally engaged in the provision of professional services such as fund setup and administration, legal and tax consultancy and co-ordination, corporate and accounting services, trust and fiduciary services. Completion of the acquisition of 60% equity interest in the Ayasa Globo BVI has not taken place up to the date of the approval of these consolidated financial statements.

The Board considers that the acquisition would enable the Group to diversify its existing businesses into the financial services industry as well as broaden the Group's revenue base and enhance the Group's financial performance.

The Group will consider to expand its existing businesses and to diversify into other new businesses in order to improve the profitability of the Group and to enhance the interests of the Shareholders more effectively. The Group will consider from time to time other investment opportunities. The Company will make an announcement according to the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as and when appropriate.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the Shareholders at the extraordinary general meeting of the Company held on 30 April 2019 and upon obtaining the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands, the English name of the Company was changed from "China Child Care Corporation Limited" to "Future Development Holdings Limited" and the Chinese name "未來發展控股有限公司" was adopted as the secondary name of the Company in place of the Chinese name "中國兒童護理有限公司", both with effect from 2 May 2019.

Pursuant to a special resolution passed by the Shareholders at the extraordinary general meeting of the Company held on 6 September 2019 and upon obtaining the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands, the English name of the Company was changed from "Future Development Holdings Limited" to "Prosperous Future Holdings Limited" and the Chinese name "未來發展控股有限公司" remained unchanged with effect from 11 September 2019.

EMPLOYEES AND REMUNERATION

As at 31 December 2019, the Group employed 861 employees (as at 31 December 2018: 921 employees).

In addition to basic salaries, year-end bonuses may be rewarded by the Group to those staff members with outstanding performance. Constituent companies of the Group established in Mainland China are also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations, constituent companies of the Group established in Mainland China are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance.

In addition, a share option scheme was adopted by the Company in June 2011 and the limit of the share option scheme was refreshed in June 2017 to reward staff members who make contributions to the success of the Group. The directors of the Company believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

FINAL DIVIDEND

The Board has resolved not to declare any dividend in respect of the year ended 31 December 2019 (31 December 2018: Nil).

Directors, Company Secretary and Senior Management Biographies

DIRECTORS

Executive Directors

Mr. Tsai Wallen (蔡華綸), aged 60, was appointed as an executive director, chairman, chief executive officer and chairman of executive committee of the Company on 19 July 2016, 28 November 2016, 11 August 2017 and 24 May 2019 respectively. He resigned as the chief executive officer of the Company on 12 December 2018. He is currently the director of certain subsidiaries of the Group. Mr. Tsai started investing in Hong Kong stock market in 1993. Mr. Tsai has over 30 years of experience in realty, investment and timber business. Mr. Tsai graduated from San Francisco City College.

Mr. Lau Ka Ho (劉家豪), aged 41, was appointed as an executive director, chief financial officer, company secretary, member of nomination committee and member of executive committee on 24 May 2019. He was also appointed as the member of remuneration committee on 31 December 2019. Mr. Lau had been re-designated from the position of Chief Financial Officer to the Chief Executive Officer and resigned as the Company Secretary on 31 December 2019. He is currently the director of certain subsidiaries of the Group. Mr. Lau holds a Master's degree in business administration from The University of Iowa and a Master's degree in corporate governance from The Open University of Hong Kong. Mr. Lau is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a member of The Hong Kong Institute of Directors and holds a Diploma in Company Direction. He has more than 15 years of experience in corporate management, corporate finance and corporate secretarial areas. Mr. Lau was previously the deputy chief financial officer and company secretary of Peace Map Holding Limited (Stock Code: 402) from April 2013 to November 2018 and the company secretary of AVIC International Holding (HK) Limited (Stock Code: 232) from May 2018 to December 2018, which are both listed on the Main Board of the Stock Exchange.

Mr. Chan Hoi Tik (陳凱廸), aged 37, was appointed as an executive director, company secretary, chief financial officer and member of executive committee of the Company on 31 December 2019. He has been the financial controller of the Company since 11 November 2019. He is currently the director of certain subsidiaries and associates of the Group. Mr. Chan graduated from The City University of Hong Kong with a Bachelor Degree in Business Administration with a major in Accountancy and Law and holds a Continuing Education Diploma in Tax Advisory. Before joining the Company, Mr. Chan had worked in international accounting firms and as financial management positions in a listed company and private companies. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has over 15 years of experience in accounting and auditing fields.

Directors, Company Secretary and Senior Management Biographies (continued)

Non-executive Director

Mr. Li Zhouxin (李周欣), aged 35, was appointed as an executive director on 27 January 2016 and re-designated to a non-executive Director with effect from 30 June 2017. He was the chief financial officer of the Company and resigned on 27 April 2017. Mr. Li joined the Group in November 2011. Mr. Li graduated from Fuzhou University with a bachelor degree in finance in 2007. Mr. Li is a PRC certified public accountant (non-practising) and a certified management accountant recognised by Institute of Management Accountants of the United States of America. Mr. Li also holds a Certification in Risk Management Assurance accredited by The Institute of Internal Auditors. He is also the vice chairman of the 8th Executive Committee of the Youth Business Association of Fujian Province (福建省青年商會).

Mr. Li is now the chief financial officer of a company listed on the Main Board of the Stock Exchange and an independent non-executive director of LEAP Holdings Group Limited (a company listed on the main board of the Stock Exchange; stock code: 1499).

Independent Non-executive Directors

Ms. Chan Sze Man (陳詩敏), aged 38, was appointed as an independent non-executive director of the Company on 20 September 2016. She is also the Chairman of each of the Audit Committee and the Nomination Committee and member of Remuneration Committee of the Company. Ms. Chan received a Bachelor's Degree in Business Administration (majoring in Accountancy) from The Hong Kong University of Science and Technology. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has over 16 years of experience in accounting and auditing for Hong Kong listed companies and private companies. Ms. Chan is currently a non-executive director of Tongda Group Holdings Limited (a company listed on the main board of the Stock Exchange; stock code: 698) Ms. Chan has also been serving as an independent non-executive director of Millennium Pacific Group Holdings Limited (a company listed on the GEM; stock code: 8147) for the period from April 2014 to July 2017.

Mr. Ma Kwun Yung Stephen (馬冠勇), aged 39, was appointed as an independent non-executive director on 15 March 2017. He is also the Chairman of the Remuneration Committee and member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Ma has over 8 years of experience in renewable energy management. He obtained a Bachelor degree of Business Systems from Monash University in Australia in 2003 and a Master degree of Applied Finance from The University of Melbourne, Australia in 2005. He is a director and a shareholder of EcoSmart Energy Management Limited, a private company principally engaged in the provision of design, consultation and building of energy projects to private and listed companies.

Ms. Bu Yanan (卜亞楠), aged 34, was appointed as an independent non-executive Director on 15 September 2017. She is also the member of each of the Audit Committee and the Nomination Committee of the Company. She was graduated from City University of Hong Kong with a bachelor of laws and has completed the Practising Certificate in law programme to qualify for admission as a barrister of High Court of Hong Kong in 2011. She is also an Accredited General and Family Mediator of the Hong Kong International Arbitration Centre and of the Hong Kong Mediation Accreditation Association, a fellow of Hong Kong Institute of Arbitrators. Ms. Bu has been in active practice at the Bar in various criminal and commercial matters and has extensive legal experience. She is also been servicing as an independent non-executive director of Teamway International Group Holdings Limited (formerly known as Jin Bao Bao Holdings Limited) (a company listed on the main board of the Stock Exchange; stock code: 1239) from 5 May 2017 to 28 September 2018.

COMPANY SECRETARY

Mr. Chan Hoi Tik (陳凱迪), aged 37, was appointed as an executive director, company secretary, chief financial officer and member of executive committee on 31 December 2019, he has been the financial controller of the Company since 11 November 2019. He is currently the director of certain subsidiaries and associates of the Group. Mr. Chan graduated from The City University of Hong Kong with a Bachelor Degree in Business Administration with a major in Accountancy and Law and holds a Continuing Education Diploma in Tax Advisory. Before joining the Company, Mr. Chan had worked in international accounting firms and as financial management positions in a listed company and private companies. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has over 15 years of experience in accounting and auditing fields.

SENIOR MANAGEMENT

Ms. Han Xinbin (韓新彬), aged 42, is the production manager of Frog Prince (Fujian) Baby & Child Care Products Co., Limited (a wholly-owned subsidiary of the Company). Ms. Han has over 16 years of experience in the children's daily chemicals industry of China. She joined the Group in October 2001 and is primarily responsible for management of the production and supply chain of the Group. Prior to joining the Group, she worked for Fujian Longxi Instrument Meter Factory (福建龍溪儀錶廠) from 1996 to 1998. Ms. Han received a diploma in accounting from Xiamen University in 2000.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board is committed to strengthening the Group's corporate governance practices and ensuring transparency and accountability of the Company's operations.

The Company has applied the principles as contained in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board considers that during the year ended 31 December 2019, the Company has complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Company and enhancing value to investors. All the directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

The senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

Corporate Governance Report (continued)

A2. Board Composition

The composition of the Board as at 31 December 2019 is as follows:

Executive directors:

Mr. Tsai Wallen	*(Chairman of the Board and Chairman of the Executive Committee)*
Mr. Lau Ka Ho	*(Chief Executive Officer, Member of the Remuneration Committee, Member of the Nomination Committee and Member of the Executive Committee)*
Mr. Chan Hoi Tik	*(Chief Financial Officer and Member of the Executive Committee)*

Non-executive director:

Mr. Li Zhouxin

Independent non-executive directors:

Ms. Chan Sze Man	*(Chairman of the Audit Committee, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Mr. Ma Kwun Yung Stephen	*(Chairman of the Remuneration Committee and Member of the Audit Committee)*
Ms. Bu Yanan	*(Member of the Audit Committee and Member of the Nomination Committee)*

During the year under review, the Company has met the requirements of Listing Rules 3.10 and 3.10A of having three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications, and accounting and related financial management expertise.

The members of the Board have experience and skills appropriate for the business requirements and objectives of the Group. Each executive director is responsible for different business and functional divisions of the Group in accordance with his areas of expertise. The independent non-executive directors bring different business and financial expertise, experience and independent judgment to the Board, and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests, the independent non-executive directors had made contributions to the effective direction of the Company and provided adequate supervision and balances to safeguard the interests of both the Group and the shareholders.

The biographical details of the directors of the Company are set out under the section headed "Directors, Secretary and Senior Management Biographies" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive

The Board is of the view that the Company has complied with the code provisions A2.1 set out in the CG Code as contained in Appendix 14 of the Listing Rules during the year ended 31 December 2019.

A4. Appointment and Re-election of Directors

The Company's Articles of Association contain provisions on the procedures and process of appointment and removal of directors.

Each director, including the non-executive director and independent non-executive directors, has entered into a service contract with the Company for a term of three years, subject to renewal upon expiry of the term. They are also subject to re-election in accordance with the Company's Articles of Association provisions.

According to the Company's Articles of Association, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

A5. Training and Continuing Development for Directors

Each newly appointed director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group, and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their studying and reference.

Corporate Governance Report (continued)

During the year ended 31 December 2019, all Directors complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

– All Directors (being Mr. Tsai Wallen, Mr. Chau Ling, Mr. Lau Ka Ho, Mr. Chan Hoi Tik, Mr. Li Zhouxin, Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen, Ms. Bu Yanan) received regular briefings and updates from the Company on the Group's business, operations and corporate governance matters.

– Mr. Lau Ka Ho, Mr. Chan Hoi Tik, Ms. Chan Sze Man and Ms. Bu Yanan attended relevant seminars organized by other professional firms/institutions/the Stock Exchange.

– All Directors (being Mr. Tsai Wallen, Mr. Chau Ling, Mr. Lau Ka Ho, Mr. Chan Hoi Tik, Mr. Li Zhouxin, Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen, Ms. Bu Yanan) read technical bulletins, periodicals and other publications on subjects relevant to the Group and on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

A6. Directors' Attendance Records

The attendance records of each director at the Board and Board committees meetings, annual general meeting and extraordinary general meeting ("EGM") of the Company held during the year ended 31 December 2019 are set out below:

	Attendance/Number of Meetings									
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee	Annual General Meeting	EGM held on 30 April 2019	EGM held on 17 May 2019	EGM held on 6 September 2019	EGM held on 4 October 2019
Executive directors:										
Mr. Tsai Wallen	22/22	N/A	N/A	N/A	5/5	1/1	1/1	1/1	1/1	1/1
Mr. Chau Ling *(Note 1)*	20/22	N/A	2/3	N/A	4/5	1/1	1/1	1/1	1/1	1/1
Mr. Lau Ka Ho *(Note 2)*	15/15	N/A	–/–	1/1	5/5	1/1	N/A	N/A	1/1	1/1
Mr. Chan Hoi Tik *(Note 3)*	–/–	N/A	N/A	N/A	–/–	N/A	N/A	N/A	N/A	N/A
Non-executive directors:										
Mr. Li Zhouxin	22/22	N/A	N/A	N/A	N/A	0/1	0/1	0/1	0/1	0/1
Independent non-executive directors:										
Ms. Chan Sze Man	22/22	3/3	3/3	3/3	N/A	1/1	1/1	1/1	0/1	1/1
Mr. Ma Kwun Yung Stephen *(Note 4)*	22/22	3/3	3/3	2/2	N/A	1/1	1/1	1/1	0/1	1/1
Ms. Bu Yanan	22/22	3/3	N/A	3/3	N/A	1/1	1/1	1/1	0/1	1/1

Notes:

1. Mr. Chau Ling was appointed as a member of the Executive Committee with effect from 24 May 2019 and resigned as an executive director and ceased to be a member of each of the Remuneration Committee and Executive Committee with effect from 31 December 2019. Before his resignation, 22 Board meetings, 3 Remuneration Committee meetings, 5 Executive Committee meetings, 1 annual general meeting and 4 extraordinary general meetings were held during the year ended 31 December 2019.

2. Mr. Lau Ka Ho was appointed as an executive director, member of the Executive Committee and a member of the Nomination Committee with effect from 24 May 2019. He was also appointed as a member of the Remuneration Committee on 31 December 2019. After his appointment, 15 Board meetings, no Remuneration Committee meeting, 1 Nomination Committee meeting, 5 Executive Committee meetings, 1 annual general meeting and 2 extraordinary general meetings were held during the year ended 31 December 2019.

3. Mr. Chan Hoi Tik was appointed as an executive director and member of the Executive Committee with effect from 31 December 2019. After his appointment, no Board meeting, no Executive Committee meeting, no annual general meeting and no extraordinary general meeting were held during the year ended 31 December 2019.

4. Mr. Ma Kwun Yung Stephen resigned as a member of the Nomination Committee with effect from 24 May 2019. Before his resignation, 2 Nomination Committee meetings were held during the year ended 31 December 2019.

In addition, the Chairman of the Board held a meeting with the independent non-executive directors without the presence of other executive directors during the year under review.

A7. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Each director has been given a copy of the Model Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Model Code throughout the year ended 31 December 2019.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

A8. Corporate Governance Functions

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

During the year under review, the Board has performed such corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices, (ii) reviewed and monitored the training and continuous professional development of directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the compliance of the Model Code and the Employee Written Guidelines, and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report (continued)

B. BOARD COMMITTEE

The Board established four Board committees, namely, the Executive Committee, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website. All the Board committees should report to the Board on their decisions or recommendations made.

All 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.

B1. Executive Committee

The members of the Executive Committee from the date of incorporation (24 May 2019) and during the year and as the date of this report were as follows:

Executive Director

Mr. Tsai Wallen	*(appointed as a chairman on 24 May 2019)*
Mr. Chau Ling	*(appointed as a member on 24 May 2019 and resigned on 31 December 2019)*
Mr. Lau Ka Ho	*(appointed as a member on 24 May 2019)*
Mr. Chan Hoi Tik	*(appointed as a member on 31 December 2019)*

The Executive Committee has been delegated by the Board the powers in the oversight of the management of the business and affairs of the Group.

During the year ended 31 December 2019, the Executive Committee has held 5 meetings (the attendance records of each Committee member are set out in section A6 above). The Executive Committee performed the following major works during the year:

– to consider emerging issues, that may be material to the business and affairs of the Group and the realization of its agreed strategy;

– to review material strategic initiatives, including acquisitions and disposals, joint ventures and investments and recommend such to the Board;

– to monitor and review the implementation of the Group's strategic and investment plans;

– to monitor and review the organization, business and personnel policies of the Group;

– to liaise and consult with other committees of the Board on all matters in relation to the businesses of the Group;

– to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and

– to work to the requirements that may from time to time be delegated by the Board or contained in the constitution of the Company.

Corporate Governance Report (continued)

B2. Remuneration Committee

The members of the Remuneration Committee during the year and as at the date of this report were as follows:

Executive director

Mr. Chau Ling	*(Resigned as a member on 31 December 2019)*
Mr. Lau Ka Ho	*(Appointed as a member on 31 December 2019)*

Independent non-executive directors

Mr. Ma Kwun Yung Stephen
Ms. Chan Sze Man

The majority of the Remuneration Committee members are independent non-executive directors.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure, the remuneration packages of executive directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted) and the remuneration of non-executive directors. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Group as well as market practice and conditions.

During the year ended 31 December 2019, the Remuneration Committee has held 3 meetings (the attendance records of each Committee member are set out in section A6 above). The Remuneration Committee performed the following major works during the year:

– Generally review and discussion of the remuneration packages, policy and structure of the directors and the senior staff of the Group, and recommendation to the Board;

– Consideration of and recommendation to the Board on the remuneration packages for the directors newly appointed/re-designated during the year.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2019 is set out below:

Remuneration band (RMB)	**Number of individuals**
0 – 250,000	1

Details of the remuneration of each director of the Company for the year ended 31 December 2019 are set out in note 13 to the financial statements contained in this annual report.

Corporate Governance Report (continued)

B3. Nomination Committee

The members of the Nomination Committee during the year and as at the date of this report were as follows:

Executive directors

Mr. Lau Ka Ho	*(Appointed as a member on 24 May 2019)*

Independent non-executive directors

Ms. Chan Sze Man	*(Chairman)*
Mr. Ma Kwun Yung Stephen	*(Resigned as a member on 24 May 2019)*
Ms. Bu Yanan	

The majority of the Nomination Committee members are independent non-executive directors.

The principal responsibilities of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board diversity. To comply with the code provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendations to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

During the year ended 31 December 2019, the Nomination Committee has held 3 meetings (the attendance records of each Committee member are set out in section A6 above). The Nomination Committee performed the following major works during the year:

- Review of the Board composition and structure;
- Consideration of and recommendation to the Board on the re-election of the retiring directors at the 2019 annual general meeting;
- Assessment of the independence of the then three independent non-executive directors of the Company;
- Consideration of and recommendation to the Board on the changes in compositions of the Board and Board Committees during the year.

Corporate Governance Report (continued)

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

Selection Criteria

When evaluating and selecting candidates for directorships, the members of the Nomination Committee or the Board shall consider the following criteria:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;

(c) The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

(d) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(e) In case of independent non-executive Directors, whether the candidates would be considered independent in accordance with the Listing Rules;

(f) In case of re-election, the overall contribution and service to the Company of the Director to be reelected and the level of participation and performance on the Board and the other criteria set out in this section; and

(g) Such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

(a) The Nomination Committee and/or the Board identifies potential candidates including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agencies and/or advisors. The Nomination Committee then develops a short list of candidates and agrees on proposed candidate(s);

(b) Proposed candidate(s) will be asked to submit the necessary personal information, biographical details, together with their written consent to be appointed as a director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;

Corporate Governance Report (continued)

(c) The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;

(d) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

(e) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

(f) The secretary of the Nomination Committee shall convene a meeting of the Nomination Committee. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for re-election or election at a general meeting, the Nomination Committee shall make nominations or recommendations for the Board's consideration and the Board shall make recommendations to shareholders in respect of the proposed re-election or election of Director(s) at the general meeting;

(g) In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations including the Listing Rules, of the proposed candidates; and

(h) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

Monitor and Review

The Nomination Committee will monitor the implementation of the Nomination Policy and report to the Board when necessary. Also, the Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Corporate Governance Report (continued)

B4. Audit Committee

The members of the Audit Committee during the year and as at the date of this report were as follows:

Independent non-executive directors
Ms. Chan Sze Man *(Chairman)*
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

All of the members of the Audit Committee are independent non-executive directors. The Chairman of the Audit Committee possesses the appropriate professional qualifications, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

The Audit Committee performed the following major works during the year:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2018, the related accounting principles and practices adopted by the Group and internal controls related matters, and recommendation of the reappointment of the external auditors;

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2019, and the related accounting principles and practices adopted by the Group;

– Review of the internal control and risk management matters and internal audit function of the Group, and recommendation to the Board;

– Review of the continuing connected transaction of the Group;

– Discussion of the Company's preparation for publication of the Environmental, Social and Governance Report under the requirements of the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Listing Rules;

During the year ended 31 December 2019, the Audit Committee has held 3 meetings (the attendance records of each Committee member are set out in section A6 above).

The external auditors were invited to attend the said meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2019.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Group's risk management and internal control systems have been designed to protect assets from misappropriation and unauthorized transactions and to manage operational risks.

The Board has overall responsibilities for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing their effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems. The established 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. The Board also acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness.

The Group adopts a complete process of risk management in a functional bottom-up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes.

The management, in coordination with department heads, in the form of interview and discussion, assessed the likelihood of risk occurrence, ranked these risks according to the likelihood and the severity of the impact on the Group, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management would report to the Audit Committee and the Board on all findings and the effectiveness of the risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems, and make recommendations.

The Audit Committee also ensures that an overall review of the effectiveness of such systems is conducted at least annually and put forward to the Board for consideration.

During the year under review, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering financial, operational, compliance and risk management aspects of the Group. The systems were considered effective and adequate.

The internal audit function of the Group was carried out by a qualified professional firm appointed by the Board. The effectiveness of the risk management and internal control systems is reviewed by conducting internal audit assignments. Recommendations for major observations of control weaknesses identified from the assignments are communicated to the management in resolving material internal control defects.

Regarding the handling and dissemination of inside information, the Group has practice policy in place.

E. COMPANY SECRETARY

Mr. Chan Hoi Tik was appointed as the company secretary with effect from 31 December 2019.

During the year ended 31 December 2019, Mr. Chan Hoi Tik has taken not less than 15 hours of relevant professional training.

F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2019 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to CCTH CPA Limited ("CCTH"), the Company's existing auditor, in respect of audit services and non-audit services for the year ended 31 December 2019 are analyzed below:

Type of services provided by the external auditors	**Fee paid/ payable**
Audit services:	
– Audit fee for the year ended 31 December 2019	RMB1,977,000
Non-audit services:	
– Agreed upon procedures on interim results for the six months ended 30 June 2019	RMB348,000
– Other services	RMB362,000
TOTAL:	RMB2,687,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

The Company maintains a website at www.fd-holdings.com, as a communication platform with shareholders and investors, where extensive information and updates on the Company's business developments and operations, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: Room 2005-2006, Kinwick Centre, 32 Hollywood Road, Central, Hong Kong
Fax no.: (852) 3892 6001
Email: ir@fd-holdings.com

Inquiries are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

H. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Company's Articles of Association by sending a written requisition to the Board or the Company Secretary at the Company's head office/principal place of business in Hong Kong. The objects of the meeting must be stated in the written requisition.

(2) If a shareholder wishes to propose a person other than a retiring director for election as the Director at a general meeting, pursuant to Article 85 of the Company's Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her/its 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. These notices should be lodged at the Company's head office/principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the original signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by laws.

