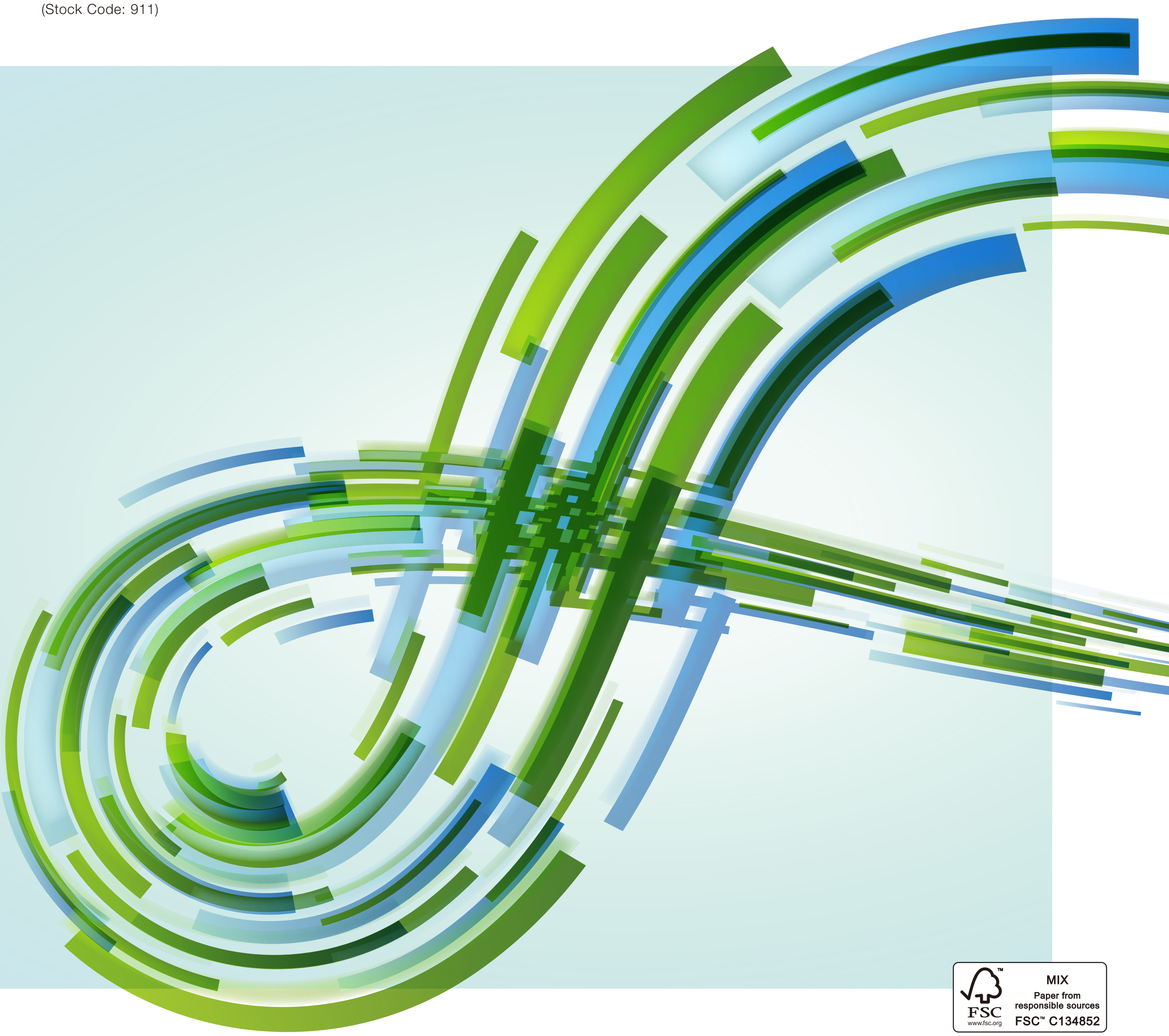
前海健康

QIANHAI HEALTH

Qianhai Health Holdings Limited
前海健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 911)

2019 ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Mr. Huang Guanchao *(Chairman)*
(appointed as an executive Director on 12 April 2019 and re-designated as a non-executive Director on 17 July 2019)
Mr. Lim Tzea
(appointed as an executive Director on 12 April 2019 and re-designated as a non-executive Director on 17 July 2019)

EXECUTIVE DIRECTORS

Mr. Xu Keli
(appointed on 17 July 2019)
Mr. Lam Hin Chi
(appointed on 17 July 2019)
Mr. George Lu (resigned on 2 May 2019)
Mr. Wong Kwok Ming (resigned on 2 May 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Li Wei *(Chairman)*
Mr. Wu Wai Leung Danny
Mr. Xu Keli (appointed on 17 July 2019)
Mr. Lim Tzea
(appointed as a member on 2 May 2019 and resigned as a member on 17 July 2019)
Mr. George Lu (resigned on 2 May 2019)

NOMINATION COMMITTEE

Mr. Li Wei *(Chairman)*
Mr. Wu Wai Leung Danny
Mr. Xu Keli (appointed on 17 July 2019)
Mr. Lim Tzea (appointed as a member on 2 May 2019 and resigned as a member on 17 July 2019)
Mr. George Lu (resigned on 2 May 2019)

AUTHORISED REPRESENTATIVES

Mr. Lam Hin Chi (appointed on 17 July 2019)
Ms. Yip Tak Yung Teresa
Mr. Huang Guanchao
(appointed on 2 May 2019 and resigned on 17 July 2019)
Mr. George Lu (resigned on 2 May 2019)

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

CONYERS TRUST COMPANY (CAYMAN) LIMITED

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

HONG KONG BRANCH SHARE REGISTRAR

TRICOR INVESTOR SERVICES LIMITED

Level 54, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INDEPENDENT AUDITOR

Baker Tilly Hong Kong Limited

LEGAL ADVISOR

Chiu & Partners

PRINCIPAL BANKS

China Construction Bank (Asia) Corporation Ltd.
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Limited

INVESTORS RELATIONS

ir@qhhl.com.hk

STOCK CODE

0911

WEBSITE

www.qianhaihealth.com.hk

Financial Highlights

	2019 HK$'000	2018 HK$000
Operating Results		
Revenue	**587,808**	78,047
Gross profit	**32,683**	3,003
Operation profit (loss)	**28,103**	(13,833)
Financial Performance		
Profit attributable to owners of the Company	**26,715**	5,071
Profit margin	**5.6%**	3.8%
Earnings per share (HK cents)		
– Basic and dilute	**1.58**	0.3

	2019 HK$'000	2018 HK$000
Financial Position at Year End		
Net current assets	**386,081**	389,385
Total assets	**786,090**	692,532
Total bank borrowings	**74,638**	–
Total liabilities	**123,677**	56,975
Net assets	**662,413**	635,557
Net asset value per share (HK$)	**0.39**	0.38
Capital expenditure	**33,128**	22,021

Management Discussion and Analysis

BUSINESS REVIEW

Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") is principally engaged in sale of health-care products and electronic component products.

The Group recorded an increase in the revenue by approximately 653% to approximately HK$587.8 million for the year ended 31 December 2019 (the "**Year**"), as compared to approximately HK$78.0 million for the year ended 31 December 2018 (the "**Prior Year**"). During the Year, the Group continued its main business of sale of health-care products, and at the same time diversify its business to sale of electronic component products.

During the Year, the sale of health-care products contributed the revenue of approximately HK$420.7 million while the sale of the electronic component products, contributed revenue of approximately HK$167.1 million in the Year.

The business of sale of the electronic component products helped the Group mitigate the risk exposure under the uncertainty of the global economy.

HEALTH-CARE PRODUCTS

During the Year, the revenue generated from sale of health-care products, which includes Chinese herbal medicine, skin-care and other health-care products, of approximately HK$420.7 million, representing approximately 5.4 times of that of 2018. The positive increment was mainly due to the diversification the product portfolio. During the Year, profit of approximately HK$24.8 million was generated from the sale of health-care products, representing approximately 8.3 times of that of the Prior Year.

ELECTRONIC COMPONENT PRODUCTS

The Group started the sale of electronic component product business in mid of 2019. The electronic component products that the Group sells are mainly central processing unit and semi-conductor. Although such business has commenced since July 2019, the sale of electronic component products was able to generate positive results, which contributed a revenue of approximately HK$167.1 million and recorded a segment profit of approximately HK$7.9 million. The Group considers the sale of the electronic component products enables the Group to broaden its income stream and will bring positive results to the Group.

JOINT DEVELOPMENT PROJECT – LIN AN PROJECT

The Group has a 51% of equity interest of 杭州湍口眾安滙尊溫泉度假村有限公司 ("**Huizun Hot Spring**"), which engaged in joint development of a land parcel in Lin An city, Hangzhou Province in China (the "**Lin An Project**"), with a total gross floor area of approximately 90,000 square metres. The Lin An Project includes development of high-ended hot spring residential resorts and a medical and health care centre, which offers beautiful and comfortable living environment and supported by healthcare concept to the customers. The Lin An Project was under development during the Year and is expected to be completed in 2022. Thus, no profit was generated by the Lin An Project in 2019.

FINANCIAL REVIEW

ANALYSIS OF RESULTS BY BUSINESS SEGMENTS

The Group's revenue for the Year amounted to approximately HK$587.8 million (2018: approximately HK$78.0 million).

	Sale of health-care products		Sale of electronic components	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Segment revenue	**420,689**	78,047	**167,119**	–
Cost of sales	**(395,889)**	(75,004)	**(159,236)**	–
Segment results	**24,800**	3,003	**7,883**	–

During the Year, the Group's main business, sale of health-care products, generated revenue of approximately HK$420.7 million (2018: approximately HK$78.0 million), which accounted for approximately 71.6% (2018: 100%) of the Group's total revenue. With the business of sale of electronic components products started in July 2019, it contributed a revenue of approximately HK$167.1 million (2018: Nil), which accounted for 28.4% (2018: 0%) of the Group's total revenue.

Gross profit increased by approximately 10.9 times from approximately HK$3.0 million in the Prior Year to approximately HK$32.7 million in the Year, while the gross profit margin gently increased from approximately 3.8% in the Prior Year to approximately 5.6% in the Year which maintaining at a stable level between these two years.