During the year under review, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association of the Company is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

All resolutions put forward at shareholders' meetings shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fd-holdings.com) after each shareholders' meeting.

I. CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, there had been no significant change in the Company's constitutional documents. The Articles of Association are available on the websites of the Stock Exchange and the Company.

Report of the Directors

The directors of Company (the "Directors") present their report and the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of personal care products, money lending, trading of commodities, securities investment, properties holding, investment holding and provision of food and beverage services.

BUSINESS REVIEW

The business review required under Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's performance during the year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in the "Management Discussion and Analysis" on pages 4 to 15 of this annual report. This discussion forms part of this "Report of the Directors".

FINANCIAL STATEMENTS

The Group's loss for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 64 to 195 of this annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 44 to the financial statements.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2019.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information of the Group for the last five financial years is set out on page 196 of this annual report. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 June 2020 to Friday, 26 June 2020 (both days inclusive) for the purpose of determining the right to attend and vote at the 2020 annual general meeting ("2020 AGM") to be held on Friday, 26 June 2020. In order to be entitled to attend and vote at the 2020 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with the corresponding share certificates are lodged with the Company's branch share registrar and transfer office (i.e. Union Registrars Limited) at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 19 June 2020.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company is incorporated in the Cayman Islands while most of the Group's operations are performed in PRC and Hong Kong and the Company is listed on the Stock Exchange. During the year ended 31 December 2019, as far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations that have a significant impact on the Group's business and operation by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties that the Group faces during its operation. Such risks and uncertainties include factors such as economic conditions of both inside and outside China and Hong Kong, PRC's foreign exchange policies, changes relating to laws and regulations and enforcement policies, and the price and supply of raw materials. While these risks continue to exist, the Group will closely monitor any signs of these occurrences and all departments of the Group will be involved in identifying and evaluating risks relating to their operational scope. Subsequently, appropriate plans will be devised to minimize the impacts derived from risks and uncertainties confronting the operation of the Group.

ENVIRONMENTAL PROTECTION POLICY

The Group has established a dedicated environmental protection department. The environmental protection department is responsible for overseeing the environmental protection of the Group as a whole, such as formulating environmental-related guidelines and policies for the Group in order to ensure compliance with the applicable environmental laws, regulations and standards, monitoring the latest development in the environmental-related laws, regulations and standards in the PRC in order to ensure the internal environmental protection guidelines and policies of the Group is appropriate, monitoring the compliance with the applicable environmental laws, regulations and standards by regularly inspecting the production facilities and the pollutant discharge facilities of the Group, handling the application for environmental protection approvals, and the inspection and any other necessary filings for the construction projects of the Group, liaising with the governmental environment protection authorities in the PRC as and when required, and formulating contingency plan for any environmental-related emergency and handling such emergency.

A separate environmental, social and governance report is expected to be published on the websites of the Stock Exchange and the Company no later than 3 months after the publication of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB291,448,000. In addition, the Company's share premium account, in the amount of RMB572,335,000, may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIVIDEND POLICY

Under the dividend policy, provided the Group is profitable and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the shareholders of the Company.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

(i) the general financial condition of the Group;

(ii) capital and debt level of the Group;

(iii) future cash requirements and availability for business operations, business strategies and future development needs;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the general market conditions; and

(vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the articles of association of the Company. The Dividend Policy will continue to be reviewed from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 59.8% of the total sales for the year, and the sales to the Group's largest customer accounted for 24.0% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 19.4% of the total purchases for the year, and the purchases from the largest supplier accounted for 5.3% of the total purchases for the year.

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

The Group regards the personal development of its employees as highly important and strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. For details, please refer to the section headed "Employees and Remuneration" in the "Management Discussion and Analysis".

Customers

The Group has strengthened relationships with the existing customers while cultivating relationships with potential customers and has established long-term co-operation relationships with many customers. We visit customers' offices to approach and keep contact with them. The Group has organized a marketing team with nationwide coverage as well as a business team which is capable of maintaining close co-operation with overseas customers.

Suppliers

The Group has developed long-standing co-operation relationships with the Group's vendors and taken great care to ensure that they can share our commitment to product quality and morality. The Group carefully selected suppliers and required them to satisfy certain assessment criteria, including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness. The Group also required suppliers to comply with our anti-bribery policy.

DONATIONS

Donations made by the Group during the year ended 31 December 2019 amounted to approximately RMB4,900.

DIRECTORS

The Directors during the year and as at the date of this report were as follows:

Executive Directors

Mr. Tsai Wallen
Mr. Chau Ling *(Resigned on 31 December 2019)*
Mr. Lau Ka Ho *(Appointed on 24 May 2019)*
Mr. Chan Hoi Tik *(Appointed on 31 December 2019)*

Non-executive Director

Mr. Li Zhouxin

Independent Non-executive Directors

Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

Pursuant to Article 83(3) of the Company's Articles of Association, Mr. Chan Hoi Tik, being a newly appointed director, shall retire at the 2020 AGM. In addition, pursuant to Article 84 of the Company's Articles of Association, Mr. Tsai Wallen and Ms. Bu Yanan will retire from office as Directors by rotation at the 2020 AGM. All of the above three retiring directors are eligible for re-election at the 2020 AGM.

It is noted that Mr. Tsai Wallen, Mr. Chan Hoi Tik and Ms. Bu Yanan will offer themselves for re-election at the 2020 AGM.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 18 of this annual report.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors and the non-executive director has entered into a service contract with the Company for a term of three years, which may be terminated by not less than one month or three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than one month's notice in writing served by either party on the other.

There was no service contract entered into by the Company and any Directors to be re-elected in the forthcoming annual general meeting which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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 in existence during the year.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than those transactions disclosed in note 54 to the financial statements and in the section headed "Continuing Connected Transaction" below, none of Directors or their connected entities had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the directors is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year and subsisted at the end of the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. Details of the Scheme are disclosed in note 45 to the financial statements.

As at the date of this annual report, the total number of shares of the Company available for issue under the Scheme was 216,758,800 shares, representing approximately 11.97% of the number of issued shares of the Company.

Report of the Directors (continued)

The following table discloses movements of the Company's share options, granted under the Scheme, during the year ended 31 December 2019:

			Number of options						
Name or category of participants	**Date of grant** *(Note 1)*	**Exercise price per share** *(HK$)*	**Outstanding as at 1 January 2019**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Forfeited/ lapsed during the year**	**Outstanding as at 31 December 2019**	**Exercise period** *(Note 2)*
Non-executive Directors									
Mr. Li Zhouxin	21 June 2012	2.94	90,000	–	–	–	–	90,000	E
(re-designated from			90,000	–	–	–	–	90,000	F
executive director on 30 June 2017)			180,000	–	–	–	–	180,000	
	26 September 2014	1.83	120,000	–	–	–	–	120,000	G
			90,000	–	–	–	–	90,000	H
			90,000	–	–	–	–	90,000	I
			300,000	–	–	–	–	300,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*1,480,000*	–	–	–	–	*1,480,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2019	Exercise period *(Note 2)*
Former Director									
Mr. Huang Xinwen (resigned on 15 October 2018)	14 October 2011	1.92	300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			600,000	–	–	–	–	600,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*3,400,000*	–	–	–	–	*3,400,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2019	Exercise period *(Note 2)*
Former Directors (continued)									
Mr. Ren Yunan (resigned on 17 April 2018)	14 October 2011	1.92	40,000	–	–	–	–	40,000	A
			30,000	–	–	–	–	30,000	B
			30,000	–	–	–	–	30,000	C
			100,000	–	–	–	–	100,000	
	21 June 2012	2.94	40,000	–	–	–	–	40,000	D
			30,000	–	–	–	–	30,000	F
			30,000	–	–	–	–	30,000	F
			100,000	–	–	–	–	100,000	
	26 September 2014	1.83	80,000	–	–	–	–	80,000	G
			60,000	–	–	–	–	60,000	H
			60,000	–	–	–	–	60,000	I
			200,000	–	–	–	–	200,000	
	18 January 2016	0.81	1,400,000	–	–	–	–	1,400,000	J
			1,050,000	–	–	–	–	1,050,000	K
			1,050,000	–	–	–	–	1,050,000	L
			3,500,000	–	–	–	–	3,500,000	
Sub-total			*3,900,000*	–	–	–	–	*3,900,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2019	Exercise period (Note 2)
Former Directors (continued)									
Mr. Li Zhenhui (resigned on 27 January 2017)	14 October 2011	1.92	800,000	–	–	–	–	800,000	A
			600,000	–	–	–	–	600,000	B
			600,000	–	–	–	–	600,000	C
			2,000,000	–	–	–	–	2,000,000	
	21 June 2012	2.94	144,000	–	–	–	–	144,000	D
			108,000	–	–	–	–	108,000	E
			108,000	–	–	–	–	108,000	F
			360,000	–	–	–	–	360,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*4,360,000*	–	–	–	–	*4,360,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2019	Exercise period (Note 2)
Former Directors (continued)									
Mr. Ge Xiaohua (retired on 15 June 2017)	14 October 2011	1.92	300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			600,000	–	–	–	–	600,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*3,400,000*	–	–	–	–	*3,400,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2019	Exercise period *(Note 2)*
Former Directors (continued)									
Mr. Xie Jinling (resigned on 19 July 2016)	14 October 2011	1.92	400,000	–	–	–	–	400,000	A
			300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			1,000,000	–	–	–	–	1,000,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*3,800,000*	–	–	–	–	*3,800,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2019	Exercise period (Note 2)
Former Directors (continued)									
Ms. Hong Fang (resigned on 27 January 2016)	14 October 2011	1.92	400,000	–	–	–	–	400,000	A
			300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			1,000,000	–	–	–	–	1,000,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	1,200,000	–	–	–	–	1,200,000	G
			900,000	–	–	–	–	900,000	H
			900,000	–	–	–	–	900,000	I
			3,000,000	–	–	–	–	3,000,000	
	18 January 2016	0.81	1,200,000	–	–	–	–	1,200,000	J
			900,000	–	–	–	–	900,000	K
			900,000	–	–	–	–	900,000	L
			3,000,000	–	–	–	–	3,000,000	
Sub-total			*7,800,000*	–	–	–	–	*7,800,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2019	Exercise period *(Note 2)*
Former Directors (continued)									
Mr. Chen Shaojun (resigned on 4 May 2016)	14 October 2011	1.92	40,000	–	–	–	–	40,000	A
			30,000	–	–	–	–	30,000	B
			30,000	–	–	–	–	30,000	C
			100,000	–	–	–	–	100,000	
	21 June 2012	2.94	40,000	–	–	–	–	40,000	D
			30,000	–	–	–	–	30,000	E
			30,000	–	–	–	–	30,000	F
			100,000	–	–	–	–	100,000	
	26 September 2014	1.83	80,000	–	–	–	–	80,000	G
			60,000	–	–	–	–	60,000	H
			60,000	–	–	–	–	60,000	I
			200,000	–	–	–	–	200,000	
	18 January 2016	0.81	80,000	–	–	–	–	80,000	J
			60,000	–	–	–	–	60,000	K
			60,000	–	–	–	–	60,000	L
			200,000	–	–	–	–	200,000	
Sub-total			*600,000*	–	–	–	–	*600,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2019	Exercise period *(Note 2)*
Former Directors (continued)									
Mr. Wong Wai Ming	14 October 2011	1.92	40,000	–	–	–	–	40,000	A
(resigned on			30,000	–	–	–	–	30,000	B
11 November 2016)			30,000	–	–	–	–	30,000	C
			100,000	–	–	–	–	100,000	
	21 June 2012	2.94	40,000	–	–	–	–	40,000	D
			30,000	–	–	–	–	30,000	E
			30,000	–	–	–	–	30,000	F
			100,000	–	–	–	–	100,000	
	26 September 2014	1.83	80,000	–	–	–	–	80,000	G
			60,000	–	–	–	–	60,000	H
			60,000	–	–	–	–	60,000	I
			200,000	–	–	–	–	200,000	
	18 January 2016	0.81	80,000	–	–	–	–	80,000	J
			60,000	–	–	–	–	60,000	K
			60,000	–	–	–	–	60,000	L
			200,000	–	–	–	–	200,000	
Sub-total			*600,000*	–	–	–	–	*600,000*	
Mr. Lee Man Chiu	18 January 2016	0.81	80,000	–	–	–	–	80,000	J
(resigned on 20 May 2016)			60,000	–	–	–	–	60,000	K
			60,000	–	–	–	–	60,000	L
Sub-total			*200,000*	–	–	–	–	*200,000*	
Total for directors			**29,540,000**	**–**	**–**	**–**	**–**	**29,540,000**	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2019	Exercise period *(Note 2)*
			Number of options						
Employees of the Group in aggregate	14 October 2011	1.92	352,400	–	–	–	–	352,400	A
			1,507,800	–	–	–	(30,000)	1,477,800	B
			1,543,800	–	–	–	(30,000)	1,513,800	C
			3,404,000	–	–	–	(60,000)	3,344,000	
	21 June 2012	2.94	761,600	–	–	–	–	761,600	D
			1,186,200	–	–	–	(24,000)	1,162,200	E
			1,186,200	–	–	–	(24,000)	1,162,200	F
			3,134,000	–	–	–	(48,000)	3,086,000	
	26 September 2014	1.83	6,016,000	–	–	–	(100,000)	5,916,000	G
			4,512,000	–	–	–	(75,000)	4,437,000	H
			4,512,000	–	–	–	(75,000)	4,437,000	I
			15,040,000	–	–	–	(250,000)	14,790,000	
	18 January 2016	0.81	7,014,600	–	–	–	(100,000)	6,914,600	J
			5,260,950	–	–	–	(75,000)	5,185,950	K
			5,260,950	–	–	–	(75,000)	5,185,950	L
			17,536,500	–	–	–	(250,000)	17,286,500	
	24 May 2017	0.38	15,300,000	–	–	–	(15,300,000)	–	P
Total for employees			**54,414,500**	**–**	**–**	**–**	**(15,908,000)**	**38,506,500**	
Distributors of the Group in aggregate	20 January 2016	0.81	3,880,000	–	–	–	–	3,880,000	M
			2,910,000	–	–	–	–	2,910,000	N
			2,910,000	–	–	–	–	2,910,000	O
Total for distributors			**9,700,000**	**–**	**–**	**–**	**–**	**9,700,000**	
TOTAL			**93,654,500**	**–**	**–**	**–**	**(15,908,000)**	**77,746,500**	

Notes:

1. The closing prices of the Company's shares immediately before the dates of grant on 14 October 2011, 21 June 2012, 26 September 2014, 18 January 2016, 20 January 2016 and 24 May 2017 were HK$1.98, HK$2.94, HK$1.86, HK$0.64, HK$0.67 and HK$0.36, respectively.

2. The respective exercise periods of the share options granted are as follows:

   A: From 14 October 2012 to 13 October 2021
   B: From 14 October 2013 to 13 October 2021
   C: From 14 October 2014 to 13 October 2021
   D: From 21 June 2013 to 20 June 2022
   E: From 21 June 2014 to 20 June 2022
   F: From 21 June 2015 to 20 June 2022
   G: From 26 September 2015 to 25 September 2024
   H: From 26 September 2016 to 25 September 2024
   I: From 26 September 2017 to 25 September 2024
   J: From 18 January 2017 to 27 December 2025
   K: From 18 January 2018 to 27 December 2025
   L: From 18 January 2019 to 27 December 2025
   M: From 20 January 2017 to 27 December 2025
   N: From 20 January 2018 to 27 December 2025
   O: From 20 January 2019 to 27 December 2025
   P: From 24 May 2017 to 23 May 2027

   The vesting period of the share options is from the date of grant until the commencement of the exercise period.

3. The number and/or exercise price of the options may be subject to adjustments in the case of rights or bonus issues, or other changes in the Company's share capital.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the interests of the directors of the Company in the shares and underlying shares of the Company, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code", Appendix 10 to the Listing Rules), to be notified to the Company and the Stock Exchange, were as follows:

A. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of director	Nature of interests	Number of underlying shares interested	Percentage+ of underlying shares over the Company's issued share capital
Mr. Li Zhouxin	Beneficial owner	1,480,000	0.08%

\+ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2019.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 31 December 2019, none of the directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Report of the Directors (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of ordinary shares interested	Percentage+ of the Company's issued share capital*
Golden Sparkle Limited	Beneficial owner *(Note 1)*	263,308,500	14.55%
Mr. Lai Wai Lam Ricky	Interest of controlled corporation *(Note 1)*	263,308,500	14.55%
Ms. Cheng Wan Gi	Beneficial owner	200,000,000	11.05%
Mr. Dai Zhibiao	Beneficial owner	140,382,500	7.76%

Notes:

1. These shares were held by Golden Sparkle Limited, a controlled corporation of Mr. Lai Wai Lam Ricky. Accordingly, Mr. Lai Wai Lam Ricky was deemed to be interested in these shares pursuant to Part XV of the SFO.

+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2019.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 31 December 2019, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTION

The independent non-executive Directors have reviewed the continuing connected transaction set out below, which is disclosed in compliance with the requirements of Chapter 14A of the Listing Rules, and have confirmed that the continuing connected transaction was entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CCTH, the Company's independent auditor, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. CCTH have issued a letter containing their findings and conclusions in respect of the continuing connected transaction disclosed below by the Group in accordance with relevant clauses of Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Details of the Non-exempt Continuing Connected Transaction

Pursuant to the agreement dated 13 June 2011 entered into between Shuangfei Daily Chemicals (USA) Inc. ("Shuangfei (USA)", a company owned as to 51% and 48% by Mr. Li Zhenhui and Mr. Xie Jinling (the former directors of the Company), respectively) and Frog Prince (China) Daily Chemicals Co., Limited 青蛙王子(中國)日化有限公司("Frog Prince (China)"), an indirectly wholly-owned subsidiary of the Company, (the "Sale of Goods Agreement"), Frog Prince (China) agreed to sell and Shuangfei (USA) agreed to buy bath and skin care products produced by the Group for a term of 3 years from 13 June 2011 to 12 June 2014. The prices of such bath and skin care products will be determined in accordance with the purchase orders on the basis of arm's length negotiations and with reference to fair market price. On 6 June 2014, Frog Prince (China) and Shuangfei (USA) entered into a new Sale of Goods Agreement (the "New Sale of Goods Agreement") to renew the above continuing connected transaction for a term from 13 June 2014 to 31 December 2016. On 30 December 2016, Frog Prince (China) and Shuangfei (USA) further renewed the New Sale of Goods Agreement by entering into a renewed sale of goods agreement (the "Renewed Sale of Goods Agreement") for a further term of three years commencing from 1 January 2017 and expiring on 31 December 2019. Other than the time periods covered by the New Sale of Goods Agreement and the Renewed Sale of Goods Agreement, the terms and conditions of the New Sale of Goods Agreement and the Renewed Sale of Goods Agreement were the same as those of the Sale of Goods Agreement.

During the year under review, no goods sold to Shuangfei (USA) under the New Sale of Goods Agreement and the annual cap for the year ended 31 December 2019 is RMB7,000,000.

EXEMPTION CONTINUING CONNECTED TRANSACTION

During to Reporting Period, the Company had entered into a consultancy agreement with Mr. Lai Wai Lam Ricky ("Mr. Lai"), the substantial shareholder of the Company. Pursuant to the agreement, Mr. Lai shall provide advisory services for the Group's business and development in the Asia Region. The monthly consultant fee payable to Mr. Lai is HK$10,000. During the reporting period, consultancy fee of HK$40,000 was paid to Mr. Lai. It do not constitute non-exempt continuing connected transaction under the Listing Rules.

CONNECTED TRANSACTIONS

The remaining related party transactions for the year ended 31 December 2019 set out in note 54 to financial statements contained in this annual report also constituted connected transactions of the Group. As confirmed by the directors of the Company, as relevant applicable ratios were below 0.1%, such connected transactions were exempt from the reporting, announcement, annual review and independent shareholders' approval requirements as contained in Chapter 14A of the Listing Rules.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to its directors. The remuneration of all directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of directors' remuneration are set out in note 13 to financial statements.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Apart from the Company's share option scheme, neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the object or one of the objects of such arrangement are/is 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 corporate body.

CONTRACT OF SIGNIFICANCE

Except for set out in the notes 54 and 60(a) to financial statements, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors and its related companies is currently in force and were in force throughout the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive directors, has reviewed the consolidated financial statements of the Group for the year ended 31 December 2019, and discussed with the management and the auditor of the Company, CCTH CPA Limited, on the accounting principles and practices, financial reporting process, internal control adopted by the Group, with no disagreement by the Audit Committee of the Company.

AUDITORS

CCTH will retire at the 2020 AGM and, being eligible, offered themselves for re-appointment. A resolution for the re-appointment of CCTH as auditor of the Company will be proposed at the 2020 AGM.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Details of events subsequent to the reporting period are set out in note 60 to the financial statements.

ON BEHALF OF THE BOARD
Tsai Wallen
Chairman and Executive Director

27 March 2020

Independent Auditor's Report

CCTH CPA LIMITED
中正天恒會計師有限公司

To the shareholders of Prosperous Future Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Prosperous Future Holdings Limited (formerly known as "Future Development Holdings Limited" and "China Child Care Corporation Limited") (the "Company") and its subsidiaries (together the "Group") set out on pages 64 to 195, which comprise the consolidated statement of financial position as at 31 December 2019, 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Impairment assessment for property, plant and equipment and right-of-use assets

Refer to notes 16 and 17 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Group had property, plant and equipment and right-of-use assets with the carrying amounts of approximately RMB85,729,000 and RMB27,639,000 respectively. Following a review of the Group's businesses in future, the outlook for the industry and the Group's financial performance, management conducted impairment assessment of the Group's property, plant and equipment and right-of-use assets and concluded that no impairment loss for the year is required to be made for property, plant and equipment and right-of-use assets based on their fair value less costs of disposal, by reference to their estimated sale prices valued by external valuer and value in use of the respective cash-generating units (CGUs). We focused on the impairment assessment of the Group's property, plant and equipment and right-of-use assets as the estimation of the fair value less costs of disposal of such assets involved judgments and assumptions used in the determination of sale prices of these assets and management assessment of the value in use of the CGUs involves judgments and estimates about the future results of the business, key assumptions including revenue growth rate and gross profit margin, long-term growth rate and the discount rates applied to future cash flow forecast.	Our procedures in relation to management's impairment assessment on property, plant and equipment and right-of-use assets included: – We obtained an understanding of the basis of management's impairment assessment of the property, plant and equipment and right-of-use assets; – We assessed the valuation methodologies used by the external valuer to estimate the sale prices; – We evaluated the independence, competence, capabilities and objectivity of the external valuer; – We checked, on a sample basis, the accuracy and relevance of the data and information provided by management to the external valuer; – We considered the potential impact of reasonably possible downside changes in these key assumptions; – We evaluated and challenged the composition of the Group's future cash flow forecast in each CGU, and the process by which they were drawn up, including testing the underlying value in use calculation; and – We challenged the key assumptions including revenue growth rate and gross profit margin by comparing the current year's actual results with future plans. We considered the appropriateness of the discount rates adopted by the management.

KEY AUDIT MATTERS (continued)

Valuation of investment properties

Refer to note 19 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Group had investment properties with the carrying amount of approximately RMB80,460,000. All of the Group's investment properties are stated at fair value. The fair value valuations, which were carried out by external property valuer, are based on income capitalisation method that involve management's significant judgment of unobservable inputs. Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in note 19 to the consolidated financial statements. We focused on the valuation of investment properties as a key audit matter due to the significance of the carrying amount to the consolidated financial statements as a whole, combined with the significant judgments associated in the determination of the fair value.	Our procedures in relation to the valuation of the investment properties included: – We evaluated the independence, competence, capabilities and objectivity of the external property valuer; – We obtained an understanding of the valuation process and techniques adopted by the external property valuer to assess if they are consistent with industry norms; and – We made enquiry of the external property valuer to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the external property valuer by comparing them, on a sample basis, to where relevant, existing tenancy profiles, publicly available information of similar comparable properties and our knowledge of the real estate industry.

KEY AUDIT MATTERS (continued)

Impairment assessment for properties for development

Refer to note 20 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group's properties for development are stated at cost less impairment losses. As at 31 December 2019, the carrying amount of the Group's properties for development is approximately RMB99,234,000. Impairment loss on properties for development amounted to approximately RMB26,451,000 was recognised in profit or loss in respect of the current year, which is calculated based on their fair value less costs of disposal by reference to their estimated sale prices valued by external property valuer. We identified the impairment assessment of the Group's properties for development as a key audit matter due to the significant judgments involved in the determination of the recoverable amount of the properties and the significance of their carrying amount to the consolidated financial statements.	Our procedures in relation to the impairment assessment of the properties for development included: – We evaluated the independence, competence, capabilities and objectivity of the external property valuer; – We obtained an understanding of the valuation process and techniques adopted by the external property valuer to assess if they are consistent with industry norms; and – We made enquiry of the external property valuer to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the external property valuer by comparing them, on a sample basis, to publicly available information of similar comparable properties and our knowledge of the real estate industry.

KEY AUDIT MATTERS (continued)

Recoverability of loan and interest receivables and trade and bills receivables

Refer to notes 27 and 28 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Group had loan and interest receivables with the carrying amount of approximately RMB79,902,000, of which accumulated impairment losses amounting to approximately RMB9,655,000 has been made. As at that date, the Group had trade and bills receivables (after impairment loss recognised) amounting to approximately RMB97,746,000, of which accumulated impairment losses amounting to approximately RMB6,775,000 has been made. Recoverability of loan and interest receivables and trade and bill receivables involved management judgment in assessing the allowance for doubtful debts for individual loan and interest receivables and trade receivables. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty. We have identified impairment assessment of loan and interest receivables and trade and bill receivables as a key audit matter due to the magnitude of the receivables and the estimation and judgments involved the determination of the recoverable amounts of these receivables.	Our procedures in relation to management's impairment assessment on loan and interest receivables and trade and bill receivables included: – We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. – We reviewed the agreements and other relevant documents relating to the loans made by the Group. – We assessed the classification and accuracy of individual balances in trade and bill receivables ageing report by testing the underlying invoices on a sample basis. – We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluated the allowance for doubtful debts made by the management for these individual balances. – We assessed the appropriateness of the expected credit loss positioning methodology, by examining the key data inputs on a sample bases, to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit loss.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS (continued)

Revenue recognition

Refer to note 5 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
Revenue principally comprises of sales of personal care products and commodities, and income from food and beverage business (including sales of frozen food and beverage products and revenue from provision of frozen food and beverage products related services). Revenue from sales of personal care products, commodities and frozen food and beverage products is recognised when control of the goods underlying the particular performance obligations is transferred to the customer. Revenue from provision of frozen food and beverage products related services is recognised when control of the services underlying the particular performance obligations is transferred to the customers. The accounting policy for revenue recognition in this respect is disclosed in note 3 to the consolidated financial statements. For the year ended 31 December 2019, the Group recognised revenue from sales of personal care products, revenue from sales of commodities and income from food and beverage business amounted to approximately RMB524,480,000 and RMB89,559,000 and RMB186,392,000 respectively. We identified recognition of revenue as a key audit matter because revenue is quantitatively significant and is one of the key performance indicators of the Group.	Our procedures to assess the recognition of revenue included: – We assessed the design, implementation and operating effectiveness of management's key internal controls over revenue recognition. – We reviewed sales agreements, on a sample basis, to understand the terms of the sales transactions and provision of services including the terms of delivery and acceptance, applicable rebates arrangements and any sales returns arrangements to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards. – We assessed, on a sample basis, whether revenue transactions recorded during the financial year had been recognised in the appropriate financial period by comparing the transactions selected with relevant underlying documentation, including goods delivery notes and the terms set out in the sale agreements. – We assessed, on a sample basis, whether sales rebates during the financial year had been recognised in the appropriate financial period by recalculating the sales rebates recognised during the financial year on basis of the terms as set out in the sale agreements and comparing sales rebates payments during the financial year to the relevant underlying documentation. – We scrutinised the sales ledger after the financial year end to identify significant credit notes issued and sales returns and inspected relevant underlying documentation to assess if the related revenue had been accounted for in the appropriate financial period in accordance with the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 IFRSs issued by the IASB and the disclosure requirements of 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

We communicate with those charged with governance 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 those charged with governance 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.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 27 March 2020

Kwong Tin Lap
Practising certificate number: P01953

Unit 5-6, 7/F., Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Continuing operations			
Revenue	5	**830,166**	619,700
Cost of sales		**(702,678)**	(535,055)
Gross profit		**127,488**	84,645
Other income and gains	7	**40,852**	6,830
Loss on change in fair value of investment properties	19	**(6,119)**	(16,386)
Selling and distribution expenses		**(67,467)**	(66,213)
Administrative expenses		**(124,107)**	(132,801)
Impairment loss of goodwill	21	**(2,804)**	(31,157)
Other expenses	8	**(51,792)**	(274,426)
Finance costs	9	**(4,774)**	(11,248)
Share of loss of associates	23	**(65)**	(3,867)
Share of profit/(loss) of joint ventures	24	**278**	(899)
Loss before tax	10	**(88,510)**	(445,522)
Income tax credit/(expense)	11	**1,863**	18
Loss for the year from continuing operations		**(86,647)**	(445,504)
Discontinued operations			
Profit for the year from discontinued operations	12	**15,356**	6,544
Loss for the year		**(71,291)**	(438,960)
(Loss)/profit attributable to the equity holders of the Company from:			
– Continuing operations		**(73,354)**	(435,265)
– Discontinued operations		**24,956**	3,830
(Loss)/profit for the year attributable to the equity holders of the Company		**(48,398)**	(431,435)
Loss attributable to non-controlling interests from:			
– Continuing operations		**(13,293)**	(10,239)
– Discontinued operations		**(9,600)**	2,714
Loss for the year attributable to non-controlling interests		**(22,893)**	(7,525)
Loss for the year		**(71,291)**	(438,960)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2019

	Notes	**2019 RMB'000**	2018 RMB'000 (Restated)
Loss for the year		**(71,291)**	(438,960)
Other comprehensive income/(expense) arising from continuing operations:			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		**7,101**	29,789
Item that may not be reclassified to profit or loss in subsequent periods:			
Loss on change in fair value of financial assets at fair value through other comprehensive income		**(56,397)**	(82,360)
Other comprehensive expense for the year arising from continuing operations		**(49,296)**	(52,571)
Other comprehensive income arising from discontinued operations:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operation outside Mainland China		**364**	1,092
Reclassification adjustment relating to foreign operations disposed of		**8,498**	–
Other comprehensive income arising from discontinued operations		**8,862**	1,092
Total other comprehensive expense for the year		**(40,434)**	(51,479)
Total comprehensive expense for the year		**(111,725)**	(490,439)
Total comprehensive (expense)/income attributable to equity holders of the Company from:			
– Continuing operations		**(123,554)**	(486,479)
– Discontinued operations		**33,640**	4,387
Total comprehensive expense for the year attributable to equity holders of the Company		**(89,914)**	(482,092)
Total comprehensive (expense)/income attributable to non-controlling interests from:			
– Continuing operations		**(12,389)**	(11,596)
– Discontinued operations		**(9,422)**	3,249
Total comprehensive expense for the year attributable to non-controlling interests		**(21,811)**	(8,347)
Total comprehensive expense for the year		**(111,725)**	(490,439)
		2019 RMB cents	2018 RMB cents (Restated)
Loss per share from continuing and discontinued operations	15		
Basic		**(3.0)**	(33.8)
Diluted		**N/A**	N/A
Loss per share from continuing operations	15		
Basic		**(4.6)**	(34.1)
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**85,729**	171,823
Right-of-use assets	17	**27,639**	–
Prepaid land lease payments	18	**–**	10,511
Investment properties	19	**80,460**	115,768
Properties for development	20	**99,234**	123,854
Goodwill	21	**–**	22,800
Intangible assets	22	**–**	–
Interests in associates	23	**2,927**	616
Interests in joint ventures	24	**–**	–
Financial assets at fair value through other comprehensive income	25	**32,564**	128,361
Deferred tax assets	43	**2,677**	804
Loan and interest receivables	27	**6,776**	107,753
Prepayments and deposits	29	**1,499**	16,700
		339,505	698,990
CURRENT ASSETS			
Inventories	26	**40,820**	102,239
Loan and interest receivables	27	**73,126**	68,338
Trade and bills receivables	28	**97,746**	82,164
Prepayments, deposits and other receivables	29	**84,759**	40,861
Other financial assets	30	**–**	14,010
Amounts due from related companies	54(ii)	**–**	9,782
Amount due from an associate	31	**23,125**	23,589
Amount due from a joint venture	32	**6,304**	5,896
Amount due from non-controlling interest	33	**–**	2,961
Income tax recoverable		**–**	136
Pledged bank deposits	34	**16,906**	7,442
Cash and cash equivalents	34	**414,065**	218,888
		756,851	576,306
CURRENT LIABILITIES			
Trade and bills payables	35	**104,314**	70,770
Other payables and accruals	36	**45,209**	43,123
Bank and other borrowings	37	**96,986**	173,768
Promissory notes payable	38	**12,130**	13,615
Amount due to a related company	54(ii)	**–**	1,500
Amounts due to associates	39	**5,600**	92,065
Amount due to a joint venture	40	**–**	4
Amount due to non-controlling interest	41	**895**	830
Lease liabilities	42	**5,189**	–
Income tax payable		**4,463**	16,977
		274,786	412,652
NET CURRENT ASSETS		**482,065**	163,654

Consolidated Statement of Financial Position (continued)

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**821,570**	862,644
NON-CURRENT LIABILITIES			
Lease liabilities	42	**(17,335)**	–
Deferred tax liabilities	43	**(14,894)**	(15,418)
		(32,229)	(15,418)
NET ASSETS		**789,341**	847,226
EQUITY			
Share capital	44	**15,348**	11,649
Reserves	46	**725,174**	762,325
Equity attributable to equity holders of the Company		**740,522**	773,974
Non-controlling interests		**48,819**	73,252
TOTAL EQUITY		**789,341**	847,226

The consolidated financial statements on pages 64 to 195 were approved and authorised for issue by the board of directors on 27 March 2020 and are signed on its behalf by:

Tsai Wallen	**Lau Ka Ho**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Attributable to equity holders of the Company												
	Notes	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	FVTOCI revaluation reserve RMB'000	Statutory reserve fund RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019		11,649	519,572	38,070	11	–	(33,223)	–	16	11,088	226,791	773,974	73,252	847,226
Loss for the year		–	–	–	–	–	–	–	–	–	(48,398)	(48,398)	(22,893)	(71,291)
Other comprehensive (expense)/income														
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	–	6,383	–	6,383	1,082	7,465
Exchange reserve realised on disposal of foreign operations		–	–	–	–	–	–	–	–	8,498	–	8,498	–	8,498
Loss on change in fair value of financial assets at fair value through other comprehensive income ("FVTOCI"), net of tax		–	–	–	–	–	(56,397)	–	–	–	–	(56,397)	–	(56,397)
Total comprehensive (expense)/income for the year		–	–	–	–	–	(56,397)	–	–	14,881	(48,398)	(89,914)	(21,811)	(111,725)
Non-controlling interests arisen from disposal of interest in subsidiaries		–	–	–	–	–	–	–	–	–	–	–	180	180
Disposal of subsidiaries	48(a)(ii)	–	–	–	–	–	–	–	–	–	–	–	(2,802)	(2,802)
Placing of new shares	44	1,937	23,883	–	–	–	–	–	–	–	–	25,820	–	25,820
Share issue expenses		–	(24)	–	–	–	–	–	–	–	–	(24)	–	(24)
Issue of shares for acquisition of subsidiaries	47(a)(i)	1,762	28,904	–	–	–	–	–	–	–	–	30,666	–	30,666
Transferred to retained profits on disposal of financial assets at FVTOCI		–	–	–	–	–	185	–	–	–	(185)	–	–	–
Transferred to retained profits upon forfeiture of share options		–	–	(2,579)	–	–	–	–	–	–	2,579	–	–	–
At 31 December 2019		15,348	572,335	35,491	11	–	(89,435)	–	16	25,969	180,787	740,522	48,819	789,341

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Attributable to equity holders of the Company												
		Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	FVTOCI revaluation reserve RMB'000	Statutory reserve fund RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018, as originally presented		9,694	496,544	37,335	11	45,678	–	110,615	16	(20,615)	550,592	1,229,870	85,711	1,315,581
Change in accounting policy		–	–	–	–	(45,678)	45,678	–	–	–	–	–	–	–
At 1 January 2018, as restated		9,694	496,544	37,335	11	–	45,678	110,615	16	(20,615)	550,592	1,229,870	85,711	1,315,581
Loss for the year		–	–	–	–	–	–	–	–	–	(431,435)	(431,435)	(7,525)	(438,960)
Other comprehensive (expense)/income														
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	–	31,703	–	31,703	(822)	30,881
Loss on change in fair value of financial assets at fair value through other comprehensive income ("FVTOCI"), net of tax		–	–	–	–	–	(82,360)	–	–	–	–	(82,360)	–	(82,360)
Total comprehensive (expenses)/income for the year		–	–	–	–	–	(82,360)	–	–	31,703	(431,435)	(482,092)	(8,347)	(490,439)
Disposal of subsidiaries	48(b)(i)	–	–	–	–	–	–	–	–	–	–	–	(2,912)	(2,912)
Dividend paid to non-controlling interest (note)		–	–	–	–	–	–	–	–	–	–	–	(1,200)	(1,200)
Issue of new shares	44	1,955	23,451	–	–	–	–	–	–	–	–	25,406	–	25,406
Share issue expenses		–	(423)	–	–	–	–	–	–	–	–	(423)	–	(423)
Recognition of equity-settled share-based payments	10	–	–	1,213	–	–	–	–	–	–	–	1,213	–	1,213
Transferred to retained profits on disposal of financial assets at FVTOCI		–	–	–	–	–	3,459	–	–	–	(3,459)	–	–	–
Transferred from statutory reserve fund to retained profits	46	–	–	–	–	–	–	(110,615)	–	–	110,615	–	–	–
Transferred to retained profits upon forfeiture of share options		–	–	(478)	–	–	–	–	–	–	478	–	–	–
At 31 December 2018		11,649	519,572	38,070	11	–	(33,223)	–	16	11,088	226,791	773,974	73,252	847,226

Note: During the year ended 31 December 2018, interim dividend amounting to RMB1,200,000 was declared and paid by 福建愛潔麗日化有限公司 ("Fujian Azalli"), a non-wholly owned subsidiary of the Company, to its non-controlling interest prior to the completion of disposal of Fujian Azalli, as detailed in note 48(b)(i).

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	**2019 RMB'000**	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
– Continuing operations		**(88,510)**	(445,522)
– Discontinued operations		**16,446**	8,115
		(72,064)	(437,407)
Adjustments for:			
Finance costs		**4,774**	11,248
Interest income from bank deposits		**(2,047)**	(3,234)
Income derived from other financial assets		**(515)**	(504)
(Gain)/loss on disposal of subsidiaries	48	**(38,802)**	9,004
Loss/(gain) on disposal of property, plant and equipment, net		**628**	(31)
Loss on early redemption of promissory notes		**–**	104
Depreciation of property, plant and equipment		**29,567**	28,293
Amortisation of prepaid land lease payments		**–**	270
Amortisation of intangible assets		**–**	36
Equity-settled share-based payments		**–**	1,213
Loss on changes in fair value of investment properties		**6,119**	16,386
Impairment loss on goodwill		**2,804**	31,157
Impairment loss on interests in associates		**–**	3,217
Impairment loss on loan and interest receivables		**4,644**	4,673
Impairment loss on trade receivables		**6,775**	1,660
Impairment loss on property, plant and equipment		**–**	170,747
Impairment loss on properties for development		**26,451**	20,154
Reversal of impairment loss of trade receivables		**(1,911)**	–
Trade receivables written off		**–**	4,060
Loan and interest receivables written off		**12,586**	–
Share of loss of associates		**65**	3,867
Share of (profit)/loss of joint ventures		**(278)**	899
Operating cash flows before movements in working capital		**(21,204)**	(134,188)
Decrease/(increase) in inventories		**84,894**	(71,893)
Decrease in loan and interest receivables		**80,702**	34,304
Decrease in trade and bill receivables		**7,389**	19,693
Increase in prepayments, deposits and other receivables		**(32,631)**	(13,615)
Decrease/(increase) in amounts due from related companies		**9,762**	(34)
Decrease in amount due from an associate		**464**	16,478
(Increase)/decrease in amount due from a joint venture		**(127)**	36
Decrease/(increase) in amount due from non-controlling interest		**2,964**	(1,160)
Increase in trade and bills payables		**33,562**	15,594
Increase in other payables and accruals		**16,720**	5,332
(Decrease)/increase in amount due to a related company		**(1,500)**	1,500
Decrease in amount due to joint ventures		**(4)**	–
(Decrease)/increase in amounts due to associates		**(86,465)**	12,083
Increase in amount due to non-controlling interest		**64**	25
Exchange realignment		**1,380**	(2,156)
Cash generated from/(used in) operations		**95,970**	(118,001)
Interest received		**2,047**	6,977
Interest paid	49	**(4,774)**	(11,501)
Income tax paid		**(1,455)**	(1,453)
Net cash generated from/(used in) operating activities		**91,788**	(123,978)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(17,758)**	(3,705)
Proceeds from disposal of property, plant and equipment		**79**	6,612
Proceeds from disposal of investment properties classified as held for sale		**–**	6,246
Decrease/(increase) in deposits for acquisition of land use rights		**16,700**	(16,700)
Purchase of financial assets at fair value through other comprehensive income		**–**	(17,659)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**26,107**	5,691
Purchase of other financial assets		**–**	(17,810)
Proceeds from disposal of other financial assets		**9,710**	–
Acquisition of subsidiaries	47	**(13,424)**	–
Acquisition of an associate		**(2,911)**	–
Proceeds from disposal of subsidiaries	48	**148,878**	19,496
Proceeds from disposal of an associate		**535**	–
(Increase)/decrease in pledged bank deposits		**(9,464)**	113,028
Income from other financial assets received		**515**	504
Net cash generated from investing activities		**158,967**	95,703
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	44	**25,820**	25,406
Share issue expenses		**(24)**	(423)
Payment of lease liabilities	49	**(5,606)**	–
Drawdown of bank loans	49	**–**	132,426
Drawdown of other loans	49	**–**	90,000
Repayment of bank loans	49	**(55,000)**	(192,424)
Repayment of other loans	49	**(22,123)**	(23,015)
Repayment of promissory notes	49	**(1,758)**	(9,798)
Dividend paid to non-controlling interest		**–**	(1,200)
Net cash (used in)/generated from financing activities		**(58,691)**	20,972
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**192,064**	(7,303)
Cash and cash equivalents at beginning of the year		**218,888**	222,691
Effects of foreign exchange rate changes, net		**3,113**	3,500
Cash and cash equivalents at the end of the year	34	**414,065**	218,888

Notes to Financial Statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

Prosperous Future Holdings Limited (formerly known as "Future Development Holdings Limited" and "China Child Care Corporation Limited") (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed by the Shareholders at the extraordinary general meeting of the Company held on 30 April 2019 and upon obtaining the Certificate of Incorporation on Change of Name issued by the Registrar of Companies of the Cayman Islands, the name of the Company was changed from "China Child Care Corporation Limited" to "Future Development Holdings Limited" with effect from 2 May 2019.

Pursuant to a special resolution passed by the Shareholders at the extraordinary general meeting of the Company held on 6 September 2019 and upon obtaining the Certificate of Incorporation on Change of Name issued by the Registrar of Companies of the Cayman Islands, the name of the Company was changed from "Future Development Holdings Limited" to "Prosperous Future Holdings Limited" with effect from 11 September 2019.

The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 2005-2006, Kinwick Centre, 32 Hollywood Road, Central, Hong Kong and in the People's Republic of China (the "Mainland China" or the "PRC") is located at No. 8 North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, the PRC.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of personal care products, money lending, trading of commodities, securities investment, properties holding, investment holding and the provision of food and beverage services.

During the year, the Group discontinued its operation of online platform, details of which are set out in note 12.

The consolidated financial statements of the Group, comprising the Company and its subsidiaries, are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

Restatement due to discontinued operations

The comparative information in respect of the consolidated statement of profit or loss and other comprehensive income, together with notes thereon for the year ended 31 December 2018 has been restated, where appropriate, in order to conform with the current year's presentation of the discontinued operations separately from continuing operations. As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2018.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised IFRSs applied in the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("IASB"):

IFRS 16	Leases
IFRIC–Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendment to IFRSs	Annual Improvements 2015-2017 cycle

Notes to Financial Statements (continued)
For the year ended 31 December 2019

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Other than as explained below regarding the impact of IFRS 16 "Leases", the application of other new and amended standards effective in respect of the current year had no material impact on the Group's financial position and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 "Leases" ("IAS 17") and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease had no material impact on the Group's financial position on 1 January 2019.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities. Comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

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

Notes to Financial Statements (continued)

For the year ended 31 December 2019

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 16 Leases (continued)

As a lessee (continued)

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

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

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.48%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	**10,481**
Lease liabilities discounted at relevant incremental borrowing rates	**10,073**
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	**(422)**
Change in allocation basis between lease and non-lease components	**(423)**
Lease liabilities as at 1 January 2019	**9,228**
Analysed as	
Current	**8,192**
Non-current	**1,036**
	9,228

Notes to Financial Statements (continued)
For the year ended 31 December 2019

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	9,228
Reclassified from prepaid lease payments	10,779
	20,007

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included:

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	**Carrying amounts under IFRS 16 at 1 January 2019 RMB'000**
Non-current Assets	698,990	9,496	**708,486**
Right-of-use assets	–	20,007	**20,007**
Prepaid land lease payments	10,511	(10,511)	**–**
Current Assets	576,306	(268)	**576,038**
Prepayments, deposits and other receivables	40,861	(268)	**40,593**
Current Liabilities	412,652	8,192	**420,844**
Lease liabilities	–	8,192	**8,192**
Non-current Liabilities	15,418	1,036	**16,454**
Lease liabilities	–	1,036	**1,036**

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
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 a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020;

The directors of the Company anticipate that the application of the new and amendments to IFRSs that are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange ("Listing Rules").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for certain investment properties and financial instruments which have been measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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 IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, based on the degree to which the inputs to the fair value measurements are observable and the significance of the input 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.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurement in its entirety) at the end of each reporting period.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Company 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.

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 when the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders 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 in line with the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

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

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

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 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 IFRS 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 IFRS 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination (continued)

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 the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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 IFRS.

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 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.

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. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchases price first to principal assets and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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 and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interests in associates or joint ventures may be impaired. When any objective evidence exist, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associates or joint ventures.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes and is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are reclassified to the appropriate category of property, plant and equipment when completed and ready for intended use and are depreciated on the same basis of other property assets upon reclassification.