RESULTS

Overall, the Group recorded a profit attributable to owners of the Company of approximately HK$26.7 million, being over 5.3 times of that during the Prior Year, which amounted to approximately HK$5.0 million.

OTHER INCOME

The Group's other income mainly represented the interest income from the money lending business of approximately HK$16.9 million (2018: approximately HK$22.0 million). Qianhai Health Finance Limited ("**Qianhai Health Finance**"), which is an indirect wholly-owned subsidiary of the Company, has obtained a money lenders licence under the Money Lenders Ordinance since August 2015 which enables Qianhai Health Finance to conduct money lending business in Hong Kong through the provision of secured and unsecured loans to customers. The decrease was in line with the Group's strategy to reduce its money lending activities and allocate more fund for the business operations. Subsequent to the settlement of the outstanding balance of the loan receivables as at 31 December 2019, no new loans had been granted after the Year and up to the date of this annual report.

OTHER GAINS/(LOSSES), NET

The Group recorded other net gains of approximately HK$1.2 million in the Year, while other net loss of approximately HK$5.2 million for the Prior Year. The turnaround was mainly due to (i) an inventory write down of approximately HK$15.0 million being recognised in the Prior Year, while no such write down was recognised during the Year; and (ii) there was a reversal of provision of variable lease expense during the Year while no such provision was recognised in the Prior Year.

CAPITAL EXPENDITURE

During the Year, the Group invested approximately HK$33.1 million (2018: approximately HK$22.0 million) in additions of property, plant and equipment. The Group's capital commitments primarily related to the acquisition of property, plant and equipment.

WORKING CAPITAL AND INVENTORY MANAGEMENT

As at 31 December 2019, the non-current assets increased by approximately 12.6% to approximately HK$277.1 million, as compared with approximately HK$246.2 million in the Prior Year. The increase in non-current assets was mainly due to acquisition of the warehouse for self-use.

As at 31 December 2019, the Group recorded total current assets of approximately HK$508.9 million (2018: approximately HK$446.3 million) and total current liabilities of approximately HK$122.8 million (2018: approximately HK$56.9 million). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 4.1 times as at 31 December 2019 (2018: approximately 7.8 times).

INVENTORIES

The increase in inventories by approximately 377.1% to approximately HK$196.2 million as at 31 December 2019, as compared to that of approximately HK$41.1 million as at 31 December 2018. Such increase was in line with the growing business during the Year.

TRADE RECEIVABLES

The trade receivables increased by approximately 794.6% to approximately HK$254.0 million as at 31 December 2019, as compared with approximately HK$28.4 million as at 31 December 2018 which was in line with the increase in revenue during the Year. During the Year, a loss allowance for expected credit losses on trade receivables of approximately HK$3.1 million (2018: nil) was recognised, which were estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The management of the Group regularly evaluates the Group's customers, assesses their known financial position and the credit risks.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, cash and cash equivalents of the Group amounted to approximately HK$20.0 million (2018: approximately HK$138.3 million).

As at 31 December 2019, the Group's borrowings amounted to approximately HK$74.6 million (2018: HK$Nil). The net debt to total asset ratio, calculated as borrowings less cash and cash equivalents divided by total assets, was approximately 0.07 (2018:Nil).

Management closely monitors the Group's financial performance and liquidity position. Taking into consideration of the plans and measures to improve the liquidity position, such as disposals of certain non-core properties and raising of additional resources of funding as and when need, it believes that the Group has sufficient financial resources to meet its obligation as and when they fall due over the next twelve months.

FOREIGN CURRENCY EXPOSURE

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("**HKD**") and the purchases of health-care products and electronic component products are mainly made in United States dollars ("**USD**") and Canadian dollars ("**CAD**"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the Year, the Group incurred a gain of foreign exchange differences amounted to approximately HK$0.4 million (2018: approximately HK$1.9 million). The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise. As at 31 December 2019, the Group's exposure to foreign exchange risk was not significant.

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 December 2019, the Group continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 December 2019 amounted to approximately HK$74.6 million (2018: HK$Nil).

Certain land and buildings and investment property of the Group, with a total carrying value of approximately HK$124.5 million as at 31 December 2019, (2018: HK$92.5 million) were pledged to banks as securities for bank loans of approximately HK$74.6 million (2018: HK$Nil) granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, we had a total of 20 employees. The Company determines employee salaries based on each employee's qualifications, position and seniority. Our Group has established an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

The emoluments of the Directors are decided by the Board after recommendation from the remuneration committee of the Company, having considered the factors such as the Group's financial performance, the achievement of special targets and the individual performance of the Directors, etc..

Apart from mandatory provident fund and medical insurance, the Company has adopted a share option scheme under which share options may also be awarded to the Directors and eligible employees as an incentive with reference to the assessment of individual performance. The Board believes that the Group maintains an admirable relationship with the employees.

FUTURE PROSPECTS

Despite ongoing uncertainties of the worldwide economy and outbreak of coronavirus disease 2019 ("**COVID-19**") (the "**Epidemic**") will bring the Group additional challenges. Meanwhile, the Group estimated that under the current special circumstances, the industry and financial performance of the Group will inevitably be affected by the Epidemic in the first half of 2020, and expects that the recovery will come in the second half of 2020 at the soonest. The Group has been strengthening cost control and adopted appropriate measures in a timely manner. At the same time, management believes results are beginning to demonstrate that we are on the right path focusing on product diversification strategy.

In view of the continuous increasing awareness in health and the aging of population in Hong Kong, the demand for health-care products has grown steadily in recent years. Meanwhile, the Group has been actively exploring opportunities to expand its product mix from time to time so to broaden the Group's income sources, which is expected to have a positive future impact on the Group's performance given the positive outlook of the health-care business.

The current business strategies of the Group is to achieve the best use of its resources, achieve portfolio diversification and improve its overall performance. The Group has been actively looking to diversify its revenue sources in order to bring valuable returns to the shareholder of the Company (the "**Shareholders**") through making investments and/or acquiring business or projects that have promising outlooks and prospects.

Biographical Details of Directors and Senior Management

DIRECTORS

NON-EXECUTIVE DIRECTORS

MR. HUANG GUANCHAO

Non-executive Director, aged 45

Mr. Huang was appointed as an executive Director on 12 April 2019 and was re-designated as a non-executive Director on 17 July 2019. Mr. Huang is also a director of certain subsidiaries of the Company. Mr. Huang has over 19 years of management experience in international trading and distribution of electronic components. From 1999 to 2003, Mr. Huang, on his own, operated an electronic components trading company. Subsequently in 2003, Mr. Huang, together with other business partners, founded a Hong Kong-based global electronic components trading and distribution group (the "**Trading and Distribution Group**"), which supplies electronic components to customers including sizeable manufacturing groups and technology companies. Since the establishment of the Trading and Distribution Group, Mr. Huang has been its chief executive officer, managing its business with presence in Hong Kong, the People's Republic of China (the "**PRC**") and the Southeast Asia. In 2005, Mr. Huang, together with other business partners, established another manufacturing and trading group, which is principally engaged in the manufacturing of semi-conductor products of a well-known brand that are sold to different markets including Hong Kong, the PRC, Taiwan and other Asian countries. Mr. Huang has been the standing director of Shenzhen Chao Shan Chamber of Commerce since December 2011.

MR. LIM TZEA

Non-executive Director, aged 52

Mr. Lim was appointed as an executive Director on 12 April 2019 and was re-designated as a non-executive Director on 17 July 2019. Mr. Lim is also a director of certain subsidiaries of the Company. Mr. Lim has over 21 years of management experience in international trading and distribution of electronic components. From 1997 to 2002, Mr. Lim was the general manager of an electronic components trading company based in Singapore, mainly responsible for such company's trading business in various Southeast Asian countries. Mr. Lim was the general manager of another Singapore based electronic components trading company from 2003 to 2008, mainly responsible for managing and supervising such company's operations in respect of its trading business in Hong Kong and the PRC. Since 2009, Mr. Lim has been one of the key management personnel and one of the shareholders of an international trading company based in Singapore, being responsible for the management of the company's trading business in Singapore, Hong Kong, the PRC and Vietnam.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTOR

MR. XU KELI

Executive Director, aged 43

Mr. Xu has been a consultant of the Company since February 2019. Upon his appointment as an executive Director on 17 July 2019, he resigned as a consultant of the Company. Mr. Xu has over 10 years of experience in investment business in medical and health-care sectors, trading and distribution of electronic components business, properties investment and general management in the PRC. Mr. Xu was the general manager of a PRC based manufacturing, trading and distribution company from April 2011 to July 2014, mainly responsible for managing and supervising such company's operations in respect of its audio products manufacturing, trading, distribution and supply chain management of electronic components in the PRC. Since 2014 and prior to joining the Company, Mr. Xu was the managing director of a PRC based investment company, mainly responsible for managing and supervising such company's operations, setting up and monitoring achievement of annual budget and investment plans in respect of its investments in property investment and medical and health care businesses in the PRC.

MR. LAM HIN CHI

Executive Director, aged 56

Mr. Lam, joined the Company in May 2019 and is appointed as an executive Director on 17 July 2019. He is currently the group chief financial officer of the Group. He is responsible for the overall financial management of the Group. Mr. Lam is a fellow member of The Association of Chartered Certified Accountants, and The Institute of Chartered Accountants in England and Wales and associates member of The Chartered Institute of Management Accountants, and The Hong Kong Institute of Certified Public Accountants. Mr. Lam graduated from The Hong Kong Polytechnic University with a Professional Diploma in Management Accountancy and a Bachelor of Arts degree (Honours) in Accountancy. Mr. Lam has over 30 years of experience in finance, auditing and accounting. Mr. Lam had worked for an international accounting firm and was a senior personnel of a number of companies listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Mr. Lam is currently an independent non-executive director of VSTECS Holdings Limited (stock code: 00856) and China Environmental Technology and Bioenergy Holdings Limited (stock code: 01237), the shares of which are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. LI WEI

Independent non-executive Director, aged 65

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

MR. WU WAI LEUNG DANNY

Independent non-executive Director, aged 59

Mr. Wu Wai Leung Danny was appointed as an independent non-executive Director on 29 February 2016. Mr. Wu graduated from the University of Hong Kong with a Bachelor's degree in Social Sciences in 1985. Mr. Wu has over 20 years of experience in investing and business operations in Asia. Since 2003, Mr. Wu has been a director of First Gateway Capital Limited (formerly "**First U.S. Capital Limited**"), which engages in early stage investment, and investment advisory services to small and medium enterprises in Asia, with a focus in transportation, resource, manufacturing, technology and telecommunication companies. He was an independent non-executive director of Newton Resources Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1231) from 25 January 2011 until 21 May 2015 and a non-executive director from 21 May 2015 to 1 November 2019.