Depreciation is recognised to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Properties for development

Properties for development is stated at cost less any impairment losses. Cost of the properties includes purchase consideration and other attributable costs of acquisition.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Trademarks

The costs of acquiring the trademarks are amortised on the straight-line basis over their estimated useful lives of ten years.

Copyrights

The costs of acquiring the copyrights are amortised on the straight-line basis over their estimated useful lives of five years.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on the weighted-average basis and, in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Interest income which is derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 " Business Combination" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 (see below). For financial asset 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 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.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("OCI") and accumulated in the FVTOCI revaluation 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.

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.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loan and interest receivables, trade and bills receivables, other receivables, other financial assets, amounts due from related companies, an associate, a joint venture and non-controlling interest, pledged bank deposits and cash and cash equivalents) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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.

(i) Significant increase in credit risk

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

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

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

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) 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, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e; the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans receivable are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

Notes to Financial Statements (continued)
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities, including trade and bills payables, other payables and accruals, bank and other borrowings, promissory notes payable, and amount due to a related party, associates, a joint venture and non-controlling interest, 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 points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in FVTOCI revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

Based on the historical pattern, revenue from sales of personal care products, commodities and frozen food and beverage products are recognised at a point in time basis when the Group satisfies performance obligations by transferring the promised goods to its customers, and revenue from provision of frozen food and beverage products related services are recognised at over time basis.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Research and development costs

All research costs are charged to the profit or loss in respect of the period as incurred.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date of acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property, plant and equipment, and land that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) (continued)

Right-of-use assets (continued)

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments includes:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) (continued)

Lease liabilities (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (prior to 1 January 2019)

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

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the leases transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured using fair value model.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

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

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

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

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

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

Notes to Financial Statements (continued)
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss in respect of the period as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the profit or loss in respect of the period as they become payable in accordance with the rules of the central pension scheme.

Share-based payment transactions

Share-based payment transactions of the Company

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group (including directors of the Company) receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from a subsidiary in the PRC according to the relevant tax jurisdictions is subject to judgment on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiary in the PRC will not be distributed in the foreseeable future, then no withholding taxes should be provided.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties portfolios in Hong Kong and the PRC and concluded that (a) the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred tax on investment properties in Hong Kong, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties. The presumption that the carrying amounts of the Group's investment properties situated in the PRC are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of those investment properties is recognised according to the relevant tax rules.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgments in applying accounting policies (continued)

Control over Jumbo Excel Investment Corporation ("Jumbo Excel")

Note 59(b) describes that Jumbo Excel Investment Corporation ("Jumbo Excel") is a subsidiary of the Group even though the Group has only a 50% ownership interest in Jumbo Excel, with the remaining ownership interest held by a third party that is unrelated to the Group.

The directors of the Company assessed whether or not the Group has control over Jumbo Excel based on whether the Group has the practical ability to direct the relevant activities of Jumbo Excel unilaterally. In making their judgment, the directors consider the Group's control in the board of and the relative agreement between the Group and the non-controlling interest. As detailed in note 59(b), the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Jumbo Excel and therefore the Group has control over Jumbo Excel. If the directors had concluded that the 50% ownership interest was insufficient to give the Group control, Jumbo Excel would instead have been classified as a joint venture and the Group would have accounted for it using the equity method of accounting.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property, plant and equipment and right-of-use assets

Management of the Group determines on a regular basis whether there are any indications that the property, plant and equipment and right-of-use assets are impaired. Impairment loss for property, plant and equipment and right-of-use assets are impaired when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on the higher of fair value less costs of disposal and value in use. The fair values of property, plant and equipment and right-of-use assets are estimated by reference to their expected selling prices which are affected by various factors, including market conditions and the technological occurrence. The value in use calculation requires the use of estimates such as the future revenue and discount rates. If the recoverable amounts of property, plant and equipment and right-of-use assets are estimated to be less than their respective carrying amounts, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss in respect of the period. As at 31 December 2019, the carrying amounts of property, plant and equipment and right-of-use assets are approximately RMB85,729,000 (2018: RMB171,823,000) and RMB27,639,000 (2018: prepaid land lease payments of RMB10,511,000) respectively. No impairment loss of property, plant and equipment (2018: impairment loss amounted to RMB170,747,000) has been recognised in respect of the current year and no impairment loss of right-of-use assets (2018: prepaid land lease payments) has been recognised in respect of the current year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation charges for the future years.

Estimation of fair value of investment properties

Investment properties are carried in the consolidated financial statements at their fair value. The best evidence of fair value of the Group's investment properties are current prices in an active market for similar properties in the same location and condition and subject to similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from: (i) independent valuations; and (ii) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect the uncertainty of the amount and timing of cash flows. Details regarding the fair value of the Group's investment properties as at 31 December 2019 are set out in note 19 to the financial statements.

Impairment of properties for development

Management of the Company determines on a regular basis whether the properties for development are impaired. Impairment losses on properties for development are recognised when the carrying amount of the asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair values of the properties are estimated by reference to their expected selling prices which are affected by market conditions. The value in use calculation requires the use of estimates such as the future cash flows and discount rates.

As at 31 December 2019, the carrying amount of properties for development is approximately RMB99,234,000 (2018: RMB123,854,000). Impairment loss of properties for development amounted to RMB26,451,000 (2018: RMB20,154,000) has been recognised in respect of the current year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will have impacts on the carrying amount of inventories and write-down of inventories in the period in which such estimate is changed. As at 31 December 2019, the carrying amount of inventories is approximately RMB40,820,000 (2018: RMB102,239,000). No impairment loss of inventories was recognised in respect of the current year (2018: Nil).

Impairment of receivables

The Group applies the simplified approach to provide for expected credit loss in respect of trade receivables. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates (taking into consideration forward-looking information that is receivable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, the Group's receivables with significant balances and credit impaired are assessed for expected credit loss individually. The provision for expected credit loss is sensitive to changes in estimates.

For the assessment of expected credit loss of other financial assets at amortised costs, the Group uses four categories for those financial assets, including loan and interest receivables, other receivables, amounts due from related companies, an associate, a joint venture and non-controlling interest, which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings, where possible.

The information about the expected credit loss of the Group's receivables are disclosed in note 56.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The goodwill at 31 December 2019 was fully impaired (after accumulated impairment losses of RMB2,804,000 was recognised). The carrying amount of goodwill at 31 December 2018 was RMB22,800,000, after accumulated impairment losses of RMB80,457,000 was recognised. Details of the impairment loss calculation are set out in note 21.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

Certain of the Group's financial assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the fair value of the asset or liability is estimated by reference to the valuation performed by appropriate valuers or fund managers.

Information about the valuation techniques and inputs used in determining the fair value of various financial assets are disclosed in note 57.

5. REVENUE

The following is an analysis of the Group's revenue for the year:

	2019 **RMB'000**	2018 RMB'000 (Restated)
Continuing operations		
Revenue from sales of goods	**614,039**	578,983
Interest income from money lending business (note 27)	**28,960**	35,936
Rental income from lease of investment properties	**775**	4,781
Income from food and beverage business	**186,392**	–
Revenue arising from continuing operations	**830,166**	619,700
Discontinued operations		
Income from operation of online platform	**6,642**	11,515
	836,808	631,215

Revenue from sale of goods, mainly comprising personal care products and commodities is recognised at a point in time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Income from food and beverage business mainly represents sales value of frozen food and beverage products which is recognised at a point in time, when the Group transferred the promised goods and services to customers. Income from food and beverage business also includes service income from provision of related services to customers which is recognised at over time basis.

Based on the historical pattern, the directors of the Company are of the opinion that the income from operation of online platform is derived from services rendered for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following operating segments based on their products and services:

Continuing operations

(a) Personal care products – manufacture and sale of skin care, body and hair care products (2018: manufacture and sale of skin care, body and hair care products, oral care and diaper and tissue products)

(b) Money lending

(c) Trading of commodities

(d) Securities investment

(e) Properties holding

(f) Food and beverage – sale of frozen food and beverage products and provision of related services

Discontinued operations

Operation of online platform

The operation of online platform segment was disposed during the year and is regarded discontinued operations, details of which set out in note 12.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss/profit, which is a measure of adjusted loss/profit before tax. The adjusted loss/ profit before tax is measured consistently with the Group's loss/profit before tax except for that interest income, gain on disposal of subsidiaries, other unallocated income and gains, impairment loss of goodwill, finance costs as well as corporate and unallocated expenses are excluded from such measurement.

Segment assets exclude unallocated property, plant and equipment, right-of-use assets, deferred tax assets, prepayments, deposits and other receivables, unallocated financial assets at fair value through other comprehensive income, other financial assets, amount due from a joint venture, income tax recoverable, pledged bank deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude unallocated other payables and accruals, bank and other borrowings, promissory notes payable, income tax payable, amount due to a joint venture and deferred tax liabilities as these liabilities are managed on a group basis.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

6. OPERATING SEGMENT INFORMATION (continued)

	Continuing operations							Discontinued operations		
	Personal care products RMB'000	Money lending RMB'000	Trading of commodities RMB'000	Securities investment RMB'000	Properties holding RMB'000	Food and beverage RMB'000	Subtotal RMB'000	Operation of online platform RMB'000	Subtotal RMB'000	Total RMB'000
Segment revenue and segment results Year ended 31 December 2019										
Segment revenue	524,480	28,960	89,559	–	775	186,392	830,166	6,642	6,642	836,808
Unallocated revenue										–
Total revenue										836,808
Segment (loss)/profit	(38,545)	(2,745)	(22,389)	(61)	(31,683)	5,724	(89,699)	6,606	6,606	(83,093)
Interest income							2,047		–	2,047
Gain on disposal of subsidiaries							28,962		9,840	38,802
Other unallocated income and gains							686		–	686
Impairment loss on goodwill							(2,804)		–	(2,804)
Corporate and other unallocated expenses							(22,928)		–	(22,928)
Finance costs							(4,774)		–	(4,774)
Loss before tax							(88,510)		16,446	(72,064)
Segment assets and segment liabilities As at 31 December 2019										
Segment assets	224,738	83,380	6,005	32,564	182,685	120,352	649,724	–	–	649,724
Goodwill										–
Corporate and other unallocated assets										446,632
Total assets										1,096,356
Segment liabilities	120,658	2,486	1,289	199	1,940	45,323	171,895	–	–	171,895
Corporate and other unallocated liabilities										135,120
Total liabilities										307,015
Other segment information:										
Depreciation*	28,128	3,316	–	–	45	216	31,705	–	–	31,705
Unallocated										1,668
										33,373
Capital expenditure**	11,885	–	–	–	–	9,807	21,692	–	–	21,692
Unallocated										–
										21,692

Notes to Financial Statements (continued)

For the year ended 31 December 2019

6. OPERATING SEGMENT INFORMATION (continued)

	Continuing operations							Discontinued operations		
	Personal care products RMB'000	Money lending RMB'000	Trading of commodities RMB'000	Securities investment RMB'000	Properties holding RMB'000	Food and beverage RMB'000	Subtotal RMB'000	Operation of online platform RMB'000	Subtotal RMB'000	Total RMB'000
Segment revenue and segment results Year ended 31 December 2018										
Segment revenue	396,093	35,936	182,890	–	4,781	–	619,700	11,515	11,515	631,215
Unallocated revenue										–
Total revenue										631,215
Segment (loss)/profit	(338,069)	4,736	(16,642)	(96)	(34,312)	–	(384,383)	8,115	8,115	(376,268)
Interest income							3,234			3,234
Loss on disposal of a subsidiary							(9,004)			(9,004)
Other unallocated income and gains							3,738			3,738
Impairment loss on goodwill							(31,157)			(31,157)
Corporate and other unallocated expenses							(16,702)			(16,702)
Finance costs							(11,248)			(11,248)
Loss before tax							(445,522)			(437,407)
Segment assets and segment liabilities As at 31 December 2018										
Segment assets	336,704	180,556	98,949	113,370	240,414	–	969,993	13,563	13,563	983,556
Goodwill								22,800	22,800	22,800
Corporate and other unallocated assets										268,940
Total assets										1,275,296
Segment liabilities	181,517	3,043	15,829	196	1,624	–	202,209	50	50	202,259
Corporate and other unallocated liabilities										225,811
Total liabilities										428,070
Other segment information:										
Depreciation and amortisation*	25,688	719	–	–	37	–	26,444	495	495	26,939
Unallocated										1,660
										28,599
Capital expenditure**	10,617	48	–	–	285	–	10,950	–	–	10,950
Unallocated										–
										10,950

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment sale in the current year (2018: Nil).

* Depreciation consist of depreciation of property, plant and equipment and right-of-use assets. (2018: Depreciation and amortisation consist of depreciation of property, plant and equipment and amortisation of intangible assets and prepaid land lease payments).

** Capital expenditure consists of additions to property, plant and equipment, investment properties and properties for development.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

6. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers as detailed below:

	2019 RMB'000	2018 RMB'000
Continuing operations		
PRC (excluding Hong Kong)	**335,481**	361,112
Hong Kong	**213,742**	54,160
USA	**241,443**	159,998
Overseas (excluding USA)	**39,500**	44,430
	830,166	619,700
Discontinued operations		
Hong Kong	**6,642**	11,515
	836,808	631,215

Information about major customers

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

		2019 RMB'000	2018 RMB'000
Revenue generated from	**Continuing operations**		
Customer A	Personal care products	**200,566**	165,184
Customer B	Personal care products	**191,594**	135,960

No individual customers of discontinued operations contributing over 10% of the revenue of the Group for both of the years presented.

7. OTHER INCOME AND GAINS

	2019 RMB'000	2018 RMB'000
Continuing operations		
Interest income from bank deposits	**2,047**	3,234
Income derived from other financial assets	**515**	504
Government subsidies (note below)	**4,298**	1,399
Gain on disposal of subsidiaries (note 48(a)(i))	**28,962**	–
Gain on disposal of property, plant and equipment	**61**	31
Reversal of impairment loss of trade receivables (note 28)	**1,911**	–
Sundry income	**3,058**	1,662
	40,852	6,830
Discontinued operations		
Gain on disposal of subsidiaries (note 48(a)(ii))	**9,840**	–

Note: There are no unfulfilled conditions or contingencies relating to these subsidies.

8. OTHER EXPENSES

	2019 RMB'000	2018 RMB'000
Continuing operations		
Loss on disposal of a subsidiary (note 48(b)(i))	–	9,004
Loss on disposal of property, plant and equipment	689	–
Loss on early redemption of promissory notes (note 38)	–	104
Impairment loss on property, plant and equipment (note 16)	–	170,747
Impairment loss on properties for development (note 20)	26,451	20,154
Impairment loss on interests in associates (note 23)	–	3,217
Impairment loss on loan and interest receivables (note 27)	4,644	4,673
Impairment loss on trade receivables (note 28)	6,775	1,660
Trade receivables written off	–	4,060
Loan and interest receivables written off (note 27)	12,586	–
Labelling issue recalling expenses (note below)	–	60,614
Others	647	193
	51,792	274,426

Note: For the prior year ended 31 December 2018, the Group was forced by the PRC local authority to recall certain products manufactured by the Group, which were mainly sold to an associate, Fujian Herun Supply Chain Management Co., Limited ("**Fujian Herun**") (note 23), which in turn sold to the market in prior years. As a result of the inappropriate labelling of the expiry date on such products, a total sum of approximately RMB60,614,000 were paid by the Group to Fujian Herun for the recall of the goods demanded by the PRC local authority, comprising (i) the recall price of the goods together with relevant expenses incurred totalled RMB12,864,000; (ii) selling expenses incurred by Fujian Herun and borne by the Group amounted to RMB17,750,000; (iii) compensation for damages incurred by Fujian Herun amounted to RMB30,000,000.

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Continuing operations		
Interest on bank borrowings	2,852	5,589
Interest on bills payables	–	1,950
Interest on other borrowings	1,640	3,573
Imputed interest on promissory notes payable (note 38)	–	136
Finance cost on lease liabilities	282	–
	4,774	11,248

Notes to Financial Statements (continued)

For the year ended 31 December 2019

10. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2019 RMB'000	2018 RMB'000 (Restated)
Continuing operations		
Cost of inventories sold (note a below)	**698,793**	535,055
Depreciation of property, plant and equipment (note a & c below and note 16)	**29,567**	27,798
Depreciation of right-of-use assets	**3,806**	–
Amortisation of prepaid land lease payments (note 18)	**–**	270
Amortisation of intangible assets (note 22)	**–**	36
Storage expense	**8,591**	–
Short-term lease expenses	**797**	–
Minimum lease payments under operating leases on land and buildings	**–**	4,438
Employee benefit expenses (including directors' remuneration (note 13)) (notes a & b below):		
Wages and salaries	**74,950**	93,935
Equity-settled share-based payments	**–**	1,213
Retirement benefit scheme contributions	**5,849**	3,547
Total staff costs	**80,799**	98,695
Auditors' remuneration		
– audit services	**1,977**	1,751
– non-audit services	**710**	342
Research and development costs included in administrative expenses (note b below)	**22,233**	20,621
Net foreign exchange losses	**7,520**	6,746
Discontinued operations		
Depreciation of property, plant and equipment (note a & c below and note 16)	**–**	495
Minimum lease payments under operating lease on land and buildings	**–**	152
Employee benefit expenses (including directors' remuneration)		
Wages and salaries	**3**	180
Retirement benefit scheme contributions	**–**	10
Total staff costs	**3**	190

Notes:

(a) The depreciation and employee benefit expenses include amounts of RMB2,276,000 (2018: RMB8,747,000) and RMB36,899,000 (2018: RMB50,617,000) respectively which are also included in the cost of inventories sold.

(b) For the year ended 31 December 2019, the research and development costs included an amount of RMB7,771,000 (2018: RMB4,564,000) relating to staff costs for research and development activities, which is also included in the total amounts of employee benefit expenses.

(c) The depreciation charge of property, plant and equipment totalled RMB29,567,000 (2018: RMB28,293,000), of which RMB29,567,000 (2018: RMB27,798,000) and RMB Nil (2018: RMB495,000) are attributable to continuing operations and discontinued operations respectively.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

11. INCOME TAX CREDIT/(EXPENSE)

	2019 RMB'000	2018 RMB'000 (Restated)
Continuing operations		
Hong Kong Profits Tax	**–**	(818)
PRC Enterprise Income Tax	**36**	(206)
Current tax credit/(charge)	**36**	(1,024)
Deferred tax credit (note 43)	**1,827**	1,042
Income tax credit from continuing operations	**1,863**	18
Discontinued operations		
Hong Kong Profits Tax	**(1,090)**	(1,571)
Income tax expense from discontinued operations	**(1,090)**	(1,571)
Total income tax credit/(expense)	**773**	(1,553)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years presented.

PRC subsidiaries, except for 青蛙王子(中國)日化有限公司 ("Frog Prince (China)"), are subject to PRC Enterprise Income Tax at 25% of the profit assessable to tax for both years.

Pursuant to the High-New Technology Enterprise certificate granted by the local authority in the PRC, which was obtained by the Group in April 2014, a subsidiary, Frog Prince (China), was taxed at a preferential tax rate of 15% for a period of three years commencing from the year ended 31 December 2016.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

11. INCOME TAX CREDIT/(EXPENSE) (continued)

The income tax expense can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Continuing operations		
Loss before tax	**(88,510)**	(445,522)
Tax at the applicable tax rates	**(8,297)**	(101,456)
Effect of tax concession for a PRC subsidiary of the Group	**–**	35,555
Income not subject to tax	**(8,255)**	(303)
Expenses not deductible for tax	**5,198**	7,211
Tax losses not recognised	**9,951**	59,197
Others	**(460)**	(222)
Income tax expense	**(1,863)**	(18)
Discontinued operations		
Profit before tax	**6,606**	8,115
Tax at the applicable tax rates	**1,090**	1,339
Expenses not deductible for tax	**–**	232
Income tax expense	**1,090**	1,571

Notes to Financial Statements (continued)
For the year ended 31 December 2019

12. DISCONTINUED OPERATIONS

On 23 August 2019, the Company, entered into an agreement with an independent third party to dispose 51% equity interest in a subsidiary, Marvel Paramount Holdings Limited ("**Marvel**"), Marvel which through its subsidiary, MyBB Media Company Limited, carried out all of the Group's business of operations of online platform segment. The disposal was completed on 8 October 2019 and the Group discontinued its business of online platform operations.

The loss for the year from the discontinued business of operations of online platform segment is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to conform with the current year's presentation.

	1/1/2019 – 8/10/2019 RMB'000	Year ended 31/12/2018 **RMB'000**
Profit from online platform operations	**5,516**	6,544
Gain on disposal of the subsidiary (see note 48(a)(ii))	**9,840**	–
	15,356	6,544

The results of online platform operations for the period from 1 January 2019 to 8 October 2019, which were included in discontinued operations, are analysed as follows:

	1/1/2019 – 8/10/2019 RMB'000	Year ended 31/12/2018 RMB'000
Revenue		
Income from operations of online platform	**6,642**	11,515
Cost of sales	**(22)**	(1,102)
Gross profit	**6,620**	10,413
Selling and distribution expenses	**–**	(504)
Administrative expenses	**(14)**	(1,794)
Profit before tax	**6,606**	8,115
Income tax expense	**(1,090)**	(1,571)
Profit for the period/year	**5,516**	6,544
Net cash outflow from operating activities	**(2)**	(385)
Net cash inflow from investing activities	**–**	–
Net cash outflow from financing activities	**–**	–
Net decrease in cash and cash equivalents	**(2)**	(385)

The carrying amounts of the assets and liabilities of Marvel at the date of disposal are disclosed in note 48(a)(ii).

Notes to Financial Statements (continued)
For the year ended 31 December 2019

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors and chief executive

	2019 **RMB'000**	2018 RMB'000
Fees:		
Executive directors	**2,767**	887
Non-executive directors	**741**	835
Independent non-executive directors	**636**	585
	4,144	2,307
Other emoluments:		
Salaries and discretionary bonuses	**1,469**	240
Equity-settled share-based payments	**–**	84
Retirement benefit scheme contributions	**47**	38
	5,660	2,669

Notes to Financial Statements (continued)
For the year ended 31 December 2019

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors and chief executive (continued)

An analysis of the directors' emoluments by individual directors are as follows:

	Fees RMB'000	Salaries and discretionary bonuses RMB'000	Equity-settled share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2019					
Executive directors:					
Mr. Tsai Wallen *	439	–	–	15	454
Mr. Chau Ling [2*]	2,132	–	–	16	2,148
Mr. Lau Ka Ho [5*]	194	1,366	–	16	1,576
Mr. Chan Hoi Tik [6*]	2	103	–	–	105
	2,767	1,469	–	47	4,283
Non-executive director:					
Mr. Li Zhouxin	741	–	–	–	741
	741	–	–	–	741
Independent non-executive directors:					
Ms. Chan Sze Man	212	–	–	–	212
Mr. Ma Kwun Yung Stephen	212	–	–	–	212
Ms. Bu Yanan	212	–	–	–	212
	636	–	–	–	636
	4,144	1,469	–	47	5,660

Notes to Financial Statements (continued)
For the year ended 31 December 2019

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors and chief executive (continued)

	Fees RMB'000	Salaries and discretionary bonuses RMB'000	Equity-settled share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2018					
Executive directors:					
Mr. Huang Xinwen [3]	150	240	24	8	422
Mr. Tsai Wallen *	356	–	–	15	371
Mr. Ma Chi Ming [1]	276	–	–	14	290
Mr. Chau Ling [2*]	105	–	–	1	106
	887	240	24	38	1,189
Non-executive director:					
Mr. Li Zhouxin	682	–	29	–	711
Mr. Ren Yunan [4]	153	–	31	–	184
	835	–	60	–	895
Independent non-executive directors:					
Ms. Chan Sze Man	195	–	–	–	195
Mr. Ma Kwun Yung Stephen	195	–	–	–	195
Ms. Bu Yanan	195	–	–	–	195
	585	–	–	–	585
	2,307	240	84	38	2,669

Notes to Financial Statements (continued)
For the year ended 31 December 2019

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors and chief executive (continued)

[1] Mr. Ma Chi Ming resigned as an executive director with effect from 12 December 2018.

[2] Mr. Chau Ling was appointed as an executive director with effect from 12 December 2018, and resigned as an executive director with effect from 31 December 2019.

[3] Mr. Huang Xinwen resigned as an executive director with effect from 15 October 2018.

[4] Mr. Ren Yunan resigned as non-executive director with effect from 17 April 2018.

[5] Mr. Lau Ka Ho was appointed as an executive director with effect from 24 May 2019.

[6] Mr. Chan Hoi Tik was appointed as an executive director with effect from 31 December 2019.

* Mr. Tsai Wallen was also the chief executive officer of the Company for the period from 11 August 2017 to 12 December 2018. Mr. Chau Ling was also the chief executive officer of the Company for the period from 12 December 2018 to 31 December 2019. Mr. Lau Ka Ho was appointed the chief executive officer of the Company from 31 December 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018.

During the years ended 31 December 2019 and 2018, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Employees

The five highest emoluments employees in the Group during the year included three directors (2018: one director).

The emoluments of the remaining two individuals (2018: four individuals) were as follows:

	2019 No. of employees	2018 No. of employees
Below HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**–**	1

Notes to Financial Statements (continued)

For the year ended 31 December 2019

14. DIVIDENDS

The directors of the Company do not recommend any payment of a dividend in respect of the year ended 31 December 2019 (2018: Nil).

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	Continuing and discontinued operations		Continuing operations	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loss				
Loss for the purpose of basic loss per share				
Loss for the year attributable to equity holders of the Company	**(48,398)**	(431,435)	**(73,354)**	(435,265)
	2019	2018	**2019**	2018
	'000	'000	**'000**	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,611,493**	1,277,771	**1,611,493**	1,277,771

The computation of diluted loss per share does not assume the exercise of the Company's share options granted because the exercise prices of those share options were higher than the average market prices for shares of the Company for both of years ended 31 December 2019 and 31 December 2018.

Diluted loss per share for the year ended 31 December 2019 and 31 December 2018 are not presented as there were no other potential shares in issue for both of the years.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2018	468,102	8,042	61,249	21,624	9,301	590	568,908
Additions	5,224	27	3,656	2,043	–	–	10,950
Transferred from construction in progress	–	–	590	–	–	(590)	–
Reclassified to investment properties (note (c) below)	(67,819)	–	–	–	–	–	(67,819)
Disposals	–	(5,536)	–	(1,714)	(519)	–	(7,769)
Disposal of a subsidiary (note 48(b)(i))	–	–	(7,403)	(225)	(299)	–	(7,927)
Exchange realignment	–	125	–	58	187	–	370
At 31 December 2018 and 1 January 2019	405,507	2,658	58,092	21,786	8,670	–	496,713
Additions	1,488	–	6,093	1,632	226	12,253	21,692
Transferred from construction in progress	208	–	–	–	–	(208)	–
Acquisition of subsidiaries (note 47(a)(i) and 47(a)(ii))	–	–	104	1,673	–	–	1,777
Disposals	–	(900)	(17)	(728)	(136)	–	(1,781)
Disposal of subsidiaries (note 48(a)(i))	(320,142)	–	(1,021)	(11,403)	(4,928)	(194)	(337,688)
Exchange realignment	–	4	1	26	64	137	232
At 31 December 2019	87,061	1,762	63,252	12,986	3,896	11,988	180,945
Accumulated depreciation and impairment:							
At 1 January 2018	125,102	365	26,403	12,216	2,772	–	166,858
Depreciation provided for the year (note 10)	14,962	1,977	6,224	3,428	1,702	–	28,293
Impairment loss recognised for the year (note (b) below)	160,371	–	10,376	–	–	–	170,747
Reclassified to investment properties (note (c) below)	(38,419)	–	–	–	–	–	(38,419)
Eliminated on disposals	–	(573)	–	(123)	(492)	–	(1,188)
Disposal of a subsidiary (note 48(b)(i))	–	–	(1,265)	(58)	(170)	–	(1,493)
Exchange realignment	–	33	–	7	52	–	92
At 31 December 2018 and 1 January 2019	262,016	1,802	41,738	15,470	3,864	–	324,890
Depreciation provided for the year (note 10)	18,042	686	6,418	2,949	1,472	–	29,567
Acquisition of subsidiaries (note 47(a)(i) and 47(a)(ii))	–	–	54	797	–	–	851
Eliminated on disposals	–	(732)	(1)	(212)	(129)	–	(1,074)
Disposal of subsidiaries (note 48(a)(i))	(244,884)	–	(439)	(10,449)	(3,296)	–	(259,068)
Exchange realignment	–	3	1	15	31	–	50
At 31 December 2019	35,174	1,759	47,771	8,570	1,942	–	95,216
Net book value:							
At 31 December 2019	51,887	3	15,481	4,416	1,954	11,988	85,729
At 31 December 2018	143,491	856	16,354	6,316	4,806	–	171,823

Notes to Financial Statements (continued)

For the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) The buildings of the Group are situated on land with medium-term land use rights in the PRC.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account their estimated residual value. The principal annual rates used for this purpose are as follows:

Buildings	5%
Leasehold improvement	over the lease terms
Plant and machinery	10%-20%
Furniture, fixtures and office equipment	20% to 33 1/3%
Motor vehicles	20% to 25%

(b) For the prior year ended 31 December 2018, in view of the significant operating losses for that year sustained by the Group's personal care products segment (note 6), management of the Company conducted assessments of the recoverable amounts of the assets used in this business operation and considered it appropriate to recognise impairment loss on the Group's property, plant and equipment amounted to RMB170,747,000, which is calculated on the basis of their fair value less costs of disposal, by reference to the estimated sale prices of the relevant assets, as valued by an external valuer. Such impairment loss was recognised in profit or loss in respect of the year and was included in other expenses (note 8).

(c) Following the disposal of a subsidiary, Fujian Azalli, by the Group during the prior year ended 31 December 2018 as detailed in note 48(b)(i), certain of the Group's land and buildings leased to Fujian Azalli were reclassified to investment properties. Accordingly, the carrying amount of such land and buildings at time of reclassification (comprising prepaid land lease payments and buildings included in property, plant and equipment of RMB2,920,000 (note 18) and RMB29,400,000 respectively, which are estimated to be approximately the fair value of the land and buildings at that time, were transferred to and included in investment properties (note 19).

Notes to Financial Statements (continued)
For the year ended 31 December 2019

17. RIGHT-OF-USE ASSETS

	Leased properties RMB'000 (Note b)	Leasehold land RMB'000 (Note a)	Total RMB'000
Carrying amount at 1 January 2019	9,228	10,779	20,007
Additions	23,526	–	23,526
Disposals	(4,951)	–	(4,951)
Disposal of subsidiaries *(note 48(a)(i))*	–	(5,600)	(5,600)
Depreciation provided for the year ended 31 December 2019	(5,452)	(239)	(5,691)
Exchange realignment	348	–	348
Carrying amount at 31 December 2019	22,699	4,940	27,639
Expense relating to short-term leases and other leases with lease terms end within twelve months of the date of initial application of IFRS 16			797
Total cash outflow for leases			6,403

Notes:

(a) The Group owns one industrial building where its manufacturing facilities are primarily located in the PRC. The Group is the registered owner of the property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire the property interests. The leasehold land components of the owned property are presented separately only if the payments made can be allocated reliably.

(b) For both years presented, the Group leases various offices and warehouse for its operations. Lease contracts are entered into for fixed term of one year to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 December 2019, the Group has extension and/or termination options in a number of leases for offices. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

17. RIGHT-OF-USE ASSETS (continued)

(b) (continued)

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. There was no potential exposures to these future lease payments for (i) extension options in which the Group is not reasonably certain to exercise and (ii) termination options in which the Group is not reasonably certain not to exercise.

There was no additional lease liabilities recognised during the year ended 31 December 2019 as a result of (i) exercising extension option that the Group was not reasonably certain to exercise and (ii) not exercising termination option that the Group was not reasonably certain not to exercise.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2019, there is no such triggering event.

18. PREPAID LAND LEASE PAYMENTS

	RMB'000
At 1 January 2018	13,969
Amortised for the year ended 31 December 2018 *(note 10)*	(270)
Reclassified to investment properties *(note 19)*	(2,920)
At 31 December 2018	10,779
Transferred to right-of-use assets upon application of HKFRS 16	(10,779)
At 1 January 2019 and 31 December 2019	–

	2018 RMB'000
Analysed for reporting purposes as:	
Non-current asset	10,511
Current asset *(note 29(ii))*	268
	10,779

The prepaid land lease payments at 31 December 2018, representing medium-term land use rights in the PRC, were amortised over 50 years.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

19. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Investment properties, at fair value		
– in Hong Kong	**80,460**	85,448
– in the PRC	**–**	30,320
	80,460	115,768
Movements during the year are as follows:		
Fair value, at 1 January	**115,768**	95,272
Reclassified from		
– Prepaid land lease payments *(note 18)*	**–**	2,920
– Property, plant and equipment *(note 16)*	**–**	29,400
Loss on change in fair value recognised in profit or loss	**(6,119)**	(16,386)
Disposal of subsidiary *(note 48(a)(i))*	**(30,611)**	–
Exchange realignment	**1,422**	4,562
Fair value, at 31 December	**80,460**	115,768

The Group's investment properties at 31 December 2019 and 31 December 2018 represents industrial properties on leasehold land.

The Group's investment properties are carried at fair value at 31 December 2019 and 31 December 2018, which are valued by B.I. Appraisal Limited, being independent qualified professional valuer not connected with the Group.

In estimating the fair value of the investment properties, the highest and the best use of the properties is their current use. The Group changed the valuation technique for the fair value estimation of its industrial properties in Hong Kong from income capitalization method adopted for the prior year to direct comparison method adopted for the current year as the investment properties have been vacant during the current year and the directors are of the opinion that the direct comparison method is more appropriate for estimation of the fair value of the investment properties at the end of the reporting period.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

19. INVESTMENT PROPERTIES (continued)

The following table illustrates the fair value measurement hierarchy of the Group's investment properties (including that reclassified as asset classified as held for sale):

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for investment properties	**–**	**–**	**80,460**	**80,460**

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Investment properties	–	–	115,768	115,768

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

19. INVESTMENT PROPERTIES (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

At 31 December 2019

Type of properties	Valuation technique	Significant unobservable inputs	Estimated unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties in Hong Kong*	Direct comparison method	Unit price per square foot	HK$19,800	The higher the unit price per square foot, the higher the fair value

At 31 December 2018

Type of properties	Valuation technique	Significant unobservable inputs	Estimated unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties in Hong Kong*	Income capitalisation method	Average monthly market rent per square foot	HK$96	The higher the market rent, the higher the fair value
		Reversionary yield	5.5%	The higher the reversionary yield, the lower the fair value
Industrial properties in the PRC	Income capitalisation method	Average monthly market rent per square metre	RMB8 – RMB15.5	The higher the market rent, the higher the fair value
		Reversionary yield	4.25%	The higher the reversionary yield, the lower the fair value

* The Group's properties in Hong Kong represent shop unit in the industrial properties.

Under the direct comparison method, the market value of the properties is estimated by making reference to comparable sale evidence in the relevant market, any by cross-referencing whenever appropriate, the value of the properties in the current rents passing and the reversionary income potential of the properties, as observable by the valuer for similar properties in the locality and adjusted based on the valuer knowledge of the factors specific to the respective properties.

19. INVESTMENT PROPERTIES (continued)

A significant increase/decrease in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/increase in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and an opposite change in the long term vacancy rate and discount rate.

20. PROPERTIES FOR DEVELOPMENT

	2019 **RMB'000**	2018 RMB'000
At cost		
At 1 January	**123,854**	137,297
Impairment loss recognised for the year *(note 8)*	**(26,451)**	(20,154)
Exchange realignment	**1,831**	6,711
At 31 December	**99,234**	123,854

Properties for development represent land and buildings located on land under medium-term leases in Hong Kong, which were acquired by the Group for development purposes. Details of the property development plans are yet to be approved by the relevant government department, accordingly the fair value of these properties, based on completion of redevelopment at the end of the reporting period cannot be ascertained with reasonable certainty.

In view of the uncertainty of the development plans, the directors of the Company consider it appropriate to recognise impairment loss amounted to RMB26,451,000 (2018: 20,154,000) on the properties for development which is calculated based on their recoverable amount by reference to the fair value of the properties on the existing state basis.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

21. GOODWILL

	2019 RMB'000	2018 RMB'000
Cost		
At 1 January	**103,257**	139,114
Acquisition of subsidiaries *(notes 47(a)(i) and 47(a)(ii))*	**2,804**	–
Disposal of a subsidiary *(note 48(a)(ii))*	**(103,257)**	(35,857)
At 31 December	**2,804**	103,257
Accumulated impairment losses		
At 1 January	**80,457**	75,800
Impairment loss recognised	**2,804**	31,157
Derecognised on disposal of a subsidiary *(note 48(a)(ii))*	**(80,457)**	(26,500)
At 31 December	**2,804**	80,457
Carrying amount		
At 31 December	**–**	22,800

Impairment testing of goodwill

Cost of the goodwill has been allocated for impairment testing purposes to the following groups of cash generating units ("CGUs")

	2019 RMB'000	2018 RMB'000
Operation of online platform	**–**	103,257
Food and beverage	**2,804**	–
At 31 December	**2,804**	103,257

Food and beverage

In respect of the goodwill allocated to the CGUs of food and beverage, the directors consider it appropriate to recognise impairment loss of goodwill amounted to RMB2,804,000 for the current year based on the recoverable amount of the CGUs.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

21. GOODWILL (continued)

Operation of online platform

The recoverable amount of this group of CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

During the current year, the subsidiary to which the goodwill was attributable was disposed of and the carrying amount of the goodwill amounted to RMB22,800,000 was derecognised and included in the calculation of the loss on disposal.

Key assumptions adopted in the preparation of cash flow projections for value in use calculation is respect of the year ended 31 December 2018 were as follows:

	2018
Compound annual growth rate of revenue in five-year period	0%
Annual growth rate beyond the five-year period	0%
Discount rate	22%

The budgeted gross margin used for the preparation of the cash flow projections is based on the average gross margin achieved in the year immediately before the budget year, with adjustment on the inflation of direct service costs.

The average annual revenue growth rate of revenue is estimated by management based on past performance, industry forecast and its expectation of market development. The discount rate used is before tax and reflects specific risks relating to this group of CGUs.

For the prior year ended 31 December 2018, in respect of the goodwill allocated to the CGUs of operation of an online platform, the directors consider it appropriate, due to downward adjustment of future annual growth rate of revenue after management assessment of the degree of the Group's market participation, to recognise impairment loss of goodwill amounted to RMB31,157,000 based on the recoverable amount of the CGUs. The recoverable amount has been determined by value in use calculation of the present value of expected future cash flows.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

22. INTANGIBLE ASSETS

	Trademarks RMB'000	Copyrights RMB'000	Total RMB'000
Cost:			
At 1 January 2018	593	7,120	7,713
Write off during the year	–	(7,120)	(7,120)
Disposal of a subsidiary *(note 48(b)(i))*	(593)	–	(593)
At 31 December 2018 and 31 December 2019	–	–	–
Accumulated amortisation:			
At 1 January 2018	63	7,120	7,183
Provided for the year *(note 10)*	36	–	36
Eliminated on write off	–	(7,120)	(7,120)
Eliminated on disposals of a subsidiary *(note 48(b)(i))*	(99)	–	(99)
At 31 December 2018 and 31 December 2019	–	–	–
Carrying amount			
At 31 December 2019	–	–	–
At 31 December 2018	–	–	–

23. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Unlisted associates		
Cost of investments	**18,992**	16,700
Share of post-acquisition loss and other comprehensive loss	**(4,476)**	(4,495)
Impairment loss recognised	**(11,589)**	(11,589)
	2,927	616

Notes to Financial Statements (continued)

For the year ended 31 December 2019

23. INTERESTS IN ASSOCIATES (continued)

Movements during the year are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**616**	7,700
Acquisition of associates	**2,992**	–
Disposal of associates	**(616)**	–
Share of post-acquisition loss for the year	**(65)**	(3,867)
Impairment loss recognised *(note 8)*	**–**	(3,217)
At 31 December	**2,927**	616

Particulars of the associates of the Group are as follows:

Name	Place of establishment/ registration and operations	Proportion equity interest held by the Group 2019	Proportion equity interest held by the Group 2018	Proportion of voting rights held by the Group 2019	Proportion of voting rights held by the Group 2018	Principal activities
Goldenway Investments (HK) Limited 金道投資(香港)有限公司	Hong Kong	**10%**	–	**10%**	–	Dealing in securities futures contracts and leveraged foreign exchange trading
Goldenway Asset Management Limited 金道資產管理有限公司	Hong Kong	**10%**	–	**10%**	–	Advising on securities and asset management
福建和潤供應鏈管理有限公司 ("Fujian Herun")	Fujian Province, the PRC	**30%**	30%	**30%**	30%	Distribution of personal care products
福建省青蛙王子品牌管理有限公司 ("Frog Prince Brand")	Fujian Province, the PRC	**30%**	30%	**30%**	30%	Holding of intellectual properties
廈門倍詩淘電子商務有限公司 ("Xiamen Beishitao")	Fujian Province, the PRC	**–**	35%	**–**	35%	Inactive

Notes to Financial Statements (continued)

For the year ended 31 December 2019

23. INTERESTS IN ASSOCIATES (continued)

Note:

(i) All the above associates are accounted for using the equity method in these consolidated financial statements.

(ii) On 4 December 2019, Bloom Team Development Limited ("Bloom Team"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire 10% of the issued shares in each of Goldenway Investments (HK) Limited ("GWIHK") and Goldenway Asset Management Limited ("GWAM") held by the independent third party at the consideration of HK$3,100,000 and HK$200,000 respectively. As at the same date, the acquisition of 10% issued shares in GWIHK and GWAM were completed and GWIHK and GWAM are accounted for as associates of the Group as the directors of the Company are of the view that the Group is able to exercise significant influence over these entities through participation in their board of directors.

On 23 January 2020, Bloom Team entered into another agreement with the independent third party to acquire the remaining 90% of the issued shares in each of GWIHK and GWAM at the consideration of HK$26,418,000 and HK$1,550,000 respectively held by the independent third party. Completion of the acquisition of 90% equity interest in each of GWIHK and GWAM have not taken place up to the date of approval of these consolidated financial statements.

(iii) On 5 May 2017, Frog Prince (China), an ex-indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of 45% equity interest in a subsidiary, Fujian Herun together with its wholly-owned subsidiary, 福建省青蛙王子品牌管理有限公司 ("Frog Prince Brand"), for an aggregate cash consideration of RMB100,000,000. The disposal was completed on 30 June 2017, after the disposal, the independent third party hold 70% equity interest in Fujian Herun and the Group retained 30% equity interest in Fujian Herun which is accounted for as an associate. On 8 October 2018, Frog Prince (China) transferred the 30% equity interest in Fujian Herun, together with its wholly-owned subsidiary, Frog Prince Brand, to Frog Prince (Fujian) Baby and Child Care Products Co Ltd (青蛙王子(福建)嬰童護理用品有限公司 ("Frog Prince Baby")), an indirect wholly-owned subsidiary of the Company. The Group retained 30% equity interest in Fujian Herun after the intra-group transfer, which is accounted for as an associate.

(iv) On 7 October 2017, Frog Prince (China), an ex-indirect wholly-owned subsidiary of the Company and two independent third parties agreed to establish 廈門倍詩淘電子商務有限公司 ("Xiamen Beishitao") at the cash consideration of RMB2,000,000 for 100% equity interest of the associate. Upon the completion of the above establishment, 35% of equity interest in Xiamen Beishitao is held by the Group. On 11 October 2018, Frog Prince (China) transferred the 35% equity interest to Frog Prince Baby, an indirect wholly-owned subsidiary of the Company. On 1 September 2019, Frog Prince Baby and the two independent third parties entered into an agreement with an independent third party to dispose of 35% equity interest in Xiamen Beishitao held by Frog Prince Baby for an aggregate cash consideration of RMB1,500,000. The disposal was completed on 1 September 2019 and the Group had not retained equity interest in Xiamen Beishitao after the disposal.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

23. INTERESTS IN ASSOCIATES (continued)

For the prior year ended 31 December 2018, in view of the management expectation of decline in the profitability of the associate, Fujian Herun, in future years, the directors consider it appropriate to make impairment loss amounted to RMB3,217,000 on investment in this associate, which was included in other expenses (note 8). The recoverable amount has been determined by value in use calculation of the present value of expected future cash flow.

The following tables illustrate the summarised consolidated financial information in respect of the principal associates, Fujian Herun and its subsidiary, Frog Prince Brand, and the reconciliation of the summarised consolidated financial information to the carrying amount in the consolidated financial statements:

	2019 **RMB'000**	2018 RMB'000
Non-current assets	**34,426**	30,455
Current assets	**248,513**	202,238
Current liabilities	**(232,197)**	(180,164)
Non-current liabilities	**–**	–
Net assets	**50,742**	52,529

	2019 **RMB'000**	2018 RMB'000
Revenue	**518,858**	416,394
Loss before tax	**(1,046)**	(18,500)
Income tax expense	**(810)**	(821)
Loss and total comprehensive expense for the period	**(1,856)**	(19,321)
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of the associates	**15,223**	15,759
Accumulated unrealised gains on transactions with associates	**(8,286)**	(8,822)
Impairment loss recognised	**(11,589)**	(11,589)
Other adjustment *(note below)*	**4,652**	4,652
Carrying amount of the investment	**–**	–

Note: Other adjustment represents the difference between the Group's share of net asset value of the associates and the fair value retained at the date of completion of disposal.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

23. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the financial information of the Group's remaining associate that is not material.

	2019 RMB'000	2018 RMB'000
Share of the associate's loss for the year	**(65)**	(84)
Share of the associate's other comprehensive income for the year	**–**	–
Aggregate carrying amount of the Group's interests in associate	**2,927**	616

24. INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Unlisted joint ventures		
Cost of investments	**–**	4
Share of post-acquisition losses and other comprehensive income	**(920)**	(1,198)
Adjustments to write down of amount due from a joint venture *(note 32)*	**920**	1,194
	–	–

Movements during the year are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**–**	–
Share of post-acquisition profit/(loss) for the year	**278**	(899)
Write down of amount due from the joint venture (reversed) recognised	**(278)**	899
At 31 December	**–**	–

Notes to Financial Statements (continued)

For the year ended 31 December 2019

24. INTERESTS IN JOINT VENTURES (continued)

Particulars of the joint ventures of the Group are as follows:

Name	Place of establishment/ registration and operations	Proportion equity interest held by the Group		Principal activities
		2019	2018	
Nice Team Holdings Limited (note b below)	Hong Kong	**–**	50%	Distribution of food and beverage
Ocean Trader Limited	Hong Kong	**25%**	25%	Holding of yacht

Note:

(a) All the above joint ventures are accounted for using the equity method in these consolidated financial statements.