MR. YUEN CHEE LAP CARL

Independent non-executive Director, aged 46

Mr. Yuen Chee Lap Carl was appointed as an independent non-executive Director on 29 February 2016. Mr. Yuen graduated from the University of Houston, U.S. He attained a Bachelor's degree and a Master's degree in Business Administration in 1997 and 1998 respectively. Mr. Yuen is currently the chief executive officer and the financial controller of Courage Investment Group Limited (stock code: 1145), a company listed on the Main Board of the Stock Exchange and the Singapore Exchange Securities Trading Limited. He has rich experience in finance and accounting in Hong Kong and the United States. Mr. Yuen commenced his career in the United States and served as chief accountant and managerial position in several companies between 1998 and 2003. Mr. Yuen joined Courage Investment Group Limited in 2004 and has been appointed as financial controller since May 2006. Mr. Yuen has taken up the additional role as chief executive officer in September 2019. He is responsible for the Company's overall operations, and is in charge of the company's finance and accounting control as well as the company's reporting, SGX-ST and Stock Exchange compliance. Mr. Yuen is currently a member of the Hong Kong Institute of Directors and the Association of Hong Kong Accountants. Mr. Yuen is an independent non-executive director of Fullsun International Holdings Group Co., Limited (stock code: 627), a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

MR. YEUNG WING KONG

General manager, aged 49

Mr. Yeung Wing Kong joined the Group in 1989. Mr. Yeung has over 30 years of experience in the American Ginseng industry and is primarily responsible for operation, management and procurement of the health products – American ginseng business in the Group. Mr. Yeung has been a member of Po Sau Tong Ginseng & Antler Association Hong Kong Limited (香港參茸藥材寶壽堂商會有限公司) since December 1990.

MS. YIP TAK YUNG TERESA

Chief financial officer and company secretary, aged 38

Ms. Yip Tak Yung, Teresa joined the Group in 2013, and is responsible for finance management, compliance assurance and company secretarial matters of the Group. Ms. Yip has more than 13 years of experience in the areas of auditing, accounting and taxation. She has worked at Deloitte Touche Tohmatsu for over 7 years before joining the Group. She graduated from City University of Hong Kong with a bachelor's degree of Business Administration (Honours) in Accountancy. Ms. Yip is a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the year ended 31 December 2019, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") , except in relation to CG Code provision A.2.1, as more particularly described below.

CG CODE PROVISION A.2.1

CG Code provision A.2.1 states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by (i) Mr. George Lu (who resigned as an executive Director on 2 May 2019) during the period between 1 January 2019 and 2 May 2019; (ii) Mr. Huang Guanchao (who resigned from his post as the chief executive officer of the Company on 17 July 2019) during the period between 2 May 2019 and 17 July 2019. Since 18 July 2019, the position of chief executive director is vacant and the Company is still indentifying a suitable candidate for the position of the chief executive officer, and the Company has re-complied with the CG Code provision A.2.1.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

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

The Directors make decisions objectively in the interests of the Company. The Board currently comprises a total of seven Directors, with two executive Directors, two non-executive directors and three independent non-executive Directors.

NON-EXECUTIVE DIRECTORS

Mr. Huang Guanchao *(Chairman)*
(appointed as an executive Director on 12 April 2019 and re-designated as a non-executive Director on 17 July 2019)
Mr. Lim Tzea
(appointed as an executive Director on 12 April 2019 and re-designated as a non-executive Director on 17 July 2019)

EXECUTIVE DIRECTORS

Mr. Xu Keli (appointed on 17 July 2019)
Mr. Lam Hin Chi (appointed on 17 July 2019)
Mr. George Lu (resigned on 2 May 2019)
Mr. Wong Kwok Ming (resigned on 2 May 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Whereas the role of chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. Since 18 July 2019, the position of chief executive officer is vacant and the Company is still indentifying a suitable candidate for the position of the chief executive officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board. These independent non-executive Directors are individuals from diversified backgrounds and industries and one member has appropriate accounting and related financial management expertise.

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

BOARD COMMITTEES

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

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

Details of Directors' attendance records during the year ended 31 December 2019 are set out in the table below:

	Meetings attended/held			
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Non-executive Directors				
Mr. Huang Guanchao*	5/8	N/A	N/A	N/A
Mr. Lim Tzea*	5/8	N/A	1/3	1/3
Executive Directors				
Mr. Xu Keli (appointed on 17 July 2019)	2/8	N/A	0/3	0/3
Mr. Lam Hin Chi (appointed on 17 July 2019)	2/8	N/A	N/A	N/A
Mr. George Lu (resigned on 2 May 2019)	3/8	N/A	2/3	2/3
Mr. Wong Kwok Ming (resigned on 2 May 2019)	3/8	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Li Wei	8/8	2/2	3/3	3/3
Mr. Wu Wai Leung Danny	8/8	2/2	3/3	3/3
Mr. Yuen Chee Lap Carl	8/8	2/2	N/A	N/A

* Appointed as an executive Director on 12 April 2019 and re-designated as a non-executive Director on 17 July 2019.

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

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

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

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

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

TRAINING AND SUPPORT FOR DIRECTORS

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

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

The Directors received the following training for the year ended 31 December 2019 according to the records provided by the Directors:

Directors	Training on corporate governance, regulatory development and other relevant topics
Non-executive Directors	
Mr. Huang Guanchao*	✓
Mr. Lim Tzea*	✓
Executive Directors	
Mr. Xu Keli (appointed on 17 July 2019)	✓
Mr. Lam Hin Chi (appointed on 17 July 2019)	✓
Mr. George Lu (resigned on 2 May 2019)	✓
Mr. Wong Kwok Ming (resigned on 2 May 2019)	✓
Independent non-executive Directors	
Mr. Li Wei	✓
Mr. Wu Wai Leung Danny	✓
Mr. Yuen Chee Lap Carl	✓

* Appointed as an executive director on 12 April 2019 and re-designed as a non-executive Director on 17 July 2019

DIRECTORS' AND OFFICERS' INSURANCE

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

AUDIT COMMITTEE

The Audit Committee's current members include:

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

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

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

During the year ended 31 December 2019, the Audit Committee held 2 meetings. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this annual report. The Audit Committee performed the following work during the year ended 31 December 2019:

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

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

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

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

The Audit Committee has reviewed the Group's audited annual consolidated financial statement for the year ended 31 December 2018 and audited results for the year ended 31 December 2018 and unaudited interim condensed financial statement for the six months ended 30 June 2019 and had discussed the financial information with the management and the external auditors of the Company during the year ended 31 December 2019 before submission to the Board for its approval.

REMUNERATION COMMITTEE

The Remuneration Committee's current members include:

Mr. Li Wei *(Chairman)*
Mr. Wu Wai Leung Danny
Mr. Xu Keli (appointed on 17 July 2019)
Mr. Lim Tzea (appointed as a member on 2 May 2019 and resigned as a member on 17 July 2019)
Mr. George Lu (resigned on 2 May 2019)

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

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

The Remuneration Committee held 3 meetings during the year ended 31 December 2019. During the meetings, the Remuneration Committee reviewed the remuneration packages of the existing and newly appointed Directors and senior management.

Particulars regarding the Directors' remuneration and five highest paid employees are set out in note 36 and 9 to the consolidated financial statement respectively.

NOMINATION COMMITTEE

The Nomination Committee's current members include:

Mr. Li Wei *(Chairman)*
Mr. Wu Wai Leung Danny
Mr. Xu Keli (appointed on 17 July 2019)
Mr. Lim Tzea (appointed as a member on 2 May 2019 and resigned as a member on 17 July 2019)
Mr. George Lu (resigned on 2 May 2019)

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

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

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

The Nomination Committee held 3 meetings during the year ended 31 December 2019. During the meetings, the Nomination Committee reviewed the structure and composition (including the skills, knowledge and experience) of the Board.

CONFLICT OF INTEREST

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

COMPANY SECRETARY

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance and accounts department of the Company are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2019, the Directors have reviewed and applied suitable accounting policies, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which reflect the financial information of the Group with reasonable accuracy.

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

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

EXTERNAL AUDITORS

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

Baker Tilly Hong Kong Limited has been appointed as the Company's external auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The remuneration paid to the Company's external auditor, Baker Tilly Hong Kong Limited, in respect of audit services and non-audit services, for the year ended 31 December 2019 is set out below:

Nature of services	**Fee paid/payable** HK$'000
Audit services	880
Non-audit services	78
Total	958

INTERNAL CONTROL

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

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

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

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 1 January 2019. It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors before declaring or recommending dividends:

(i) the Company's actual and expected financial performance;

(ii) retained earnings and distributable reserves of the Company and each of the members of the Group;

(iii) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(iv) the Group's liquidity position;

(v) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(vi) other factors that the Board may consider relevant.

The declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the articles of association of the Company.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way oblige the Company to declare a dividend at any time or from time to time.

REGULATORY COMPLIANCE

As disclosed under the paragraph headed “Training and support for Directors” of the section headed “Corporate Governance and Other Information” in this annual report, the Directors have sufficient up-to-date knowledge of relevant laws and regulations.

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

SHAREHOLDERS' RIGHTS

CONVENING OF SPECIAL GENERAL MEETINGS AND REQUISITION BY SHAREHOLDERS

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

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

CONTACT DETAILS

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

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

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

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's articles of association during the year ended 31 December 2019. A copy of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

Directors' Report

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group are principally engaged in sale of health-care products and electronic component products.

BUSINESS REVIEW

Details of business review and an analysis using financial key performance indicators are set out in the section of "Management discussion and analysis" on pages 4 to 8 of this annual report.

SEGMENTAL INFORMATION

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

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 50 of this annual report.

For details regarding a fair review of the Company's business, please refer to the paragraph headed "Business review" of the section headed "Management Discussion and Analysis" in this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five financial years is set out on page 140 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the largest one and five largest customers accounted for approximately 32% and 64% respectively of the total sales for the Year. Purchases from the largest one and five largest suppliers accounted for approximately 34% and 85% respectively of the total purchases for the Year.