(b) Nice Team Holdings Limited was dissolved by deregistration on 3 May 2019.

The following table illustrates the summarised financial information in respect of Ocean Trader Limited and the reconciliation of the summarised financial information to the carrying amount in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Non-current assets	**9,932**	13,536
Current assets	**5,748**	1,610
Current liabilities	**(21,180)**	(21,569)
Non-current liabilities	**–**	–
Net liabilities	**(5,500)**	(6,423)

Notes to Financial Statements (continued)

For the year ended 31 December 2019

24. INTERESTS IN JOINT VENTURES (continued)

	2019 RMB'000	2018 RMB'000
Revenue	**7,446**	3,028
Profit/(loss) before tax	**1,111**	(3,598)
Income tax expense	**–**	–
Profit/(loss) and total comprehensive income/(expense) for the year	**1,111**	(3,598)
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**25%**	25%
Group's share of profit/(loss) of the joint venture	**278**	(899)
Write-down of amount due from a joint venture	**(278)**	899
Carrying amount	**–**	–

The following table illustrates the financial information of the Group's remaining joint venture that is not material:

	2019 RMB'000	2018 RMB'000
Share of joint venture's loss for the year	**–**	–
Share of joint venture's other comprehensive income for the year	**–**	–
Aggregate carrying amount of the Group's interests in joint venture	**–**	–

Notes to Financial Statements (continued)
For the year ended 31 December 2019

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
At fair value		
Equity securities listed in Hong Kong	**7,353**	50,925
Unlisted investment fund	**25,211**	62,442
Unlisted equity investments	**–**	14,994
	32,564	128,361

Movements during the year:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	**128,361**	202,119
Acquisitions during the year		
– settled by cash	**–**	17,659
Loss on change in fair value	**(59,570)**	(85,522)
Eliminated on disposal of subsidiaries *(note 48(b)(ii))*	**–**	(10,000)
Disposals during the year	**(37,158)**	(5,691)
Gain on exchange translation	**596**	6,866
Exchange realignment	**335**	2,930
Balance at 31 December	**32,564**	128,361

Notes to Financial Statements (continued)
For the year ended 31 December 2019

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI") (continued)

Notes:

(a) Details regarding the fair value of equity securities listed in Hong Kong and unlisted investment fund are set out in note 57.

(b) The unlisted investment fund represents fund established by external fund managers which are principally engaged in securities investments. Under the terms of the fund held by the Group as at 31 December 2019 and 31 December 2018, the Group is eligible to redeem the fund at any time after two years from the date on which the Group made payments to the fund.

(c) Particulars regarding the significant equity investment is as follows:

Name of Investee	Place of incorporation/ operation	Percentage of equity interests held by the Group		Principal activities
		2019	2018	
Real Power International Group Limited ("Real Power")	Hong Kong	**Note**	20%	Trading of agricultural products

Note:

In the prior year ended 31 December 2018, the Group subscribed convertible bonds which was issued by Real Power for a consideration of HK$8,000,000 (equivalent to RMB7,090,000). Under the terms of the relevant instruments, the convertible bonds which carry no interest and entitle the Group to convert the bonds into 25 new shares of Real Power, which represents 20% of the enlarged share capital of Real Power, for two months from the date of subscription of 15 November 2018. Conversion of the convertible bonds into 25 new shares of Real Power took place on 4 December 2018 and 20% equity interest in Real Power is held by the Group upon the conversion of convertible bonds.

During the current year, the Group acquired the remaining 80% of the issued share capital of Real Power not held by the Group for a consideration of HK$42,000,000, and Real Power and its subsidiaries became wholly-owned subsidiaries of the Company following the completion of the acquisition. Details of the acquisition are set out in note 47(a)(i).

Notes to Financial Statements (continued)

For the year ended 31 December 2019

26. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**3,991**	7,344
Work in progress	**2,616**	1,824
Finished goods	**34,213**	93,071
	40,820	102,239

27. LOAN AND INTEREST RECEIVABLES

	2019 RMB'000	2018 RMB'000
Loan and interest receivables thereon		
– within one year	**82,847**	73,198
– in the second to fifth years	**3,631**	102,878
– over the fifth years	**3,079**	4,875
	89,557	180,951
Less: Impairment loss recognised	**(9,655)**	(4,860)
	79,902	176,091
Analysed for reporting as:		
Non-current asset	**6,776**	107,753
Current asset	**73,126**	68,338
	79,902	176,091

Notes to Financial Statements (continued)
For the year ended 31 December 2019

27. LOAN AND INTEREST RECEIVABLES (continued)

Movements during the year are as follows:

	2019 **RMB'000**	2018 RMB'000
At 1 January	**176,091**	205,382
Loans made by the Group	**64,507**	95,590
Interest on loans receivable *(note 5)*	**28,960**	35,936
Loans and interest repaid by borrowers	**(149,516)**	(165,830)
Loan and interest written off *(note 8)*	**(12,586)**	–
Loan and interest disposed *(note below)*	**(24,671)**	–
Exchange realignment	**1,761**	9,686
Impairment loss recognised *(note 8)*	**(4,644)**	(4,673)
At 31 December	**79,902**	176,091

Movements of impairment loss on loan and interest receivables are as follows:

	2019 **RMB'000**	2018 RMB'000
At 1 January	**4,860**	–
Impairment loss recognised *(note 8)*	**4,644**	4,673
Exchange realignment	**151**	187
At 31 December	**9,655**	4,860

Note:

On 15 November 2019, Queen's Finance Limited ("**Queen's Finance**"), an indirect wholly-owned subsidiary of the Company, entered into the deed of assignment with Flexi Credits Limited ("**Flexi Credits**"), an independent third party, pursuant to which the Group disposed of its loans receivables from certain parties (together with interests thereon) to Flexi Credits for an aggregate consideration of HK$28,015,000 which approximates the carrying amounts of such loans receivables.

Details of loan receivables (excluding interest receivables) are as follows:

31 December 2019

Loan principal amount HK$'000	**Number of borrowers**	**Interest rate per annum**	**Maturity date**	**Security pledged**
16,129	**6**	**13.2% to 31.3%**	**Within 1 year to 20 years**	**Leasehold properties owned by the borrowers**
78,099	**122**	**12.0% to 58.0%**	**Within 1 year to 10 years**	**Nil**
94,228				

Notes to Financial Statements (continued)
For the year ended 31 December 2019

27. LOAN AND INTEREST RECEIVABLES (continued)

31 December 2018

Loan principal amount HK$'000	Number of borrowers	Interest rate per annum	Maturity date	Security pledged
123,385	10	16.0% – 31.5%	Within 1 year to 20 years	Leasehold properties owned by the borrowers
71,025	366	12.0% – 58.0%	Within 1 year to 10 years	Nil
194,410				

Loan and interest receivables thereon will be settled by the borrowers at their respective maturity dates.

28. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade and bills receivables	**104,521**	84,075
Less: allowance for trade and bills receivables	**(6,775)**	(1,911)
	97,746	82,164

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days to 180 days (2018: 30 days to 180 days).

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

28. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade and bills receivables as at the end of the Reporting Period, based on the invoice date, is as follows:

	2019 **RMB'000**	2018 RMB'000
Within 30 days	**52,954**	25,859
31 to 60 days	**22,956**	23,502
61 to 90 days	**10,301**	4,025
Over 90 days	**11,535**	28,778
	97,746	82,164

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2019 **RMB'000**	2018 RMB'000
Neither past due nor impaired	**65,212**	50,364
Past due but not impaired		
– 1 to 30 days	**30,547**	15,515
– Over 30 days	**1,987**	16,285
Total	**97,746**	82,164

The Group's trade receivables that were neither past due nor impaired mainly represent sales made to recognised and creditworthy customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that except for the impairment loss made based on the expected credit loss provision, no additional provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movements of allowance of trade and bill receivables are as follows:

	2019 **RMB'000**	2018 RMB'000
At 1 January	**1,911**	251
Impairment loss recognised *(note 8)*	**6,775**	1,660
Reversal of impairment *(note 7)*	**(1,911)**	–
At 31 December	**6,775**	1,911

Notes to Financial Statements (continued)

For the year ended 31 December 2019

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 **RMB'000**	2018 RMB'000
Prepayments *(note (ii))*	**32,258**	26,245
Deposits for acquisition of land use rights *(note (iii))*	**–**	16,700
Deposits and other receivables *(note (iv))*	**54,000**	14,616
	86,258	57,561
Analysis for reporting purposes as:		
Non-current assets	**1,499**	16,700
Current assets	**84,759**	40,861
	86,258	57,561

Notes:

(i) None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

(ii) Included in prepayments as at 31 December 2018 are prepaid land lease payments amounted to RMB268,000 (note 18).

(iii) In the prior year ended 31 December 2018, the Group made payment amounted to RMB16,700,000 to a PRC local authority for the proposed acquisition of certain land use rights in the PRC. Under the relevant arrangements, the PRC local authority will launch a land auction where the land use rights will be acquired by one of the auction participants at the discretion of the PRC local authority. In the event that the land use rights are not sold to the auction participants, the Group will either acquire the land use rights for a consideration to be determined by the PRC local authority and the payment made by the Group of RMB16,700,000 will form part of the purchase consideration; or the Group's proposed acquisition of the land use rights will be cancelled with the payment of RMB16,700,000 forfeited by the PRC local authority. During the current year under review, the deposits of RMB16,700,000 were refunded to the Group upon acquisition of the land use rights by an auction participant.

(iv) Included in deposits and other receivables as at 31 December 2019 are amount due from Frog Prince (China), an ex-indirect wholly-owned subsidiary of the Company, amounted to RMB38,182,000 (2018: Nil) which is interest free, unsecured and repayable on demand.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

30. OTHER FINANCIAL ASSETS

	2019 **RMB'000**	2018 RMB'000
Wealth management products *(note (i))*	–	7,010
Other bank deposits *(note (ii))*	–	7,000
	–	14,010

Note:

(i) The wealth management products represents short-term investment fund offered by bank for potential interest return.

(ii) The short-term bank deposits represents fixed deposit with due dates between July to August 2019 with potential interest bearing at 2.1% to 4.95%.

31. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is interest free, unsecured and repayable on demand.

32. AMOUNT DUE FROM A JOINT VENTURE

The amount due from a joint venture, which is interest free, unsecured and repayable on demand, is arrived at after deducting the share of loss of the joint venture amounted to RMB920,000 (2018: RMB1,194,000) (note 24).

33. AMOUNT DUE FROM NON-CONTROLLING INTEREST

The amount due from non-controlling interest is interest free, unsecured and repayable on demand.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

34. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 **RMB'000**	2018 RMB'000
Pledged bank deposits	**16,906**	7,442
Cash and cash equivalents		
Cash and bank balances	**414,065**	218,888
	430,971	226,330
The pledged bank deposits were pledged for:		
– bills payables *(note 35)*	**16,906**	7,442
Pledged bank deposits	**16,906**	7,442

The bank balances and pledged bank deposits to the extent of RMB430,971,000 (2018: RMB226,320,000) earned interest at floating rates based on daily bank deposit rates.

As at 31 December 2019, the Group's cash and bank balances and bank deposits of RMB170,052,000 (2018: RMB118,424,000) and RMB16,906,000 (2018: RMB7,442,000), respectively are denominated in RMB and are placed with banks in the PRC. The exchange of these RMB bank balances and deposits into other currencies is subject to the approval of the PRC government under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

35. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on invoice date, is as follows:

	2019 **RMB'000**	2018 RMB'000
Within 30 days	**31,880**	34,644
31 to 90 days	**33,886**	18,466
Over 90 days	**38,548**	17,660
	104,314	70,770

The trade payables are interest free and are normally settled on terms of 30 days to 180 days (2018: 30 days to 180 days).

As at 31 December 2019, bills payables amounted to RMB53,633,000 (2018: RMB12,595,000) were secured by the pledged bank deposits of RMB16,906,000 (2018: RMB7,442,000) (note 34).

36. OTHER PAYABLES AND ACCRUALS

	2019 **RMB'000**	2018 RMB'000
Other payables	**10,435**	22,200
Accrued charges	**13,680**	17,079
Contract liabilities	**20,222**	2,661
Other tax payables	**872**	1,183
	45,209	43,123

Other payables are non-interest-bearing and are normally settled on an average term of one month.

The contract liabilities represent advance payments received from customers for sale of goods. These contact liabilities is expected to be recognised as revenue within the next financial year.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

37. BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate per annum	**Month of maturity**	**RMB'000**	Effective interest rate per annum	Month of maturity	RMB'000
Bank borrowings repayable within one year	**N/A**	**N/A**	**Nil**	4.58%-5.44%	September-October 2019	55,000
Other borrowings repayable within one year	**4.79%-5%**	**September-December 2020**	**96,986**	4.79%-8.13%	April-December 2019	118,768
			96,986			173,768

The bank borrowing amounted to RMB19,000,000 outstanding at 31 December 2018 are secured by certain investment properties of suppliers of the Group. The bank borrowing amounted to RMB36,000,000 outstanding at 31 December 2018 are secured by a guarantees given by certain suppliers and an ex-director of the Group.

Included in other borrowings at 31 December 2019 are borrowings amounted to RMB70,000,000 (2018: RMB70,000,000) and RMB16,986,000 (2018: RMB28,768,000) which are secured by certain shares of subsidiaries and the Group's investment properties with the carrying amount of RMB80,460,000 (2018: RMB83,447,000) at that date respectively. The remaining other borrowings amounted to RMB10,000,000 (2018: RMB20,000,000) at 31 December 2019 was unsecured.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

37. BANK AND OTHER BORROWINGS (continued)

Movements of the Group's bank and other borrowings for both of the years presented are as follows:

	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
At 1 January 2018	114,998	49,968	164,966
New loan drawdown during the year	132,426	90,000	222,426
Repayment during the year	(192,424)	(23,015)	(215,439)
Exchange realignment	–	1,815	1,815
At 31 December 2018 and 1 January 2019	55,000	118,768	173,768
Repayment during the year	(55,000)	(22,123)	(77,123)
Exchange realignment	–	341	341
At 31 December 2019	–	96,986	96,986

38. PROMISSORY NOTES PAYABLE

	2019 RMB'000	2018 RMB'000
Promissory notes payable:		
– issued on 18 August 2017 *(Note a)*	**–**	–
– issued on 21 September 2017 *(Note b)*	**12,130**	11,858
– issued on 29 December 2017 *(Note c)*	**–**	1,757
	12,130	13,615

	2019 RMB'000	2018 RMB'000
Analysis for reporting as current liabilities	**12,130**	13,615

Notes to Financial Statements (continued)

For the year ended 31 December 2019

38. PROMISSORY NOTES PAYABLE (continued)

(a) Promissory note issued on 18 August 2017 (the "Note A")

On 18 August 2017, the Company issued Note A with principal amount of HK$12,000,000 at the consideration for the acquisition of 15% equity interests in an entity. The entity, through its investee, is engaged in the operation of restaurants in PRC. The investment in this entity is classified and included in available-for-sale investments and financial assets at FVTOCI as at 31 December 2018.

The Note A, which is unsecured, carries interest at 5% per annum, and is payable on the maturity date of 17 August 2018 at its principal amount and accrued interest. The Company is also entitled to redeem the whole or part of the Note A at the principal amount at any time before the maturity date.

The fair value of the promissory note at the date of issue was estimated to be HK$11,693,000 (equivalent to RMB9,983,000). The effective interest rate in respect of the Note A is 7.76% per annum. The Note A was fully repaid during the year ended 31 December 2018.

(b) Promissory note issued on 21 September 2017 (the "Note B")

On 21 September 2017, the Company issued the Note B with the principal amount of HK$13,500,000 as the consideration for the acquisition of the entire interest of Earn Rich Properties Limited.

The Note B, which is unsecured, carries no interest and is payable on the maturity date of 12 December 2017, being the first business date after the completion of acquisition by the Group of Nice Source Properties Limited (note 47(a)(i)). The Company is also entitled to redeem the whole or part of the Note B at the principal amount at any time before the maturity date.

The fair value of the promissory note at the date of issue was estimated to be HK$13,313,000 (equivalent to RMB11,087,000). The effective interest rate in respect of Note B is 6.38% per annum. The Note B with the principal amount of HK$13,500,000 remained outstanding as at 31 December 2018 and 31 December 2019.

(c) Promissory note issued on 29 December 2017 (the "Note C")

On 29 December 2017, the Company issued the Note C with the principal amount of HK$2,000,000 as the consideration for the acquisition of the entire equity interest of Ample Chance Limited.

The Note C, which is unsecured, carries no interest and is payable on the maturity date of 28 June 2018. The Company is also entitled to redeem the whole or part of the Note C at the principal amount at any time before the maturity date.

The fair value of the promissory note at the date of issue was estimated to be HK$1,932,000 (equivalent to RMB1,609,000). The effective interest rate in respect of Note C is 7.21% per annum. The Note C with the principal amount of HK$2,000,000 remained outstanding as at 31 December 2018 and was fully repaid during the current year.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

38. PROMISSORY NOTES PAYABLE (continued)

Movements of the Group's promissory notes payable for both of the years presented are as follows:

	Note A RMB'000	Note B RMB'000	Note C RMB'000	Total RMB'000
At 1 January 2018	10,019	11,243	1,610	22,872
Interest charges for the year *(note 9)*	82	–	54	136
Repayment during the year	(9,798)	–	–	(9,798)
Loss on early redemption *(note 8)*	104	–	–	104
(Gain)/loss on exchange translation	(407)	615	93	301
At 31 December 2018 and 1 January 2019	–	11,858	1,757	13,615
Repayment during the year	–	–	(1,758)	(1,758)
Loss on exchange translation	–	272	1	273
At 31 December 2019	–	12,130	–	12,130

39. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are interest free, unsecured and repayable on demand.

40. AMOUNT DUE TO A JOINT VENTURE

The amount due to a joint venture is interest free, unsecured and repayable on demand.

41. AMOUNT DUE TO NON-CONTROLLING INTEREST

The amount due to non-controlling interest is interest free, unsecured and repayable on demand.

Notes to Financial Statements (continued)

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42. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	5,189
Within a period of more than one year but not more than two years	4,148
Within a period of more than two years but not more than five years	13,187
	22,524
Less: Amount due for settlement within twelve months	(5,189)
Amount due for settlement after twelve months shown under non-current liabilities	17,335

43. DEFERRED TAX (ASSETS)/LIABILITIES

	Impairment on loan and interest receivables RMB'000	Withholding taxes RMB'000	Changes in fair value of financial assets at FVTOCI RMB'000	Accelerated depreciation allowance RMB'000	Tax loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	–	14,600	3,624	536	–	–	18,760
Credited to the profit or loss (*note 11*)	(773)	–	–	(269)	–	–	(1,042)
Credited to other comprehensive income, net	–	–	(3,162)	–	–	–	(3,162)
Exchange realignment	(31)	–	71	18	–	–	58
At 31 December 2018 and 1 January 2019	(804)	14,600	533	285	–	–	14,614
(Credited)/charged to the profit or loss (*note 11*)	(767)	–	–	2	(1,056)	(6)	(1,827)
Credited to other comprehensive income, net	–	–	(535)	–	–	–	(535)
Exchange realignment	(25)	–	2	5	(17)	–	(35)
As 31 December 2019	(1,596)	14,600	–	292	(1,073)	(6)	12,217

Notes to Financial Statements (continued)
For the year ended 31 December 2019

43. DEFERRED TAX (ASSETS)/LIABILITIES (continued)

	2019 **RMB'000**	2018 RMB'000
Analysis for reporting as:		
Deferred tax assets included in non-current assets	**2,677**	804
Deferred tax liabilities included in non-current liabilities	**(14,894)**	(15,418)
	(12,217)	(14,614)

Pursuant to the income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. The aggregate amount of temporary differences associated with the earnings of subsidiaries in Mainland China available for distribution for which deferred tax liabilities have not been recognised totalled approximately RMB349,796,000 at 31 December 2019 (2018: RMB274,612,000).

At 31 December 2019, there were no significant unrecognised deferred tax liabilities (2018: Nil) for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiary expected to be distributed, after considering the abovementioned factors, in the foreseeable future.

The Group has tax losses arising in Hong Kong of RMB5,594,000 (2018: RMB1,986,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, of which the respective tax losses are subject to agreement by the Inland Revenue Department in Hong Kong. The Group also has tax losses arising in Mainland China of RMB588,628,000 (2018: RMB569,078,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

44. SHARE CAPITAL

	2019		2018	
	Number of ordinary shares '000	**Share capital RMB'000**	Number of ordinary shares '000	Share capital RMB'000
Authorised:				
Ordinary shares of HK$0.01 each	**5,000,000**	**41,524**	5,000,000	41,524
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	**1,390,123**	**11,649**	1,158,436	9,694
Issue of shares on acquisition of subsidiaries *(note 47(a)(i))*	**200,000**	**1,762**	–	–
Placing of shares *(note below)*	**220,000**	**1,937**	231,687	1,955
At 31 December	**1,810,123**	**15,348**	1,390,123	11,649

Note:

On 15 July 2019, the Company issued 220,000,000 ordinary shares at HK$0.136 per share for a total cash consideration of HK$29,920,000 (equivalent to RMB25,820,000) to provide additional working capital to the Company.

On 27 June 2018, the Company issued 231,687,000 ordinary shares at HK$0.13 per share for a total cash consideration of HK$30,119,000 (equivalent to RMB25,406,000) to provide additional working capital to the Company.

45. SHARE OPTION SCHEME

On 22 June 2011, the Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group and the Company's shareholders. The Scheme was conditionally approved on 22 June 2011, for 10 years from that date. The Scheme became effective on 15 July 2011 upon the listing of the Company's shares on the Stock Exchange. The limit of the Scheme was refreshed on 28 June 2019 and the Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

45. SHARE OPTION SCHEME (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding the independent non-executive director who or whose associate is the grantee of the option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of: (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movements of share options during the year are as follows:

	2019		2018	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
As at 1 January	**1.26**	**93,655**	1.26	94,827
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**0.42**	**(15,908)**	1.30	(1,172)
At 31 December	**1.43**	**77,747**	1.26	93,655

Notes to Financial Statements (continued)

For the year ended 31 December 2019

45. SHARE OPTION SCHEME (continued)

The following options granted were forfeited during the years ended 31 December 2019 and 2018:

2019 Number of options '000	**Exercise price per share HK$**	**Exercise period**
60	**1.92**	**14-10-2012 to 13-10-2021**
48	**2.94**	**21-06-2013 to 20-06-2022**
250	**1.83**	**26-09-2015 to 25-09-2024**
250	**0.81**	**18-01-2017 to 27-12-2025**
15,300	**0.38**	**24-05-2017 to 23-05-2027**
15,908		

2018 Number of options '000	Exercise price per share HK$	Exercise period
36	1.92	14-10-2012 to 13-10-2021
36	2.94	21-06-2013 to 20-06-2022
450	1.83	26-09-2015 to 25-09-2024
650	0.81	18-01-2017 to 27-12-2025
1,172		

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019 Number of options '000	**Exercise price per share HK$**	**Exercise period**
8,844	**1.92**	**14-10-2012 to 13-10-2021**
7,126	**2.94**	**21-06-2013 to 20-06-2022**
22,690	**1.83**	**26-09-2015 to 25-09-2024**
29,387	**0.81**	**18-01-2017 to 27-12-2025**
9,700	**0.81**	**20-01-2017 to 27-12-2025**
77,747		

Notes to Financial Statements (continued)

For the year ended 31 December 2019

45. SHARE OPTION SCHEME (continued)

2018 Number of options '000	Exercise price per share HK$	Exercise period
8,904	1.92	14-10-2012 to 13-10-2021
7,174	2.94	21-06-2013 to 20-06-2022
22,940	1.83	26-09-2015 to 25-09-2024
29,637	0.81	18-01-2017 to 27-12-2025
9,700	0.81	20-01-2017 to 27-12-2025
15,300	0.38	24-05-2017 to 23-05-2027
93,655		

At the end of the reporting period, the Company had approximately 77,747,000 (2018: 93,655,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of approximately 77,747,000 (2018: 93,655,000) additional ordinary shares of the Company which would give rise to the total proceeds of HK$111,114,000 (2018: HK$117,844,000).

Up to the date of approval of these consolidated financial statements, the Company had 77,747,000 share options outstanding under the Scheme, which represented approximately 4.30% of the Company's shares in issue as at that date.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

46. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity set out on page 68 and 69.

Statutory reserve fund

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entities' registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

47. ACQUISITION OF SUBSIDIARIES

	2019 RMB'000	2018 RMB'000
Net outflow of cash and cash equivalents on the acquisition of:		
– Real Power *(note (a)(i))*	**12,746**	–
– China Cold Chain *(note (a)(ii))*	**678**	–
Net outflow of cash and cash equivalents included in cash flows used in investing activities	**13,424**	–

(a) Acquisition of subsidiaries during the year ended 31 December 2019

(i) Acquisition of Real Power International Group Limited ("Real Power")

Real Power was a 20% equity-owned associate of the Group as at 31 December 2018. On 1 March 2019, the Company as purchaser, and Pine Victory Limited ("Pine Victory"), as a vendor, entered into a sales and purchase agreement, pursuant to which the vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire 80% of the issued share capital of Real Power not owned by the Group for a consideration of HK$42,000,000. Real Power and its subsidiaries are principally engaged in the food and beverage service industry in trading of frozen food and beverage products.

The acquisition of 80% equity interest in Real Power was completed on 29 May 2019. Following completion, Real Power and its subsidiaries became wholly-owned subsidiaries of the Company. The acquisition of Real Power is to enable the Group to engage in provision of food and beverage services in Hong Kong.

Pursuant to the acquisition agreement, the consideration to the extent of HK$22,000,000 was satisfied by cash with the remaining balance of HK$20,000,000 satisfied by the issue of 200,000,000 new shares of the Company.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

47. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries during the year ended 31 December 2019 (continued)

(i) Acquisition of Real Power International Group Limited ("Real Power") (continued)

The acquisition of Real Power has been accounted for using the purchase method.

The acquisition-related costs are insignificant and are included in administrative expenses.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Assets	
Property, plant and equipment	75
Inventories	23,474
Trade receivables	36,128
Other receivables	139
Cash and cash equivalents	6,639
Liabilities	
Trade payables	(79)
Other payables and accruals	(4,977)
Amount due to the ultimate holding company	(2,820)
Total identifiable net assets acquired	58,579

The fair value of trade and other receivables at the date of acquisition amounted to RMB36,267,000. The gross contractual amount of the trade and other receivables acquired amounted to RMB36,267,000. No contractual cash flows at acquisition date is expected to be distributed.

Goodwill on acquisition

	RMB'000
Consideration transferred	
– Cash paid	19,385
– Shares issued by the Company	30,666
Total consideration for acquisition of 80% equity interest in Real Power	50,051
Fair value of 20% equity interest in Real Power held by the Group	11,051
Recognised amount of identifiable net assets acquired	(58,579)
Goodwill arising on acquisition *(ntoe 21)*	2,523

Impairment of the goodwill arising on acquisition amounted to RMB2,523,000 was recognised in profit or loss in respect of the current year.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

47. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries during the year ended 31 December 2019 (continued)

(i) Acquisition of Real Power International Group Limited ("Real Power") (continued)

An analysis of cash flows in respect of the acquisition of Real Power and its subsidiaries is as follows:

	RMB'000
Consideration paid in cash	**(19,385)**
Cash and cash equivalents acquired	**6,639**
Net outflow of cash and cash equivalents	**(12,746)**

Included in the loss of the group for the year is the profit of RMB5,559,000 attributable to the additional business generated by Real Power and its subsidiary. The Group's revenue for the year includes RMB180,527,000 generated from Real Power and its subsidiary.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been RMB948,773,000, and loss for the year of the Group would have been RMB67,245,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit/loss of the Group had Real Power and its subsidiary been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

47. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries during the year ended 31 December 2019 (continued)

(ii) Acquisition of China Cold Chain Company Limited ("China Cold Chain")

On 4 June 2019, the Group as purchaser, and certain third parties, as vendors, entered into a sale and purchase agreement, pursuant to which the vendors has agreed to sell and the Group has agreed to acquire 100% issued share capital of China Cold Chain for a consideration of HK$800,000 (equivalent to RMB705,000).

China Cold Chain is principally engaged in the provision of frozen warehouse services business. The acquisition of China Cold Chain was completed on 4 June 2019. Following completion, China Cold Chain became a wholly-owned subsidiary of the Company. The acquisition of China Cold Chain is to allow the Company to achieve a synergy effect with the food and beverage service business.

The acquisition of China Cold Chain has been accounted for using the purchase method.

The acquisition-related costs are insignificant and are included in administrative expense.

Assets acquired and liabilities recognised of China Cold Chain at the date of acquisition are as follows:

	RMB'000 (unaudited)
Assets	
Property, plant and equipment	**851**
Prepayments, deposits and other receivables	**518**
Cash and cash equivalents	**27**
Liabilities	
Other payables and accruals	**(971)**
Income tax payable	**(1)**
Total identifiable net assets acquired	**424**

The fair value of other receivables at the date of acquisition amounted to RMB305,000. The gross contractual amount of other receivables acquired amounted to RMB305,000. No contracted cash flows at acquisition date is expected to be distributed.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

47. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries during the year ended 31 December 2019 (continued)

(ii) Acquisition of China Cold Chain Company Limited ("China Cold Chain") (continued)

Goodwill on acquistion

	RMB'000
Consideration transferred	
– cash paid	705
Recognised amount of identifiable net assets acquired	(424)
Goodwill arising on acquisition *(note 21)*	281

Impairment of the goodwill arising on acquisition amounted to RMB281,000 was recognised in profit or loss in respect of the current year.

An analysis of cash flows in respect of the acquisition of China Cold Chain is as follows:

	RMB'000
Consideration paid in cash	(705)
Cash and cash equivalents acquired	27
Net outflow of cash and cash equivalents	(678)

Included in loss of the Group for the year is profit of RMB87,000 attributable to the additional business generated by China Cold Chain. The Group's revenue for the year includes RMB5,865,000 generated from China Cold Chain Limited.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been RMB832,801,000, and loss for the year of the Group would have been RMB71,157,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit/loss of the Group had China Cold Chain been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(b) Acquisition of subsidiaries during the year ended 31 December 2018

The Group has not acquired any of subsidiaries during the year ended 31 December 2018.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

48. DISPOSAL OF SUBSIDIARIES

	2019 RMB'000	2018 RMB'000
Net cash inflow of cash and cash equivalents on disposal of:		
– Golden Virtue Investment Holdings Limited ("Golden Virtue") *(note (a)(i))*	**112,684**	–
– Marvel Paramount Holdings Limited ("Marvel") *(note (a)(ii))*	**36,194**	–
– 福建愛潔麗日化有限公司 ("Fujian Azalli") *(note (b)(i))*	**–**	11,537
– Amazing Gear Limited *(note (b)(ii))*	**–**	7,959
	148,878	19,496

(a) Disposal of subsidiaries during the year ended 31 December 2019

(i) Disposal of Golden Virtue

On 10 July 2019, the Company entered into an agreement with an independent third party to dispose of 100% equity interest in a subsidiary, Golden Virtue, for an aggregate cash consideration of HK$125,000,000. Golden Virtue and its subsidiary are principally engaged in the property holding. The disposal was completed on 14 October 2019.

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	78,620
Right-of-use assets	5,600
Investment properties (Note 19)	30,611
Trade receivables	138
Prepayments, deposits and other receivables	3,551
Amounts due from group companies	20
Other financial assets	4,300
Cash and cash equivalents	466
Trade and bills payables	(69)
Other payables and accruals	(21,710)
Income tax payable	(7,403)
Amounts due to group companies	(18,800)
Net assets disposed of	75,324

Notes to Financial Statements (continued)
For the year ended 31 December 2019

48. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries during the year ended 31 December 2019 (continued)

(i) Disposal of Golden Virtue (continued)

Gain on disposal of subsidiaries

	RMB'000
Cash consideration	**113,150**
Net assets disposed of	**(75,324)**
Exchange fluctuation reserve released upon disposal	**(8,864)**
Gain on disposal of a subsidiary *(note 7)*	**28,962**

An analysis of cash flows from the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	**113,150**
Cash and cash equivalents disposed of	**(466)**
Net cash inflow from disposal of subsidiaries	**112,684**

(ii) Disposal of Marvel

On 23 August 2019, the Company entered into an agreement with an independent third party to dispose of 51% equity interest in a subsidiary, Marvel, for an aggregate cash consideration of HK$40,000,000. Marvel is an investment holding company and, through its subsidiary, MyBB Media Company Limited, is principally engaged in operations of online platform, . The disposal was completed on 8 October 2019.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

48. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries during the year ended 31 December 2019 (continued)

(ii) Disposal of Marvel (continued)

An analysis of assets and liabilities over which control was lost:

	RMB'000
Goodwill *(note 21)*	22,800
Trade receivables	8,773
Amount due from a shareholder	3,115
Trade payables	(28)
Other payables and accruals	(22)
Income tax payable	(5,108)
Amounts due to group companies	(6)
Net assets disposed of	29,524

Gain on disposal of subsidiaries

	RMB'000
Cash consideration	36,194
Net assets disposed of	(29,524)
Non-controlling interests	2,802
Exchange fluctuation reserve released upon disposal	368
Gain on disposal of subsidiaries *(note 12)*	9,840

An analysis of cash flows from the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	36,194
Cash and cash equivalents disposed of	–
Net cash inflow from disposal of a subsidiary	36,194

(b) Disposal of subsidiaries during the year ended 31 December 2018

(i) Disposal of Fujian Azalli

On 30 June 2018, Frog Prince (China), an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of 80% equity interest in a subsidiary, Fujian Azalli, for an aggregate cash consideration of RMB12,000,000. Fujian Azalli is principally engaged in the manufacture and sale of toothpaste. The disposal was completed on 30 June 2018.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

48. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of subsidiaries during the year ended 31 December 2018 (continued)

(i) Disposal of Fujian Azalli (continued)

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment *(note 16)*	**6,434**
Goodwill *(note 21)*	**9,357**
Intangible asset *(note 22)*	**494**
Inventories	**1,621**
Trade and bills receivables	**5,062**
Prepayments, deposits and other receivables	**10,350**
Amounts due from group companies	**6,191**
Other financial assets	**3,800**
Pledged bank deposits	**6,648**
Cash and cash equivalents	**463**
Trade and bills payables	**(22,464)**
Other payables and accruals	**(4,040)**
Net assets disposed of	**23,916**

Loss on disposal of a subsidiary

	RMB'000
Cash consideration	**12,000**
Net assets disposed of	**(23,916)**
Non-controlling interests	**2,912**
Loss on disposal of a subsidiary *(note 8)*	**(9,004)**

An analysis of cash flows from the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	**12,000**
Cash and cash equivalent disposed of	**(463)**
Net cash inflow from disposal of a subsidiary	**11,537**

Notes to Financial Statements (continued)
For the year ended 31 December 2019

48. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of subsidiaries during the year ended 31 December 2018 (continued)

(ii) Disposal of Amazing Gear Limited

On 2 November 2018, the Company entered into an agreement with an independent third party to dispose of 100% equity interest in a subsidiary, Amazing Gear Limited, for an aggregate cash consideration of HK$9,000,000 (equivalents to RMB7,977,000). Amazing Gear Limited is an investment holding company and the principal asset of its subsidiary is 10% equity interest in an entity (which was classified as financial asset at fair value through other comprehensive income). The disposal was completed on 2 November 2018.

An analysis of assets and liabilities over which control was lost:

	RMB'000
Financial assets at fair value through other comprehensive income *(note 25)*	10,000
Trade and bills receivables	1,129
Prepayments, deposits and other receivables	66
Cash and cash equivalents	18
Trade and bills payables	(2)
Other payables and accruals	(1)
Income tax payable	(14)
Amounts due to group companies	(3,219)
Net assets disposed of	7,977

Loss on disposal of a subsidiary

	RMB'000
Cash consideration	7,977
Net assets disposed of	(7,977)
Loss on disposal of a subsidiary *(note 8)*	–

An analysis of cash flow from the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	7,977
Cash and cash equivalent disposed of	(18)
Net cash inflow from disposal of subsidiaries	7,959

Notes to Financial Statements (continued)

For the year ended 31 December 2019

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other payables and accruals RMB'000	Promissory notes RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Leases liabilities RMB'000	Total RMB'000
As 1 January 2018	389	22,872	114,998	49,968	–	188,227
Financing cash inflows	–	–	132,426	90,000	–	222,426
Financing cash outflows	–	(9,798)	(192,424)	(23,015)	–	(225,237)
Finance costs for the year	11,112	136	–	–	–	11,248
Interest paid included in operating cash flows	(11,501)	–	–	–	–	(11,501)
Loss on early redemption	–	104	–	–	–	104
Gain on exchange translation	–	301	–	–	–	301
Exchange realignment	–	–	–	1,815	–	1,815
As 31 December 2018 and 1 January 2019	–	13,615	55,000	118,768	–	187,383
Financing cash outflows	–	(1,758)	(55,000)	(22,123)	(5,606)	(84,487)
Finance costs for the year	4,492	–	–	–	282	4,774
Interest paid included in operating cash flows	(4,492)	–	–	–	(282)	(4,774)
Adjustment upon application of IFRS 16	–	–	–	–	28,130	28,130
Loss on exchange translation	–	273	–	–	–	273
Exchange realignment	–	–	–	341	–	341
As 31 December 2019	**–**	**12,130**	**–**	**96,986**	**22,524**	**131,640**

Notes to Financial Statements (continued)
For the year ended 31 December 2019

50. MAJOR NON-CASH TRANSACTIONS

During the current year, the Group acquired 80% issued share capital of Real Power International Group Limited for a consideration of HK$42,000,000, of which HK$20,000,000 was satisfied by the issue of 200,000,000 new shares of the Company, details of which are set out in note 47(a)(i).

51. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (including that reclassified as asset classified as held for sale) (notes 19) under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years (2018: one to twenty years).

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 **RMB'000**	2018 RMB'000
Within one year	–	1,343
In the second to fifth years, inclusive	–	1,764
More than five years	–	5,112
	–	8,219

(b) As lessee

The Group is the lessee in respect of a number of properties for the office and warehouse purposes, which are held under leases previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the accounting policies set out in note 2.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	6,511
In the second to fifth years, inclusive	3,970
	10,481

52. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2019 **RMB'000**	2018 RMB'000
Contracted, but not provided for:		
Purchase of items of property, plant and equipment	**1,323**	288

53. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2019 and 31 December 2018.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

54. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances with related parties detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2019 RMB'000**	2018 RMB'000
Related companies:			
Sale of products	(a)	**–**	4,877
Purchase of products	(b)	**–**	898
Associates:			
Sale of products	(c)	**36,490**	165,184
Purchase of products	(c)	**187**	33,976
Miscellaneous income	(c)	**–**	932
License fee	(d)	**5,500**	7,547
Labelling issue recalling expenses *(note 8)*		**–**	30,000
Substantial shareholder:			
Consultancy fee	(e)	**36**	–

Notes:

(a) Sale to a related company, Shuangfei Daily Chemicals (USA) Inc. ("Shuangfei USA"), which is controlled by Mr. Li Zhenhui and Mr. Xie Jinling, former directors of Frog Prince (China), a subsidiary of the Company, were made on mutually agreed terms.

(b) Purchases from a related company, Fujian Shuangfei Daily Chemicals Co., Ltd. ("Fujian Shuangfei") which is controlled by Mr. Li Zhenhui, were made on mutually agreed terms.

(c) Sale to, purchase from and miscellaneous income from an associate, Fujian Herun, were made on mutually agreed terms.

(d) License fee paid to an associate, Frog Prince Brand, was made on mutually agreed terms.

(e) Consultancy fee paid to a substantial shareholder, Mr. Lai Wai Lam Ricky, was made on mutually agreed terms.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

54. RELATED PARTY TRANSACTIONS (continued)

(ii) An analysis of the balances with related parties are as follows:

(a) Amounts due from related companies

Particulars of the amounts due from related parties, which were derived from sales and purchases by the Group to the related parties, are as follows:

Year ended 31 December 2019

Name	**1 January 2019 RMB'000**	**31 December 2019 RMB'000**	**Maximum amount outstanding during the year RMB'000**
Shuangfei USA	**2,625**	**–**	**2,625**
Fujian Shuangfei	**7,157**	**–**	**7,157**
	9,782	**–**	

Year ended 31 December 2018

Name	1 January 2018 RMB'000	31 December 2018 RMB'000	Maximum amount outstanding during the year RMB'000
Shuangfei USA	8,748	2,625	8,748
Fujian Shuangfei	1,000	7,157	7,157
	9,748	9,782	

The outstanding balances with related parties are interest-free, unsecured and have no fixed terms of repayment.

(b) Amount due to a related company

The amount due to Fujian Shuangfei is interest free, unsecured with no fixed terms of repayment. There is no outstanding balance of the amount due as at 31 December 2019 (2018: RMB1,500,000).

Notes to Financial Statements (continued)
For the year ended 31 December 2019

54. RELATED PARTY TRANSACTIONS (continued)

(iii) Compensation of key management personnel of the Group

Further details of directors' and the chief executive's remuneration are included in note 13 to these financial statements.

55. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2019

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets			
Financial assets at fair value through other comprehensive income	32,564	–	32,564
Loan and interest receivables	–	79,902	79,902
Trade and bills receivables	–	97,746	97,746
Other receivables	–	51,178	51,178
Amount due from an associate	–	23,125	23,125
Amount due from a joint venture	–	6,304	6,304
Pledged bank deposits	–	16,906	16,906
Cash and cash equivalents	–	414,065	414,065
	32,564	689,226	721,790

Notes to Financial Statements (continued)

For the year ended 31 December 2019

55. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2019 (continued)

	Financial liabilities at amortised cost RMB'000
Financial liabilities	
Trade and bills payables	**104,314**
Other payables	**10,435**
Bank and other borrowings	**96,986**
Promissory notes payables	**12,130**
Amounts due to associates	**5,600**
Amount due to non-controlling interest	**895**
Lease liabilities	**22,524**
	252,884

31 December 2018

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets			
Financial assets at fair value through other comprehensive income	128,361	–	128,361
Loan and interest receivables	–	176,091	176,091
Trade and bills receivables	–	82,164	82,164
Other receivables	–	11,940	11,940
Other financial assets	–	14,010	14,010
Amounts due from related companies	–	9,782	9,782
Amount due from an associate	–	23,589	23,589
Amount due from a joint venture	–	5,896	5,896
Amount due from non-controlling interest	–	2,961	2,961
Pledged bank deposits	–	7,442	7,442
Cash and cash equivalents	–	218,888	218,888
	128,361	552,763	681,124

Notes to Financial Statements (continued)
For the year ended 31 December 2019

55. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2018 (continued)

	Financial liabilities at amortised cost RMB'000
Financial liabilities	
Trade and bills payables	70,770
Other payables	22,177
Bank and other borrowings	173,768
Promissory notes payables	13,615
Amount due to a related company	1,500
Amounts due to associates	92,065
Amount due to a joint venture	4
Amount due to non-controlling interest	830
	374,729

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise pledged bank deposits, cash and cash equivalents and financial assets at fair value through other comprehensive income. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as loan and interest receivables, trade and bills receivables, other receivables, other financial assets, balances with related companies, an associate, a joint venture, non-controlling interest, trade and bills payables, other payables, bank and other borrowings, promissory notes payable, and balances with related companies, associates, a joint venture, non-controlling interest, which arise directly from its operations.

The Group has not entered into derivative transactions, including principally foreign currency forward contracts throughout the current year under review.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces prudent strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Notes to Financial Statements (continued)
For the year ended 31 December 2019

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposit with floating interest rates. The bank and other borrowings outstanding at 31 December 2019 and 31 December 2018 carried interest at fixed interest rates and floating interest rates. The Group regularly reviews and monitors the floating interest rate in order to manage its interest rate risks. The directors have reviewed the Group's interest-bearing financial instruments and determined that the Group has no significant interest rate risk.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- loss for the year ended 31 December 2019 would decrease/increase by RMB1,949,000 (2018: decrease/increase by RMB925,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank deposits and other borrowings (2018: bank deposits and other borrowings).

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sale and purchase transactions and cash and bank balances denominated in currencies other than functional currencies of the group entities, mainly in United States dollars ("US$") and Hong Kong dollars ("HK$").

The following table demonstrates the sensitivity at the end of the reporting period to the reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's loss before tax.

	Decrease/(increase) in loss before tax	
	2019 RMB'000	2018 RMB'000
If RMB weakens against US$ by 5%	**3,518**	3,208
If RMB strengthens against US$ by 5%	**(3,518)**	(3,208)
If RMB weakens against HK$ by 5%	**7,997**	3,270
If RMB strengthens against HK$ by 5%	**(7,997)**	(3,270)

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

(i) Amounts due from related companies, an associate, a joint venture and non-controlling interest

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(i) Amounts due from related companies, an associate, a joint venture and non-controlling interest (continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	**Group's definition of categories**	**Basis for recognition of expected credit loss provision**
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 1 year past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are two years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2019, the internal credit rating of amounts due from related companies, an associate, a joint venture and non-controlling interest performing. The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no loss allowance for amounts due from related companies, an associate, a joint venture and non-controlling interest was recognised.

At 31 December 2019, the Group has also significant concentration of credit risk arising from the amount due from an associate amounted to RMB23,125,000 (2018: RMB23,589,000).

Notes to Financial Statements (continued)
For the year ended 31 December 2019

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(ii) Loan and interest receivables

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	**Group's definition of categories**	**Basis for recognition of expected credit loss provision**
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 1 year past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are two years past due and there is no reasonable expectation of recovery or borrowers are bankruptcy	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

In accordance with the Group's internal credit rating assessment, most of the loan and interest receivables are performing and 12 months expected losses method is applicable to these receivables. An allowance for loan and interests receivables was recognised for the year amounted to RMB4,644,000 (2018: RMB4,673,000).

The Group has significant concentration of credit risk in relation to loan and interest receivables as approximately 58% (2018: 51%) and 90% (2018: 68%) of such receivables are due from one borrower and the top five borrowers respectively.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(iii) Trade and other receivables

The Group applies the simplified approach to provide for expected credit losses for trade and other receivables prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for these receivables.

The Group has assessed that the expected loss rate for other receivables as at 31 December 2019 was immaterial. Thus no loss allowance for other receivables was recognised.