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

DIVIDENDS

The Directors do not recommend any dividend in respect of the year ended 31 December 2019 (2018: Nil)

SHARE CAPITAL

There were no movement in the authorised share capital of the Company during the Year. Details of the movement in issued share capital of the Company are set out in note 26A to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 55 of the annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands and the Company's articles of association, the funds in the share premium and retained profit of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2019, the Company's aggregate amount of reserves available for distribution of shareholders of the Company was approximately HK$561,706,000 (2018: HK$555,164,000).

INVESTMENT PROPERTY

The Group's investment property is a residential property which located at Flat A on 20th Floor, Broadview Villa, No. 20 Broadwood Road, Happy Valley Hong Kong. It is held on medium lease and was revalued at the end of the reporting period. The net fair value increase on investment properties arising on revaluation amounting to approximately HK$2.3 million (2018: approximately HK$1.5 million, has been recognised in profit or loss).

Details of this and other movements in investment property are set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

DIRECTORS

The Directors during the Year and up to the date of this report are:

NON-EXECUTIVE DIRECTORS

Mr. Huang Guanchao *(Chairman)*
(appointed as an executive Director on 12 April 2019 and re-designated as a non-executive Director on 17 July 2019)
Mr. Lim Tzea
(appointed as an executive Director on 12 April 2019 and re-designated as a non-executive Director on 17 July 2019)

EXECUTIVE DIRECTORS

Mr. Xu Keli (appointed on 17 July 2019)
Mr. Lam Hin Chi (appointed on 17 July 2019)
Mr. George Lu (resigned on 2 May 2019)
Mr. Wong Kwok Ming (resigned on 2 May 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Biographical details of Directors of the Company are set out on pages 9 to 11 under the section headed "Biographical details of Directors and Senior Management" in this annual report.

At each annual general meeting, one third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

Mr. Yuen Chee Lap Carl will retire as a Director by rotation at the annual general meeting of the Company (the "**AGM**"), and being eligible, to offer himself for re-election as the Director by the Shareholders at the AGM. According to the Listing Rules, a director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Each of Mr. Xu Keli and Mr. Lam Hin Chi will hold office until the AGM, and would be subject to election by shareholders at the AGM. All other Directors will continue in office.

DIRECTORS' SERVICE CONTRACTS

Each of executive Directors has entered into a service agreement with the Company for an initial term of three year commencing from the date of appointment.

Each of the non-executive Directors has signed a letter of appointment with the Company with no specific term.

Each of the independent non-executive Directors has signed a letter of appointment with the Company with a term of two years and is renewable automatically for successive term of one year from the next day after the expiry of the first appointment (the "**3-year appointment**"). During the Year, each of Mr. Li Wei, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl entered into a renewal letter of appointment with the Company for a term of three years to serve as the independent non-executive Director, commencing from the date of completion of the 3-year appointment.

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

No Directors has a service contract with the Company which is not determinable by the employees within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2019.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in note 33 to the Financial Statements, there was no other contract of significance between the Group and the Company's controlling shareholder or any of its subsidiaries subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Huang Guanchao, is the owner and director a Hong Kong-based global electronic components trading and distribution group, which supplies electronic components to customers including sizeable manufacturing groups and technology companies in the PRC and the Southeast Asia.

Mr. Lim Tzea has been one of the key management personnel and one of the shareholders of an international trading company based in Singapore, being responsible for the management of the company's trading business (which include trading of electronic components products) in Singapore, Hong Kong, the PRC and Vietnam.

The above-mentioned Directors declare their interests in competing business and both Mr. Huang Guanchao and Mr. Lim Tzea are non-executive Directors, while they were not involved in the daily operations of the Group. To the best of the knowledge of the Directors, the Group is capable of carrying on its businesses independently.

Save as disclosed above, each of the other Directors has confirmed that so far as they are aware of none of the Directors nor any proposed Director or his/her respective close associates had any interest in any business, apart from the Group's business,which compete or is likely to compete, either directly or indirectly, with the Group's business.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2019 and as at 31 December 2019, the Company has purchased liabilities insurance for the Directors and supervisors, which provides appropriate insurance for the Group's directors and supervisors. At no time during the year ended 31 December 2019 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of Directors or an associated company.

TAX RELIEF

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

REMUNERATION POLICY

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

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 31 December 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code ("**Model Code**") for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the Stock Exchange were as follows:

(I) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Mr. Huang Guanchao	Interest in a controlled corporation, parties acting in concert *(Note)*	892,485,771	52.72%
Mr. Lim Tzea	Interest in a controlled corporation, parties acting in concert *(Note)*	892,485,771	52.72%
Mr. Xu Keli	Beneficial owner	9,500,000	0.56%

Note:

These 892,485,771 Shares where beneficially owned by Explorer Rosy Limited ("**Explorer Rosy**") as at 31 December 2019. As at 31 December 2019, Explorer Rosy was owned by Great Prosperous Limited ("**Great Prosperous**"), Thousands Beauties Limited ("**Thousands Beauties**") and Noble Stand Global Limited ("**Noble Stand Global**") as to 80%, 10% and 10%, respectively. As at 31 December 2019, Great Prosperous was wholly owned by Mr. Huang Guanchao, while Thousands Beauties and Noble Stand Global were wholly and beneficially owned by Mr. Lim. Mr. Huang Guanchao and Mr. Lim Tzea are deemed to be parties acting in concert pursuant to the SFO. By virtue of the SFO, each of Mr. Huang Guanchao and Mr. Lim Tzea is deemed to be interested in all the Shares held by Explorer Rosy.

(II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY – EXPLORER ROSY

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. Huang Guanchao	Beneficial owner	8,000 shares of US$1 each	80%
Mr. Lim Tzea	Beneficial owner	2,000 shares of US$1 each	20%

Save as disclosed above, as at 31 December 2019, no Directors or chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code to be notified to the Company and the Stock Exchange.

CONTROLLING SHAREHOLDERS

As at 31 December 2019, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Explorer Rosy	Beneficial owner	892,485,771	52.72%
Great Prosperous	Interest in a controlled corporation, parties acting in concert *(Note 1)*	892,485,771	52.72%
Thousands Beauties	Interest in a controlled corporation, parties acting in concert *(Note 2)*	892,485,771	52.72%
Noble Stand Global	Interest in a controlled corporation, parties acting in concert *(Note 2)*	892,485,771	52.72%
Ms. Du Balong	Interest of spouse *(Note 3)*	892,485,771	52.72%
Ms. Chong Siew Hoong	Interest of spouse *(Note 4)*	892,485,771	52.72%

Notes:

1. As at 31 December 2019, Explorer Rosy was owned by Great Prosperous, Thousands Beauties and Noble Stand Global as to 80%, 10% and 10%, respectively. By virtue of the SFO, Great Prosperous is deemed to be interested in all the Shares held by Explorer Rosy.

2. As at 31 December 2019, Explorer Rosy was owned by Great Prosperous, Thousands Beauties and Noble Stand Global as to 80%, 10% and 10%, respectively. Great Prosperous was wholly and beneficially owned by Mr. Huang Guanchao, while Thousands Beauties and Noble Stand Global were wholly and beneficially owned by Mr. Lim Tzea. As Mr. Huang Guanchao and Mr. Lim Tzea are deemed to be parties acting in concert pursuant to the SFO, by virtue of the SFO, each of Thousand Beauties and Noble Stand Global is deemed to be interested in all the Shares held by Explorer Rosy.

3. Ms. Du Balong is the spouse of Mr. Huang Guanchao, and is deemed to be interested in the Shares which are interested by Mr. Huang Guanchao under the SFO.

4. Ms. Chong Siew Hoong is the spouse of Mr. Lim Tzea, and is deemed to be interested in the Shares which are interested by Mr. Lim Tzea under the SFO.

Saved as disclosed above, as at 31 December 2019, so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or has any options in respect of such capital.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 33 to the financial statements. As these related party transactions constitute fully exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, none of them constitutes discloseable connected transactions as defined under the Listing Rules.

SHARE OPTION SCHEME

On 9 June 2014, the shareholders of the Company approved the adoption of a share option scheme (the "**Scheme**").

Details of the Scheme are as follows:

(1) PURPOSE

To provide incentives or rewards to selected eligible participants for their contribution to the Group.

(2) ELIGIBLE PERSONS

Any person who is an employee or a Director, or any eligible supplier, customer, advisor or consultant of the Company and its subsidiaries at the discretion of the Board.

(3) MAXIMUM NUMBER OF SHARES

The scheme mandate limit of the Scheme was refreshed by a shareholders' resolution passed in the annual general meeting of the Company held on 13 June 2017. Accordingly, the maximum number of shares available for issue under the Scheme is 170,040,500 (adjusted for the number of shares with the share consolidation on 12 September 2018), representing 10% of the issued ordinary share capital of the Company as at the date of the annual general meeting of the Company held on 13 June 2017.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

(4) MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PERSON

Unless approved by shareholders, the total number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be also approved by the Company's shareholders.

(5) ACCEPTANCE OF OFFERS

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee.

(6) TIME OF EXERCISE OF OPTION

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

(7) BASIS OF DETERMINING THE OPTION EXERCISE PRICE

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

(8) THE REMAINING LIFE OF THE SCHEME

The Scheme will remain in force until 8 June 2024, being the date which falls ten years after the date of adoption of the Scheme.

Details of the share options movement and outstanding as at 31 December 2019 have been disclosed in Note 27 to the financial statements.

On 20 May 2019, share options of 16,925,000 were granted by the Company to the supplier of the Company at exercise price HK$0.25 per share.

The following table lists the details of the movement in the options granted and oustanding under the Scheme during the Year:

				Number of options (thousands)		
Type of participant	Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2019	Granted during the period	Outstanding as at 31 December 2019
A supplier	20 May 2019	20 May 2019 to 19 May 2022	HK$0.25	–	16,925	16,925
				–	16,925	16,925

The total number of shares available for issue under the Scheme is 16,925,000 representing 1% of the Company's issued share capital as at the date of this annual report.