The loss allowance for trade receivables as at 31 December 2019 was determined as follows:

	Not past due	0-31 days past due	More than 30 days past due	Total
31 December 2019				
Expected loss rate	**0%-7%**	**0%-7%**	**0%-22%**	
Gross carrying amount (RMB'000)	**66,081**	**31,293**	**7,147**	**104,521**
Loss allowance (RMB'000)	**869**	**746**	**5,160**	**6,775**

The above expected credit losses also incorporated forward looking information.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 31 December 2019, the Group had a concentration of credit risk given that the top customer and top 5 customers account for 19% and 58% (2018: 32% and 76%) respectively of the Group's total year end trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because there were no history of default of the customers in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(iv) Cash at bank and bank deposits

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	**2019 RMB'000**	2018 RMB'000
Cash at banks and bank deposits	Baa2-A1	**414,042**	218,878

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Given that significant portion of the bank deposits are placed with banks that are independently rated with high credit rating with no default history in past years, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents and available banking facilities. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's non-derivative financial assets and financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

The Group

At 31 December 2019	Within 1 year RMB'000	More than 1 Year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial assets					
Loan and interest receivables	84,345	7,758	6,098	98,201	79,902
Trade and bills receivables	97,746	–	–	97,746	97,746
Other receivables	51,178	–	–	51,178	51,178
Amount due from an associate	23,125	–	–	23,125	23,125
Amount due from a joint venture	6,304	–	–	6,304	6,304
Pledged bank deposits	16,906	–	–	16,906	16,906
Cash and cash equivalents	414,065	–	–	414,065	414,065
	693,669	7,758	6,098	707,525	689,226
Non-derivative financial liabilities					
Trade and bill payables	104,314	–	–	104,314	104,314
Other payables	10,435	–	–	10,435	10,435
Promissory notes payable	12,130	–	–	12,130	12,130
Bank and other borrowings	99,374	–	–	99,374	96,986
Amounts due to associates	5,600	–	–	5,600	5,600
Amount due to a non-controlling interest	895	–	–	895	895
Lease liabilities	7,238	21,842	–	29,080	22,524
	239,986	21,842	–	261,828	252,884

Notes to Financial Statements (continued)

For the year ended 31 December 2019

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The Group (continued)

At 31 December 2018	Within 1 year RMB'000	More than 1 Year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial assets					
Loan and interest receivables	94,913	137,039	9,208	241,160	176,091
Trade and bills receivables	82,164	–	–	82,164	82,164
Other receivables	11,940	–	–	11,940	11,940
Other financial assets	14,010	–	–	14,010	14,010
Amounts due from related companies	9,782	–	–	9,782	9,782
Amount due from an associate	23,589	–	–	23,589	23,589
Amount due from a joint venture	5,896	–	–	5,896	5,896
Amount due from non-controlling interest	2,961	–	–	2,961	2,961
Pledged bank deposits	7,442	–	–	7,442	7,442
Cash and cash equivalents	218,888	–	–	218,888	218,888
	471,585	137,039	9,208	617,832	552,763
Non-derivative financial liabilities					
Trade and bill payables	70,770	–	–	70,770	70,770
Other payables	22,177	–	–	22,177	22,177
Promissory notes payable	13,615	–	–	13,615	13,615
Bank and other borrowings	177,174	–	–	177,174	173,768
Amount due to a related company	1,500	–	–	1,500	1,500
Amounts due to associates	92,065	–	–	92,065	92,065
Amount due to a joint venture	4	–	–	4	4
Amount due to a non-controlling interest	830	–	–	830	830
	378,135	–	–	378,135	374,729

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

56. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

57. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

The Group's equity securities listed in Hong Kong, unlisted investment fund and unlisted equity investments (included in financial assets at FVTOCI are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2019 RMB'000	31 December 2018 RMB'000		
Financial assets at FVTOCI				
Equity securities listed in Hong Kong	**7,353**	50,925	Level 1	Quoted bid prices in an active market
Unlisted investment fund	**25,211**	62,442	Level 2	Quoted bid prices of listed securities held by the fund
Unlisted equity investments	**–**	14,994	Level 3	Income approach: The discounted cash flow method was used to capture future economic benefits to be delivered from the ownership of these investees, based on an appropriate discount rates. Key unobservable inputs: Long-term growth, long term pre-tax margin, discount rates and discount for lack of marketability

Notes to Financial Statements (continued)
For the year ended 31 December 2019

57. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis. (continued)

The fair value of all the equity securities listed in Hong Kong at 31 December 2019 is measured based on the quoted bid price as at 31 December 2019, being the last trading date of the securities for the year ended 31 December 2019.

The fair value of unlisted investment fund at 31 December 2019 is measured based on the valuation performed by fund managers by reference to quoted bid prices of the listed securities held by the fund.

The fair value of unlisted equity is determined using the discounted cash flow adjusted for lack of marketability discount. Key unobservable inputs include long-term revenue growth, long term pre-tax margin, discount rates and discount for lack of marketability, the higher the long-term revenue growth and pre-tax margin, the higher the fair value, and the higher the discount rates and the lack of marketability investments discount, the lower the fair value.

There were no transfers between Level 1 and 2 in the period.

(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis but fair value disclosures are required.

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flows analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

(c) Reconciliation of Level 3 fair value measurements

The Group's financial assets and financial liabilities carried at fair value are measured at fair value on Level 1 and Level 2 fair value measurement. Reconciliation of Level 3 fair value measurement is not presented.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

58. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 **RMB'000**	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**126,754**	200,979
Property, plant and equipment	**–**	687
Right-of-use assets	**650**	–
Financial assets at fair value through other comprehensive income	**25,211**	76,364
	152,615	278,030
CURRENT ASSETS		
Prepayments, deposits and other receivables	**1,694**	1,502
Amounts due from subsidiaries	**470,091**	580,242
Cash and cash equivalents	**180,956**	3,493
	652,741	585,237
CURRENT LIABILITIES		
Other payables and accruals	**5,878**	6,004
Lease liabilities	**657**	–
Amounts due to subsidiaries	**444,388**	506,043
Promissory notes payable	**12,130**	13,615
	463,053	525,662
NET CURRENT ASSETS	**189,688**	59,575
TOTAL ASSETS LESS CURRENT LIABILITIES	**342,303**	337,605
	342,303	337,605
EQUITY		
Share capital	**15,348**	11,649
Reserves *(note)*	**326,955**	325,956
	342,303	337,605

The Company's statement of financial position was approved and authorised for issue by the board of directors on 27 March 2020 and is signed on its behalf by:

Tsai Wallen
Director

Lau Ka Ho
Director

Notes to Financial Statements (continued)
For the year ended 31 December 2019

58. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	FVTOCI revaluation reserve RMB'000	Capital redemption reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	496,544	37,335	(4,613)	26,581	16	(177,785)	378,078
Loss for the year	–	–	–	–	–	(21,216)	(21,216)
Other comprehensive income for the year Loss on change in fair value of financial assets at FVTOCI	–	–	–	(55,147)	–	–	(55,147)
Total comprehensive income/(expense) for the year	–	–	–	(55,147)	–	(21,216)	(76,363)
Issue of new shares	23,451	–	–	–	–	–	23,451
Share issue expenses	(423)	–	–	–	–	–	(423)
Recognition of equity-settled share-based payments	–	1,213	–	–	–	–	1,213
Transferred to accumulated losses upon forfeiture of share options	–	(478)	–	–	–	478	–
At 31 December 2018, as originally presented (audited)	**519,572**	**38,070**	**(4,613)**	**(28,566)**	**16**	**(198,523)**	**325,956**
Change in accounting policy	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 1 January 2019, as restated	**519,572**	**38,070**	**(4,613)**	**(28,566)**	**16**	**(198,523)**	**325,956**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(11,085)**	**(11,085)**
Other comprehensive income for the year Loss on change in fair value of financial assets at FVTOCI	**–**	**–**	**–**	**(40,679)**	**–**	**–**	**(40,679)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(40,679)**	**–**	**(11,085)**	**(51,764)**
Placing of new shares	**23,883**	**–**	**–**	**–**	**–**	**–**	**23,883**
Share issue expenses	**(24)**	**–**	**–**	**–**	**–**	**–**	**(24)**
Issue of shares for acquisition of subsidiaries	**28,904**	**–**	**–**	**–**	**–**	**–**	**28,904**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transferred to accumulated losses upon forfeiture of share options	**–**	**(2,579)**	**–**	**-**	**–**	**2,579**	**–**
Transfer to accumulated losses on disposal of financial assets of FVTOCI	**–**	**–**	**–**	**(4,029)**	**–**	**4,029**	**–**
At 31 December 2019	**572,335**	**35,491**	**(4,613)**	**(73,274)**	**16**	**(203,000)**	**326,955**

The capital reserve represents the excess of the nominal value of the Company's shares issued in exchange therefor over the then net asset value of the subsidiaries acquired.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay off its debts as and when they fall due in the ordinary course of business.

Notes to Financial Statements (continued)

For the year ended 31 December 2019

59. SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Group's principal subsidiaries are as follows:

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group Directly		Indirectly	
				2019	2018	**2019**	2018
Golden Virtue Investment Holdings Limited (formerly known as Prince Frog Investment Limited)	Investment holdings	British Virgin Islands ("BVI")	US$30 (2018: US$30)	**–**	100%	**–**	–
Prince Frog (HK) Daily Chemicals Company Limited	Investment holdings	Hong Kong	HK$10,100 (2018: HK$10,100)	**–**	–	**–**	100%
青蛙王子(中國)日化有限公司[1]	Manufacture and sale of personal care products and properties holdings	PRC	US$60,000,000 (2018: US$60,000,000)	**–**	–	**–**	100%
青蛙王子(福建)電子商務有限公司[2]	Trading of personal care products and other commodities	PRC	RMB500,000 (2018: RMB500,000)	**–**	–	**100%**	100%
青蛙王子(福建)嬰童護理用品有限公司[2]	Manufacture and sale of personal care products	PRC	RMB50,000,000 (2018: RMB50,000,000)	**–**	–	**100%**	100%
Overseas Travel Science and Technology Limited	Holding of motor vehicles	Hong Kong	HK$1,000,000 (2018: HK$1,000,000)	**–**	–	**100%**	100%

Notes to Financial Statements (continued)

For the year ended 31 December 2019

59. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group			
				Directly		Indirectly	
				2019	2018	**2019**	2018
紐倫港投資諮詢(深圳)有限公司[1]	Inactive	PRC	RMB100,000 (2018: RMB100,000)	**–**	–	**100%**	100%
Future Elite Ventures Limited	Investment holdings	BVI	US$10 (2018: US$10)	**100%**	100%	**–**	–
Queen's Finance Limited	Money lending	Hong Kong	HK$2 (2018: HK$2)	**–**	–	**100%**	100%
Brisk Day Limited	Investment holdings	BVI	US$10 (2018: US$10)	**100%**	100%	**–**	–
Big Chain Limited	Trading of commodities	Hong Kong	HK$1 (2018: HK$1)	**–**	–	**100%**	100%
Link Culture Limited	Securities investment	BVI	US$10 (2018: US$10)	**100%**	100%	**–**	–
Joy Link Limited	Securities investment	Hong Kong	HK$1 (2018: HK$1)	**–**	–	**100%**	100%
Marvel Paramount Holdings Limited ("Marvel")	Operation of online platform	Note 3 below	US$50,000 (2018: US$50,000)	**–**	51%	**–**	–
MyBB Media Company Limited	Operation of online platform	Hong Kong	HK$10 (2018: HK$10)	**–**	–	**–**	51%
Advance Global Food Limited	Sale of frozen food and beverage products and provision of related services	Hong Kong	HK$20,000,000 (2018: HK$20,000,000)	**–**	–	**100%**	–
China Cold Chain Company Limited	Provision of frozen warehouse services	Hong Kong	HK$100 (2018: HK$100)	**–**	–	**70%**	–

Notes to Financial Statements (continued)
For the year ended 31 December 2019

59. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group Directly		Indirectly	
				2019	2018	**2019**	2018
Apex Magic International Limited	Investment holdings	BVI	US$1 (2018: US$1)	**100%**	100%	**–**	–
Jumbo Excel Investment Corporation ("Jumbo Excel")	Investment holdings	BVI	US$2 (2018: US$2)	**–**	–	**50%**	50%
Grand Ray Investment Limited ("Grand Ray")	Properties redevelopment	Hong Kong	HK$1 (2018: HK$1)	**–**	–	**50%**	50%
Regent Way Limited ("Regent Way")	Properties redevelopment	Hong Kong	HK$1 (2018: HK$1)	**–**	–	**50%**	50%
Speedy Maker Limited ("Speedy Maker")	Properties redevelopment	Hong Kong	HK$1 (2018: HK$1)	**–**	–	**50%**	50%
Cheer Winner Investment Limited	Investment holdings	BVI	US$10 (2018: US$10)	**100%**	100%	**–**	–
Real Power International Group Limited ("Real Power")	Investment holdings	BVI	US$100 (2018: US$100)	**100%**	20%	**–**	–
Earn Rich Properties Limited	Investment holdings	Hong Kong	HK$1 (2018: HK$1)	**–**	–	**100%**	100%
Nice Source Properties Limited	Properties holdings	Hong Kong	HK$10,000 (2018: HK$10,000)	**–**	–	**100%**	100%

Notes:

1. Wholly-foreign-owned enterprises established under the law of the PRC

2. A limited liability company established under the law of the PRC

Notes to Financial Statements (continued)

For the year ended 31 December 2019

59. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Notes: (continued)

3. Marvel Paramount Holdings Limited was incorporated in the British Virgin Islands and is operating in Hong Kong.

4. The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year 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.

5. None of the subsidiaries had issued any debt securities at the end of the year.

Major changes in the subsidiaries of the Group during the years ended 31 December 2019 and 31 December 2018 are summarised as follows:

(i) During the year ended 31 December 2019, the Group disposed of 100% equity interest in Golden Virtue to an independent third party, details of which are set out in note 48(a)(i).

(ii) During the year ended 31 December 2019, the Group disposed of 51% equity interest in Marvel to an independent third party, details of which are set out in note 48(a)(ii).

(iii) During the year ended 31 December 2019, the Company acquired 100% equity interest in Real Power together with its subsidiaries, details of which are set out in note 47(a)(i). The Group holds 100% of the issued share capital of Advance Global Food Limited ("Advance Global"). Pursuant to the acquisition agreement, the Group is granted the right for the exercise of control over the composition of the board of directors of Advance Global. Accordingly, the directors of the Company consider that the Group has control over Advance Global, which is classified as a subsidiary of the Group.

(iv) On 4 June 2019, the Group acquired 100% equity interest in China Cold Chain, on 16 October 2019, the Group disposed of 30% equity interest in China Cold Chain to independent third parties at the consideration of HK$2, details of which are set out in note 47(a)(ii).

(v) During the year ended 31 December 2018, the Group disposed 80% equity interest in Fujian Azalli to an independent third party, details of which are set out in note 48(b)(i).

(vi) During the year ended 31 December 2018, the Group disposed of 100% equity interest in Amazing Gear Limited to an independent third party, details of which are set out in note 48(b)(ii).

Notes to Financial Statements (continued)
For the year ended 31 December 2019

59. SUBSIDIARIES (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests

The table below shows details of subsidiaries with material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019 **RMB'000**	2018 RMB'000	**2019** **RMB'000**	2018 RMB'000	**2019** **RMB'000**	2018 RMB'000
Marvel and its subsidiary	Note (a) below	**Note (d) below**	49%	**(9,600)**	2,714	**Note (d) below**	12,224
Jumbo Excel and its subsidiaries	Note (b) below	**50%**	50%	**(13,266)**	(10,101)	**48,668**	61,028
China Cold Chain	Note (c) below	**30%**	–	**(26)**	–	**151**	–

Notes:

(a) Marvel was incorporated in the British Virgin Islands. The subsidiary of Marvel was incorporated in and is operating in Hong Kong. Marvel and its subsidiaries are principally engaged in operation of online platform.

(b) Jumbo Excel was incorporated in the British Virgin Islands. The subsidiaries of Jumbo Excel were incorporated in and are operating in Hong Kong. Jumbo Excel and its subsidiaries are principally engaged in properties holding.

(c) China Cold Chain was incorporated in Hong Kong and is principally engaged in provision of frozen warehouse services business.

(d) On 23 August 2019, the Company, entered into an agreement with an independent third party to dispose of 51% equity interest in a subsidiary, Marvel, for an aggregate cash consideration of HK$40,000,000. Marvel is an investment holding company and, through its subsidiary, MyBB Media Company Limited, is principally engaged in operations of online platform. The disposal was completed on 8 October 2019.

Set out below are the summarised consolidated financial information for subsidiaries of the Group that have material non-controlling interests.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

59. SUBSIDIARIES (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised consolidated statement of financial position

	Marvel and its subsidiary		Jumbo Excel and its subsidiaries		China Cold Chain Company Limited	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Non-current assets	**–**	467	**99,234**	123,854	**33,145**	–
Current assets	**–**	30,806	**–**	–	**1,834**	–
Current liabilities	**–**	(6,326)	**(1,898)**	(1,798)	**(17,141)**	–
Non-current liabilities	**–**	–	**–**	–	**(17,335)**	–
Net assets	**–**	24,947	**97,336**	122,056	**503**	–
Proportion of non-controlling interests' ownership	**–**	12,224	**48,668**	61,028	**151**	–

Summarised consolidated statement of profit or loss and other comprehensive income

	Marvel and its subsidiary		Jumbo Excel and its subsidiaries		China Cold Chain Company Limited	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Revenue and other income	**6,642**	11,515	**–**	–	**5,865**	–
Expenses	**(26,233)**	(5,975)	**(26,532)**	(20,202)	**(5,952)**	–
(Loss)/profit for the year	**(19,591)**	5,540	**(26,532)**	(20,202)	**(87)**	–
(Loss)/profit for the year allocated to non-controlling interest	**(9,600)**	2,714	**(13,266)**	(10,101)	**(26)**	–
Total comprehensive (expense)/income	**(19,228)**	6,632	**(24,720)**	(14,486)	**(95)**	–
Total comprehensive (expense)/income allocated to non-controlling interests	**(9,422)**	3,249	**(12,360)**	(7,243)	**(28)**	–

Notes to Financial Statements (continued)

For the year ended 31 December 2019

59. SUBSIDIARIES (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised consolidated statement of cash flows

	Marvel and its subsidiary		Jumbo Excel and its subsidiaries		China Cold Chain Company Limited	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Net cash (outflow)/inflow from operating activities	**(2)**	(385)	**–**	–	**11,711**	–
Net cash outflow from investing activities	**–**	–	**–**	–	**(11,122)**	–
Net cash outflow from financing activities	**–**	–	**–**	–	**(346)**	–
Net cash (outflow)/inflow	**(2)**	(385)	**–**	–	**243**	–

60. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The following events took place subsequent to the end of the reporting period:

(a) Goldenway Investments (HK) Limited ("GWIHK") and Goldenway Asset Management Limited ("GWAM") are 10% equity-owned associates of the Group as at 31 December 2019. On 23 January 2020, Bloom Team Development Limited, an indirect wholly-owned subsidiary of the Company, entered into agreement with shareholder of GWIHK and GWAM to acquire the remaining 90% of the issued shares in each of GWIHK and GWAM not held by the Group at the consideration of HK$26,418,000 and HK$1,550,000 respectively. Completion of the acquisitions of 90% equity in GWIHK and GWAM have not taken place up to the date of approval of these consolidated financial statements. Details of the acquisitions are set out in the Company's announcement dated 23 January 2020.

(b) On 20 March 2020, Pursuing Future Limited ("Pursuing Future"), a wholly-owned subsidiary of the Company, and certain third parties, AG Holding Group Limited ("AG Holding"), and Yum Edward Liang Hsien, entered into the sale and purchase agreement, pursuant to which Pursuing Future has agreed to acquire 60% of the issued shares in Ayasa Globo Financial Services (BVI) Limited ("Ayasa Globo BVI") at the consideration of HK$42,000,000. Ayasa Globo BVI is an investment holding company and, through its subsidiaries, are principally engaged in the provision of professional services, business and consultancy management and related services. Completion of the acquisition of 60% equity interest in Ayasa Globo BVI has not taken place up to the date of the approval of these consolidated financial statements. Details of the acquisition are set out in the Company's announcement dated 20 March 2020.

Notes to Financial Statements (continued)
For the year ended 31 December 2019

60. EVENTS SUBSEQUENT TO THE REPORTING PERIOD (continued)

(c) Since early 2020, the pandemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent. The overall financial effect of the COVID-19 outbreak cannot be reliably estimated as at the date of approval of these consolidated financial statements. The Group will closely follow up the development of the COVID-19 outbreak and continue to evaluate its impact on the business of the Group and the Group's financial position and operating results.

Summary Financial Information

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

RESULTS

	Year ended 31 December				
	2019 RMB'000	2018 RMB'000 (restated)	2017 RMB'000 (restated)	2016 RMB'000 (restated)	2015 RMB'000
Revenue from continuing operations	**830,166**	619,700	774,510	994,748	913,716
Loss before income tax from continuing operations	**(88,510)**	(445,522)	(143,699)	(90,587)	(49,260)
Income tax credit/(expense) from continuing operations	**1,863**	18	(4,029)	(2,717)	(556)
Loss for the year from continuing operators	**(86,647)**	(445,504)	(147,728)	(93,304)	(49,816)
Attributable to:					
Equity holders of the Company (including discontinued operations)	**(48,398)**	(431,435)	(170,744)	(111,189)	(50,309)
Non-controlling interests (including discontinued operations)	**(22,893)**	(7,525)	7,461	1,713	493
	(71,291)	(438,960)	(163,283)	(109,476)	(49,816)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	**1,096,356**	1,275,296	1,731,628	1,687,036	1,606,732
Total liabilities	**(307,015)**	(428,070)	(416,047)	(336,858)	(191,896)
Non-controlling interests	**(48,819)**	(73,252)	(85,711)	(25,190)	(4,222)
	740,522	773,974	1,229,870	1,324,988	1,410,614

On 23 August 2019, the Group announced that disposal of its business of operation of online platform. The operation of online platform is classified as discontinued operations. Comparative figures for the year ended 31 December 2018, 2017 and 2016 were restated accordingly.

The summary above does not form part of the audited financial statements.

Particulars of Major Properties

INVESTMENT PROPERTIES

Location	Existing use	Type of lease
Workshop C6 on G/F of Block C, Hong Kong Industrial Centre, Nos. 489-491 Castle Peak Road, Kowloon	Industrial	Medium term
Industrial Complex (partial) No. 8 North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province The People's Republic of China	Industrial	Medium term

PROPERTIES FOR DEVELOPMENT

Location	Gross Floor Area (square meter)	Stage of Completion	Lease Expiry	Group's Interest	Anticipated completion
Section A of Lot 2044 in Demarcation District 104, Yuen Long, New Territories	162.70	Pending Stage	2047	50%	N/A
Section B of Lot 2044 in Demarcation District 104, Yuen Long, New Territories	164.50	Pending Stage	2047	50%	N/A
Section A of Lot 2051 in Demarcation District 104, Yuen Long, New Territories	132.90	Pending Stage	2047	50%	N/A
Section A of Lot 2052 in Demarcation District 104, Yuen Long, New Territories	77.70	Pending Stage	2047	50%	N/A
Section A of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	135.30	Pending Stage	2047	50%	N/A
Section B of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	112.80	Pending Stage	2047	50%	N/A

Particulars of Major Properties (continued)

PROPERTIES FOR DEVELOPMENT (continued)

Location	Gross Floor Area (square meter)	Stage of Completion	Lease Expiry	Group's Interest	Anticipated completion
Section C of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	99.70	Pending Stage	2047	50%	N/A
Section D of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	96.90	Pending Stage	2047	50%	N/A
Section A of Lot 2061 in Demarcation District 104, Yuen Long, New Territories	131.10	Pending Stage	2047	50%	N/A
Section B of Lot 2061 in Demarcation District 104, Yuen Long, New Territories	122.80	Pending Stage	2047	50%	N/A