Saved as disclosed above, no share options granted under the Scheme were exercised, lapsed or cancelled during the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE AND BUSINESS OPERATION

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES OF THE GROUP

The Directors consider that the principal risks and uncertainties faced by the Group during the year ended 31 December 2019 included credit risk, currency risk and liquidity risk. For further details, please refer to note 3 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2019.

AUDITOR

Baker Tilly Hong Kong Limited will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. Huang Guanchao
Chairman
Qianhai Health Holdings Limited
Hong Kong, 26 March 2020

Environmental, Social and Governance Report

Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") hereby presents this Environmental, Social and Governance ("**ESG**") report ("**ESG report**") for the year ended 31 December 2019 (the "**Year**"), in order to comply with the requirements set forth in Appendix 27 to the Listing Rules. This report provides an overview of the Company's policies implementation and performance with respect to sustainable development and social responsibilities areas.

The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Management of the Group has provided a confirmation to the Board on the effectiveness of the related system.

The reporting scope of the ESG Report includes the Company and its subsidiaries, covers the operations of the Group's registered office and warehouse in Hong Kong, accountable for 100% of the Group's revenue, while excluding the operations in the People's Republic of China (the "**PRC**"), due to the operations of the PRC subsidiaries is not material. The Group is primarily engage in the sale of health-care products and electronic component products.

STAKEHOLDERS' ENGAGEMENT

The Group understand stakeholder engagement is a critical element to the success of the Group. To conduct the Group's materiality assessment in identifying and understanding the main concerns and material interests of stakeholders.

The following table illustrates the issues of concern of our major stakeholders and the ways we communicate with stakeholders:

Stakeholder	Expectation	Engagement channel	Measure
Shareholders and Investors	• Robust operational compliance • Good returns on investment • Disclosure of information in a fair, transparent and timely manner	• Annual general meeting and other shareholder meetings • Interim reports, annual report, announcements • Company's website • Meeting with investors	Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements, circulars, interim report and annual report in the Year. Carried out different forms of investor activities with an aim to improve investors' recognition. Disclosed company contact details on website and in reports and ensured all communication channels available and effective.

Stakeholder	Expectation	Engagement channel	Measure
Government, public and communities	• To comply with the laws • Ensure safety, environmental protection and social responsibility	• On-site inspections and checks • Discussion through work reports preparation and submission for approval	Operated, managed according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation, and actively undertook social responsibilities.
Employees	• Safeguard the rights and interests of employees • Salary and welfare • Working environment • Career development opportunities • Health and safety • Training and briefing sessions	• Policies and procedures • Channels for employees to express their opinions • Performance assessment • Team activities	Provided a healthy and safe working environment; established policies and procedures according to local labour law; developed communication channel with management; developed a fair mechanism for promotion; cared for employees by helping those in need and organizing employee activities.
Customers	• Assurance on quality and quantity of product • Stable relationship • Group's reputation and brand image • Market demand	• Site visit • Email and customer service • Regular meetings	Organised marketing activities and site visit.

Stakeholder	Expectation	Engagement channel	Measure
Suppliers/Partners	• Long-term partnership • Honest cooperation • Fair and open • Information resources sharing • Timely payment	• Strategic co-operation • Regular meetings and visits • Tendering process	Invited tenders to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors.
Peer/Industry associations	• Experience sharing • Corporations • Fair competition	• Industry conference • Site visit • Website	Stuck to fair play, cooperated with peers to realize winwin, shared experiences and attended seminars and meetings of the industry so as to promote sustainable development of the industry.

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please send to the Group via its email at ir@qhhl.com.hk.

MATERIALITY ASSESSMENT

Materiality assessment was conducted in accordance with the expectation and feedback from the key stakeholders. Based on the assessment, the management of the Group prioritises employees' rights and obligations and product responsibility as material aspects of the long-term sustainability. Effective internal control systems on these aspects are reinforced with the aim of enhancing efficiency of operations and generating the environmental and social benefits to our stakeholders.

ENVIRONMENT

The Group mainly engaged in sale of health products and electronic component products to wholesalers and retailers in Hong Kong, while it does not constitute any significant impact to the environment and does not generate any material level of greenhouse gas or any material hazardous and non-hazardous waste. Although there was no specific policy adopted in relation to air and greenhouse gas emissions, wastes discharges and generation of hazardous and non-hazardous waste, the Group has developed a guidance memorandum regarding environmental protection practices, which will be reviewed annually and delivered to staff. The Group mainly consumed petrol, electricity, water and paper during the Year.

The Group strives to comply with all relevant environmental laws and regulations that are applicable to its business operation. Its business does not involve in the production-related air, water, or land pollutions which are regulated under the laws and regulations of Hong Kong.

EMISSIONS

I. AIR EMISSIONS

Petrol was used in private cars for business meetings and travels, which is not deemed as a material aspect to the Group's business, as no air emission figures was recorded in the Year. The Group will consider accounting for this emission next year or when regulatory changes and demands for its disclosure in a nearer future.

II. CARBON EMISSIONS

During the Year, the energy consumption of the Group is mainly from the electricity purchased, which was indirect emissions resulting from daily operation of our Hong Kong offices and warehouse and the air travel by the employees. The direct and indirect emission of carbon dioxide for the Year are 10.39 tonnes and 46.24 tonnes respectively.

III. WASTE MANAGEMENT

The Group's operations do not produce any hazardous waste. The non-hazardous wastes generated by the Group were mainly papers and solid wastes generated in our office and warehouses during our operation. To strengthen the support for waste recycling, the Group sets up a collection area to collect recyclables, including paper, plastic and metals. The recyclables collected will be sent to Community Green Stations collection points. The Group will provide guidance to the employees to develop a recycling habits not just only at work, but also in their daily life and influence their surroundings by their actions.

Since the Group engaged in trading business, the non-hazardous waste and hazardous waste are not deemed to be material to the Group's business. No related statistics of both non-hazardous waste and hazardous waste produced were recorded. We shall closely follow regulatory changes and update our disclosure accordingly in the future.

USE OF RESOURCES

As per the materiality assessment results, the major environmental impact of the Group lies in the use of electricity and non-hazardous waste generated.

I. ENERGY CONSUMPTION

The world is facing up to historic global warming challenges and the Group strives to save energy and resources through implementation of internal policies and use of advanced technologies persistently as to create a low-carbon and operate in all our business sectors in a sustainable way. For example, at the Group's office and warehouses, the indoor temperature and the running time of air-conditioning system are controlled, and the Group has installed LED lighting system to reduce electricity consumption and carbon emissions.

The Group has established "Reduce, Reuse and Recycle" environmental strategies focusing on the water, electricity and pare usage for its operations. The Group has always devoted in reducing energy consumption. Apart from utilising LED lighting system and natural light, the Group also educates its employees to be more involved in executing our environmental guidelines in order to raise their awareness on energy conservation and environmental protection.

Energy consumption sources	Use of energy	Direct consumption
Petrol	For vehicles	3,929 Litres
Electricity	For daily operation	49,451 Kilowatt per hours

II. WATER CONSUMPTION

Water consumption included only consumption from headquarter office and the warehouses. Since normal daily water consumption is not a material aspect to our business, no water consumption figures were recorded during the Year. The Group will consider accounting for this emission next year or when regulatory changes and demands for its disclosure in a nearer future.

The Group regularly reminds its staff to conserve water resources through publishing notices and reminders. To reduce water consumption, staff are reminded to control tap flow and report any dripping taps or water leakage to relevant department promptly. The Group did not have any issue in sourcing water that is fit for the purpose.

III. USE OF PACKING MATERIALS AND PAPER

The Group prioritises to consume environmental-friendly and sustainable products for its office supplies and encourage recycling in its operations. The Group's existing businesses are not expected to pose a significant use of packaging materials; however, the Group still encourages the employees reduce usage of paper. The Group recommends the employee to handle the informal documents electronically and to use double-sided printing for any documents other than formal and confidential documents. Re-using single-sided paper and recycling doubled-sided used paper are also required. During the Year, the Group used 100.2 KG of printing paper.

ENVIRONMENT AND NATURAL RESOURCES

The Group is committed in building an environmental-friendly corporation that pays close attention to conserve natural resources. To incorporate environmental sustainability into the Group's operations, the Group strives to minimise its environmental impact and move forward to a low-carbon future.

REGULATORY COMPLIANCE

For the year ended 31 December 2019, the Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection relating to air, greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste. The Group's management continuously oversees the implementation of relevant policies and measurements. In addition, the Group's management will adjust and reform the policies from time to time to ensure the achievement of better results.

SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT

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

For the employees in Hong Kong, the Group's human resources policies strictly adhere to the applicable employment laws and regulations in Hong Kong and the PRC. The Group's human resources department reviews and updates relevant company policies in accordance with the latest laws and regulations regularly.

The Group contributes to mandatory provident fund, employees' compensation insurance, social insurances and housing fund for all the staff in a timely manner. The Group determines working hours and rest period for employees in line with employment laws and employment contracts with employees. In addition to statutory holidays such as the basic paid annual leave, employees are also entitled to maternity leave, marriage leave, paternity leave and birthday leave.

During the Year, the Group is not aware of any non-compliance with the laws or regulations relating to employment and labour practices that have a significant impact on the Group.

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

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

As at 31 December 2019, the Group employed 20 employees in total, of which 13 employees were male, while 7 were female. 40% of the employees aged from 31 to 40; while 30% of them aged from 41 to 50; and the remaining of them aged over 51. All of them are under Hong Kong employment. The turnover rate of the Year was 15%

HEALTH AND SAFETY

The Group places strong importance in securing the health and safety of employees and in maintaining workplace safety and comfort for its staff. The Group regularly reviews and monitors potential occupational health and safety risks within the office and warehouses to ensure a safer workplace environment for to the employees.

To provide and maintain a good working conditions and a safe and healthy working environment, the Group's safety and health policies are in line with Occupational Safety and Health Ordinance in Hong Kong and other applicable laws and regulation.

During the Year, the Group is not aware of any non-compliance with the relevant laws and regulation on occupational health and safety that have a significant impact on the Group. The Group has no work-related fatalities and no work-related injuries case during the Year.

DEVELOPMENT AND TRAINING

The Group endeavours to enhance the skills of each employee in various aspects by providing staff trainings. In order to assist employees in reaching the "keep moving" spirit, the Group supports individual learning and self-improvement for our of employees at all levels by providing tailor-made training sessions and education subsidies. The trainings are beneficial for our employees in adopting professional knowledge and improving efficiency in the Group's business operations which also ultimately increase their job satisfaction and morale. The Group has constantly provided on-job education and trainings for its employees to improve their knowledge and expertise.

In the Year, the Group organised training courses which covered the major changes of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and regulations. Directors and senior management of the Group participated in the training to maintain their continuous professional training development and to fulfil their obligations under Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Trainings also provided for the Group's frontline and supporting staff regarding the system usages and products knowledge. The average training hours completed per staff is 2.0 hours.

LABOUR STANDARDS

The Group strictly abides by the Employment Ordinance and other laws and regulations to prohibits any child and forced labour. To combat against illegal employment, the human resources department of the Group is responsible for recruitment which requires the job applicants to provide valid identity documents prior to the confirmation of employment to ensure that the applicants are lawfully employable. The Group prohibits any force of work under threat or duress. The Group encourages the employees to report any suspected case of child or forced labour to the management. If any case is reported, investigation will be carried out and appropriate actions will be taken to prevent future occurrence.

The human resources department of the Group is responsible to monitor and ensure compliance of latest and relevant laws and regulations in relation to the prevention of child labour and forced labour. During the Year, no violation of relevant laws and regulations in relation to the prevention of child labour and forced labour was noted.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

Supply chain management aims to optimise the operation of supply chains at the lowest cost, which enables the efficient operation from procurement to all procedures that satisfy end customers.

Supplier management is essential to the Group regarding its management of partners, whereby a good partner ensures the successful launch of property projects. Hence, the Group emphasises on the supplier selection. The Group assesses every supplier's background, qualification, relevant licences, financial status, past performance and their operation in our supplier selection process to ensure the supplier is operating in good integrity and social responsibility. The Group constantly communicates with the suppliers to enable the suppliers to understand the Group's standards and policies on environmental and social aspects. The Group reviews suppliers' performance and organises site visits on a regularly basis to ensure suppliers fulfill with the Group's standards.

During the Year, the number of suppliers by geographical region is as follows:

Geographical region	Number of suppliers
Hong Kong:	7
United States:	3
Canada:	1

PRODUCT RESPONSIBILITY

The Group endeavours to provide high quality and safe products to the customers. The Group has strict quality control in each operation step: procurement, production and warehousing. The Group tests quality of product samples by paying on-site visits to suppliers in order to select high quality product-suppliers and to ensure the quality of products. In respect of warehouse management, the Group has room temperature warehouse and cold storage warehouse to meet the storage requirement of different products to keep the products in good condition and good quality.

The Group strictly complies with all applicable laws and regulations and obtains all the license in relating to product responsibility. During the Year, the Group is not aware of any non-compliance with the laws or regulations relating to product responsibility issues. The Group follows the guidelines under Hong Kong Department of Health and the Group's policies for any recall of products for safety and health reasons. During the Year, no sold-products was recalled for safety and health reasons.

The Group attaches great importance to maintain customer relationships and values customers' opinions. The Group maintains close communication with the customers in order to obtain better understanding of the customers' expectations and feedbacks. Should any complaint arise, the Group will carefully consider and investigation will be carried out to identify the issues. During the Year, the Group did not receive any complaints or requests for sales return.

DATA PRIVACY

Protecting the security and privacy of stakeholders' personal data is important to the Group. The Group ensures compliance with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and other statutory requirements to meet a high standard of security and confidentiality of personal data privacy protection. The following data protection principles are adopted in preserving proper security and use of data:

- We only collect personal data that are relevant and required for our businesses;
- We will not share personal data to any entity that is not a member of the Group without consent unless it is required by law or it was previously notified; and
- We maintain appropriate data collection, storage, and processing practices and security measures to protect against unauthorised access to personal information.

During the Year, no complaints regarding breaches of customer data and privacy were received, and no reported incident of non-compliance with laws and regulations relating to product responsibility.

INTELLECTUAL PROPERTY

The Group respects intellectual property rights, including but not limited to trademarks, patents, copyrights and designs in the preparation of marketing and communication materials. The Group requires its staff's to comply with regulatory requirements in collecting, holding, processing, disclosing and using personal information, as well as protecting confidential information received in the course of business. Consents are required prior to usage of any trademarks.

ANTI CORRUPTION

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption, such as the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and bribery irrespective of the area or country where the Group is conducting business. The Group has formulated and strictly enforced anti-corruption policies pursuant to which the Group will not tolerate any form of corruption. All employees are expected to discharge their duties with integrity and self-discipline. They should abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which may exploit their positions against the Group's interests in the course of business.

The Group has issued relevant whistle-blowing procedures in setting up a private communication channel on reporting suspicious fraudulent actions to the Group's management directly. In addition, when the Group cooperates with external parties, the Group implements proper internal control process and tendering process to prevent any potential threats on corruption.

During the Year, there is no legal case regarding corrupt practices brought against the Group or its employees. The Group will continue to review and improve the internal control and corporate governance to maintain high standard of ethics and integrity in all business operations.

COMMUNITY INVESTMENT

The Group emphasises the importance of social responsibility awareness to its staff and encourages them to participate in social activities and charitable activities.

The Group believes in people-oriented management principle, carries out a variety of activities in fulfilling our social responsibilities, actively pursues social contribution initiatives and strives to create a sustainable and harmonious society.

The Group encourages its employees to dedicate their time and skills to supporting the local communities and encourages its business partners to implement and improve corporate social responsibility policies. The Group strives to develop long-term relationship with our stakeholders and brings a positive impact on community development.

During the Year, the Group mainly allocated its resources on business expansion, which resulted a less contribution to community investment. In the coming years, the Group shall review policies in relation to community investment and explore the feasibility of increasing community investment activities.

Independent Auditor's Report

bakertilly
天職國際

Independent auditor's report to the shareholders of
Qianhai Health Holdings Limited
前海健康控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 50 to 139, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of 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 consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter	How the matter was addressed in our audit
Impairment of trade receivables	
Refer to Notes 4(B) and 18 to the consolidated financial statements. As at 31 December 2019, the Group had gross trade receivables of HK$257,101,000 (2018: HK$28,392,000) and provision for loss allowance of HK$3,099,000 (2018: HK$Nil). Management performed the impairment assessment of trade receivables as at 31 December 2019 based on information including but not limited to, aging of trade receivables, past repayment history, subsequent settlement status and financial capability of the customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the magnitude of the trade receivable balances and the significant management judgements and estimates in determining the expected loss allowance of the trade receivables.	Our procedures in this area included: • Understanding the status of each of the receivables that was past due through discussions with management and the sales team; • Checking, on a sample basis, the accuracy of the trade receivables aging analysis used by management to estimate the appropriate provision for loss allowance; • Checking, on a sample basis, the subsequent settlement of trade receivables by customers after year end date; • Evaluating management's assessment and explanations on each of the significant trade receivables that were past due as at 31 December 2019 with reference to supporting evidence such as payment history of the customers, correspondences with customers and search of the customers' public profiles; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. Based on the procedures performed, we found that management's judgements and estimates of impairment of trade receivables are supported by available evidence.

The Key Audit Matter	How the matter was addressed in our audit
Net realisable value of inventories	
Refer to Notes 4(B) and 18 to the consolidated financial statements. At 31 December 2019, the Group held inventories of HK$196,241,000, net of inventory provision of HK$Nil (2018: HK$41,131,000, net of inventory provision of HK$32,311,000). Inventories are carried at the lower of cost and net realisable value ("**NRV**") in the consolidated financial statements. Management estimated the NRV of inventories at 31 December 2019 based on the estimated selling price less cost to sell, which required significant judgements and assumptions to be made to determine the estimated selling price. The determination of estimated selling price of individual products is based on historical experience of sale of different products, expectation of future sales based on current market conditions and latest selling price subsequent to year end date. The estimations may change as a result of future changes of market demand and management's sales and pricing strategy. We focused on this area due to significant management estimates and judgements were involved in determining the NRV for inventories, which was material to the consolidated financial statements.	Our procedures in this area included: • Understanding, evaluating and validating the key controls management adopted to determine the estimated selling price for different products; • Evaluating, the estimated selling price for different products based on discussion with management about the latest sales pattern and their sales and pricing strategy with reference to our knowledge on market demand and market trend of different products and comparing the estimated selling price with information of historical sales data and orders received subsequent to the year end; and • Checking, on a sampling basis, the NRV calculation prepared by management based on the estimated selling price and the inventory quantity as at the year end. Based on the procedures performed, we found management's judgements and assumptions made on the determination of NRV to be supported by the available evidence.

OTHER INFORMATION

The directors of the Company ("**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 (the "**other information**").

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

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

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

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Tong Wai Hang.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong,
Tong Wai Hang
Practising certificate number P06231

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	*5*	**587,808**	78,047
Cost of sales	*6*	**(555,125)**	(75,044)
Gross profit		**32,683**	3,003
Other income	*7*	**17,777**	23,277
Other gains/(losses), net	*8*	**1,159**	(5,241)
Selling and distribution expenses	*6*	**(933)**	(3,678)
Administrative expenses	*6*	**(21,141)**	(30,961)
Finance costs	*10*	**(1,442)**	(233)
Operation profit/(loss)		**28,103**	(13,833)
Share of profit of an associate accounted for using the equity method	*16(B)*	**–**	8,830
Share of loss of a joint venture accounted for using the equity method	*16(A)*	**(1,388)**	(13)
Profit/(loss) before income tax		**26,715**	(5,016)
Income tax credit	*11*	**–**	10,049
Profit for the year		**26,715**	5,033
Profit for the year attributable to:			
– Owners of the Company		**26,715**	5,071
– Non-controlling interests		**–**	(38)
		26,715	5,033
		HK cents	HK cents
Earnings per share			
Basic and diluted	*13*	**1.58**	0.30

The notes on pages 58 to 139 are on integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Profit for the year		**26,715**	5,033
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations, net of nil tax		**(923)**	(14,372)
Reclassification adjustment on exchange differences released upon disposal of subsidiaries, net of nil tax	*29*	**–**	541
Other comprehensive loss for the year		**(923)**	(13,831)
Total comprehensive income/(loss) for the year		**25,792**	(8,798)
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the Company		**25,792**	(7,440)
– Non-controlling interests		**–**	(1,358)
		25,792	(8,798)

The notes on pages 58 to 139 are on integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**35,368**	4,017
Investment property	*15*	**94,800**	92,500
Interests in a joint venture	*16(A)*	**113,423**	115,823
Loan to a joint venture	*18*	**33,600**	33,900
Total non-current assets		**277,191**	246,240
Current assets			
Inventories	*17*	**196,241**	41,131
Trade and other receivables	*18*	**264,113**	75,901
Loan and interest receivables	*19*	**28,546**	183,666
Financial assets at fair value through profit or loss	*20*	**–**	7,290
Cash and cash equivalents	*21*	**19,999**	138,304
Total current assets		**508,899**	446,292
Total assets		**786,090**	692,532
EQUITY			
Equity attributable to owners of the Company			
Share capital	*26(A)*	**67,710**	67,710
Reserves	*26(B)*	**594,703**	567,847
Total equity		**662,413**	635,557

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*24*	**859**	68
Total non-current liabilities		**859**	68
Current liabilities			
Trade and other payables	*22*	**15,970**	49,816
Contract liabilities	*23*	**31,246**	7,000
Lease liabilities	*24*	**964**	91
Bank borrowings	*25*	**74,638**	–
Total current liabilities		**122,818**	56,907
Total liabilities		**123,677**	56,975
Total equity and liabilities		**786,090**	692,532

The consolidated financial statements on pages 50 to 139 were approved by the Board of Directors on 26 March 2020 and were signed on its behalf by:

Xu Keli
Director

Lam Hin Chi
Director

The notes on pages 58 to 139 are on integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Exchange reserve	Share option reserve	Retained profits/ (accumulated deficits)	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	68,016	1,523,446	8,249	7,812	72,476	(1,014,496)	665,503	7,200	672,703
Comprehensive income									
Profit for the year	–	–	–	–	–	5,071	5,071	(38)	5,033
Other comprehensive income									
Exchange differences arising from translation of foreign operations, net of nil tax	–	–	–	(13,052)	–	–	(13,052)	(1,320)	(14,372)
Reclassification adjustment on exchange differences released upon disposal of subsidiaries, net of nil tax	–	–	–	541	–	–	541	–	541
Other comprehensive loss for the year	–	–	–	(12,511)	–	–	(12,511)	(1,320)	(13,831)
Total comprehensive loss for the year	–	–	–	(12,511)	–	5,071	(7,440)	(1,358)	(8,798)
Transactions with owners in their capacity as owners									
Repurchase of shares *(Note 26(A)(ii))*	(306)	(5,196)	–	–	–	–	(5,502)	–	(5,502)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	12,200	12,200
Deemed disposal of a subsidiary *(Note 30)*	–	–	–	–	–	–	–	(18,042)	(18,042)
Dividend declared and paid *(Note 12)*	–	–	–	–	–	(17,004)	(17,004)	–	(17,004)
Transfer between reserves *(Note 26(B)(i))*	–	(1,518,250)	–	–	–	1,518,250	–	–	–
Lapse of share options	–	–	–	–	(72,476)	72,476	–	–	–
Total transactions with owners in their capacity as owners	(306)	(1,523,446)	–	–	(72,476)	1,573,722	(22,506)	(5,842)	(28,348)
At 31 December 2018	67,710	–	8,249	(4,699)	–	564,297	635,557	–	635,557

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2019	67,710	8,249	(4,699)	–	564,297	635,557
Comprehensive income						
Profit for the year	–	–	–	–	26,715	26,715
Other comprehensive income						
Exchange differences arising from translation of foreign operations, net of nil tax	–	–	(923)	–	–	(923)
Other comprehensive loss for the year	–	–	(923)	–	–	(923)
Total comprehensive income for the year	–	–	(923)	–	26,715	25,792
Transactions with owners in their capacity as owners						
Equity-settled share-based payments	–	–	–	1,064	–	1,064
Total transactions with owners in their capacity as owners	–	–	–	1,064	–	1,064
At 31 December 2019	67,710	8,249	(5,622)	1,064	591,012	662,413

The notes on pages 58 to 139 are on integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Profit/(loss) before income tax	**26,715**	(5,016)
Adjustments for:		
Depreciation of property, plant and equipment	**2,408**	1,867
Interest expense	**1,442**	233
Changes in fair value of investment property	**(2,300)**	(1,500)
Loss/(gain) on disposal of property, plant and equipment	**1,836**	(6,685)
Interest income	**(17,777)**	(22,587)
Equity-settled share-based payment expenses	**1,064**	–
Changes in fair value of financial assets at fair value through profit or loss	**–**	3,388
Gain on disposal of subsidiaries	**–**	(3,722)
Gain on deemed disposal of a subsidiary	**–**	(616)
Loss allowance for expected credit losses on trade receivables	**3,099**	–
Realised loss on disposal of financial assets at fair value through profit or loss	**445**	1,203
Share of profit of an associate accounted for using the equity method	**–**	(8,830)
Share of loss of a joint venture accounted for using the equity method	**1,388**	13
Gain on derecongition of right-of-use assets and liabilities arising from early termination of lease	**(535)**	–
Reversal of provision of variable lease expense	**(3,277)**	–
Provision for inventory write-down	**–**	15,027
Operating cash inflow/(outflow) before changes in working capital	**14,508**	(27,225)
Increase in trade and other receivables	**(231,311)**	(11,456)
(Increase)/decrease in inventories	**(155,110)**	7,524
(Decrease)/increase in trade and other payables	**(31,139)**	3,187
Increase/(decrease) in contract liabilities	**24,246**	(2,862)
Cash used in operations	**(378,806)**	(30,832)
Hong Kong Profits Tax refunded, net	**–**	108
Net cash used in operating activities	**(378,806)**	(30,724)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash flows from investing activities		
Interest received from banks	**755**	433
Interest received from a joint venture	**115**	171
Interest received from loan receivables	**25,746**	15,017
Purchases of property, plant and equipment	**(33,128)**	(28,505)
Purchases of financial assets at fair value through profit or loss	**–**	(10,099)
Loans to third parties	**(171,000)**	(150,500)
Repayments from third parties	**317,281**	123,000
Proceeds from disposal of property, plant and equipment	**157**	20,145
Proceeds from disposal of financial assets at fair value through profit or loss	**6,845**	6,248
Proceed in relation to the disposal of subsidiaries	**40,000**	–
Net cash inflow on disposal of subsidiaries	**–**	72,500
Net cash outflow on deemed disposal of a subsidiary	**–**	(35,622)
Net cash generated from investing activities	**186,771**	12,788
Cash flows from financing activities		
Interest paid on bank borrowings	**(628)**	(309)
Proceeds from bank borrowings	**102,177**	–
Repayments of bank borrowings	**(27,539)**	(15,032)
Principal element of lease payments	**(431)**	(91)
Interest element of lease payments	**(244)**	–
Capital injection from non-controlling interests	**–**	12,200
Share repurchased	**–**	(5,502)
Dividends paid	**–**	(17,004)
Net cash generated from/(used in) financing activities	**73,335**	(25,738)
Net decrease in cash and cash equivalents	**(118,700)**	(43,674)
Cash and cash equivalents at beginning of the year	**138,304**	183,453
Effect of change of foreign exchange rate	**395**	(1,475)
Cash and cash equivalents at end of the year	**19,999**	138,304

The notes on pages 58 to 139 are on integral part of the consolidated financial statements.

1 GENERAL INFORMATION

Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in sale of health-care products and electronic components products.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. Following the change of the controlling shareholder of the Company on 1 February 2019, the Company's immediate and ultimate holding company became Explorer Rosy Limited ("**Explorer Rosy**"), a company incorporated in the British Virgin Islands (the "**BVI**"). The ultimate beneficial owners of Explorer Rosy are Mr. Huang Guanchao and Mr. Lim Tzea. The address of the Company's registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 301-3, 3/F., Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. The consolidated financial statements have been approved for issue by the board of directors of the Company on 26 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

(A) COMPLIANCE WITH HKFRS AND HKCO

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

(B) HISTORICAL COST CONVENTION

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION (CONTINUED)

(C) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards, amendments to standards and annual improvements for the first time for their annual reporting period commencing 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRS 2015-2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adoption HKFRS 16. For details, please refer to Note 2.2. The other amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2019 and have not been early adopted by the Group are as follows:

Standards	**Key requirements**	**Effective for annual periods beginning on or after**
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of the new or revised standards that have been issued but either not yet effective for the financial period beginning 1 January 2019 or not been early adopted by the Group which are relevant to the Group's operation. The Group believes that the application of amendments to HKFRSs, amendments to HKASs and the new interpretations is unlikely to have a material impact on the Group's statement of financial position and performance as well as disclosure in the future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" ("**HKFRS 16**") on the Group's consolidated financial statements and the new accounting policies as disclosed in Note 2.24 that has been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

(I) PRACTICAL EXPEDIENTS APPLIED

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(II) MEASUREMENT OF LEASE LIABILITIES

	HK$'000
Operating lease commitments at 31 December 2018	9,376
Discounted using the lessee's incremental borrowing rate of at the date of initial application	8,438
Add: finance lease liabilities recognised as at 31 December 2018	159
Less: short-term leases not recognised as a liability	(1,705)
Lease liabilities recognised as at 1 January 2019	6,892
Of which are:	
Current lease liabilities	1,376
Non-current lease liabilities	5,516
	6,892

(III) MEASUREMENT OF RIGHT-OF-USE ASSETS

The associated right-of-use assets in relation to leases previously classified as operating leases have been recognised at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 *CHANGES IN ACCOUNTING POLICIES (CONTINUED)*

(IV) ADJUSTMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 1 JANUARY 2019

The change in accounting policy affected the following items in the consolidated statement of financial position at 1 January 2019:

	HK$'000
Assets	
Increase in property, plant and equipment	6,733
Increase in total assets	6,733
Liabilities	
Increase in lease liabilities	6,892
Decrease in obligations under finance leases	(159)
Increase in total liabilities	6,733

There was no impact on retained profits and equity at 1 January 2019.

(V) IMPACT ON THE FINANCIAL RESULT AND CASH FLOWS OF THE GROUP

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the statement of cash flows, the Group, as a lessee, is required to split rentals paid under capitalised leases into their capital element and interest element (see Note 24). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the consolidated statement of cash flows.

(VI) LESSOR ACCOUNTING

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(A) SUBSIDIARIES

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

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

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

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

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(B) ASSOCIATE

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (CONTINUED)

(C) JOINT VENTURE

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. Investment in a joint venture is accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(D) EQUITY ACCOUNTING

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (CONTINUED)

(D) EQUITY ACCOUNTING *(CONTINUED)*

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

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

2.4 SEPARATE FINANCIAL STATEMENTS

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

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

2.5 SEGMENT REPORTING

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL AND PRESENTATION CURRENCY

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

(B) TRANSACTIONS AND BALANCES

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

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

(C) GROUP COMPANIES

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(D) DISPOSAL OF FOREIGN OPERATION AND PARTIAL DISPOSAL

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

2.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

2.8 INVESTMENT PROPERTY

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

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS

(A) CLASSIFICATION

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(A) CLASSIFICATION *(CONTINUED)*

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 3.4 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(B) RECOGNITION AND DERECOGNITION

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

(C) MEASUREMENT

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains or losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. Interest income from these financial assets is included in finance income or other income using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(C) MEASUREMENT *(CONTINUED)*

DEBT INSTRUMENTS *(CONTINUED)*

- Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains or losses – net. Interest income from these financial assets is included in finance income or other income using the effective interest method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in profit or loss.

- Fair value through profit or loss ("**FVPL**"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in profit or loss within other losses or gains, net in the period in which it arises.

EQUITY INSTRUMENTS

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains or losses, net in the profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(D) IMPAIRMENT

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the financial assets measured at amortised cost (including loan to a joint venture, trade and other receivables, loan and interest receivables, cash and cash equivalents).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(D) IMPAIRMENT *(CONTINUED)*

MEASUREMENT OF ECLS

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(D) IMPAIRMENT *(CONTINUED)*

SIGNIFICANT INCREASES IN CREDIT RISK

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

– Failure to make payments of principal or interest on their contractually due dates;

– An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– An actual or expected significant deterioration in the operating results of the debtor; and

– Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(D) IMPAIRMENT *(CONTINUED)*

BASIS OF CALCULATION OF INTEREST INCOME

Interest income recognised in accordance with Note 2.23 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

WRITE-OFF POLICY

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 OFFSETTING FINANCIAL INSTRUMENTS

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

2.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contains significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10(B) for further information about the Group's accounting for trade receivables and Note 2.10(D) and 3.1(C) for a description of the Group's impairment policies.

2.14 CASH AND CASH EQUIVALENTS

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

2.15 SHARE CAPITAL

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

2.16 TRADE AND OTHER PAYABLES, AND CONTRACT LIABILITIES

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 TRADE AND OTHER PAYABLES, AND CONTRACT LIABILITIES (CONTINUED)

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (Note 2.22). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (Note 2.13).

2.17 BORROWINGS

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 CURRENT AND DEFERRED INCOME TAX

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

(A) CURRENT INCOME TAX

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

(B) DEFERRED INCOME TAX

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 EMPLOYEE BENEFITS

(A) SHORT-TERM OBLIGATIONS

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

(B) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

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

(C) POST-EMPLOYMENT OBLIGATIONS

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

DEFINED CONTRIBUTION PLAN

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 EMPLOYEE BENEFITS (CONTINUED)

(D) PROFIT-SHARING AND BONUS PLANS

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

(E) TERMINATION BENEFITS

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

2.20 SHARE-BASED PAYMENT

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

SHARE OPTIONS

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when a performance obligation is satisfied, i.e. when control over a product underlying the particular performance obligation is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled.

(A) SALE OF GOODS

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

The Group sells a range of health-care products and electronic components in the market. Sale of goods are recognised when the Group has delivered products to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The Group normally does not accept any returns from customers. Delivery occurs when the products have been collected at the specified location and the control of promised goods have been transferred to the customers, given that the customers are satisfied with conditions of goods and has ability to direct the use of products.

(B) RENTAL INCOME

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 INTEREST INCOME

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

2.24 LEASES

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 14). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 LEASES (CONTINUED)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based 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 that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 LEASES (CONTINUED)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2018

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

(A) FOREIGN EXCHANGE RISK

The Group primarily operated in Hong Kong. It is also exposed to foreign exchange risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in foreign currencies other than the functional currency of the entities within the Group. The currencies giving rise to this risk are primarily CAD and USD.

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

As Hong Kong dollar is pegged to United States dollar, the Group considers the risk of movements in exchange rate between Hong Kong dollar and United States dollar to be insignificant.

As at 31 December 2019, if CAD had strengthened/weakened by 5% (2018: 5%) against HK$, with all other variables held constant, post-tax profit (2018: profit) for the year would have been approximately HK$592,000 lower/higher (2018: HK$1,818,000 lower/higher) as a result of foreign exchange losses/gains (2018: losses/gains) on translation of CAD denominated assets and liabilities.

(B) INTEREST RATE RISK

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from cash at banks and bank borrowings with floating rate, and loan to a joint venture and loan receivables with fixed rate. In view of the current market interest rate, the management considered that the effect of interest rate change on the balances with banks carrying interest at prevailing market rate does not have significant impact to the Group.

As at 31 December 2019, if interest rates on net exposures of variable-rate interest-bearing bank borrowings had been 30 basis points (2018: 30 basis points) higher/lower with all other variables held constant, post-tax profit (2018: profit) for the year of the Group would have been approximately HK$187,000 lower/higher (2018: HK$77,000 higher/lower) due to net interest expense paid (2018: income earned) on market interest rate.

As at 31 December 2019 and 2018, the Group's loan receivables are all issued at fixed rates which expose the Group to fair value interest rate risk. Management considers the fair value exposure of the fixed rate loan receivables is insignificant to the Group.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(C) CREDIT RISK

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

	2019 HK$'000	2018 HK$'000
Trade and other receivables		
– Trade receivables	**254,002**	28,392
– Loan to a joint venture	**33,600**	33,900
– Consideration receivable	**–**	40,000
– Other receivables	**526**	593
Loan and interest receivables	**28,546**	183,666
Cash deposited at banks	**19,999**	138,304
	336,673	424,855

TRADE RECEIVABLES

Sales to customers are required to be settled by partial prepayment in advance following a 30 to 90 days credit period. In order to minimise the credit risk, management is responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade receivables. Normally, the Group does not hold any collateral over trade receivables. In addition, the management reviews the recoverable amount of each individual debt regularly. The Group considered the associated credit risk of trade receivables and debtors are manageable in general.

The Group has a concentration of credit risk from trade receivables from certain customers. For the year ended 31 December 2019, the top customer accounted for approximately 32% (2018: 38%) of the Group's revenue. As at 31 December 2019, all the Group's gross trade receivables were contributed from ten (2018: four) customers in which the Group has a certain concentration risk as 18% (2018: 38%) and 58% (2018: 100%) of the trade debtors was due from the largest customer and the four largest customers respectively.

The Group applies the HKFRS 9 simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade receivables.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(C) CREDIT RISK *(CONTINUED)*

TRADE RECEIVABLES *(CONTINUED)*

The Group categorises its trade receivables based on geographical location with the shared risk characteristics and the days past due as well as the factors stated in Note 4(B) to measure the ECLs.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and 2018:

	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	HK$'000	HK$'000	HK$'000
As at 31 December 2019				
Current (not past due)	**0.63%**	**245,631**	**1,544**	**244,087**
Within 30 days past due	**1.88%**	**7,295**	**137**	**7,158**
31 to 90 days past due	**9.08%**	**595**	**54**	**541**
91 to 180 days past due	**38.10%**	**3,580**	**1,364**	**2,216**
		257,101	**3,099**	**254,002**
As at 31 December 2018				
Current (not past due)	–	2,634	–	2,634
Within 30 days past due	–	19,226	–	19,226
181 to 365 days past due	–	6,532	–	6,532
		28,392	–	28,392

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	HK$'000
Opening loss allowance at 1 January 2019	–
Loss allowance recognised during the year	3,099
Closing loss allowance at 31 December 2019	3,099

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(C) CREDIT RISK *(CONTINUED)*

LOAN AND INTEREST RECEIVABLES

The Group manages and analyses the credit risk for each of their new borrowers before making loans to them and offering the terms and conditions. The directors of the Company would evaluate the credit quality of the borrower by assessing the identity, background, financial position, listed equity investments held in a security service company, purpose of borrowings, etc. The Group may request for collateral after granting the loan, if necessary. Over the terms of the loans, management of the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis by reference to each of the borrower's financial capabilities and their repayment history, and adjust with current and forward looking economic conditions. As at 31 December 2019, the outstanding loan and interest receivables were from the loans made to two (2018: five) third parties.

The following table provides information about the Group's exposure to credit risk and ECLs for loan and interest receivables as at 31 December 2019 and 2018:

	2019 **HK$'000**	2018 HK$'000
Current (not past due)	**–**	157,854
31 to 90 days past due	**28,546**	25,812
	28,546	183,666

Included in the Group's loan and interest receivables balance as at 31 December 2019 are borrowers with aggregate carrying amount of HK$28,546,000 (2018: HK$25,812,000), which were past due at the reporting date, and regarded as occasional delay and did not constitute a significant increase in credit risk as the management has reviewed those borrowers with strong capacity to meet the contractual cash flow and satisfactory repayment history. The directors of the Company are of the opinion that aggregate risks arising from the possibility of credit losses are not significant and no allowance for credit losses were made as at 31 December 2019 and 2018.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(C) CREDIT RISK *(CONTINUED)*

CASH DEPOSITED AT BANKS AND OTHER RECEIVABLES

As at 31 December 2019 and 2018, all cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses by these counterparties.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Those balances are assessed by the management of the Group as low risk of default with no any indicator to trigger a significant increase in credit risk nor deterioration of credit quality, since the relevant counterparties have strong capacity to meet the contractual cash flow.

(D) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet the cash outflows of its financial liabilities.

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(D) LIQUIDITY RISK *(CONTINUED)*

	Within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000
As at 31 December 2019			
Trade and other payables	**15,970**	**–**	**15,970**
Lease liabilities	**1,028**	**880**	**1,908**
Bank borrowings	**79,739**	**–**	**79,739**
	96,737	**880**	**97,617**
As at 31 December 2018			
Trade and other payables	49,816	–	49,816
Lease liabilities	91	68	159
	49,907	68	49,975

3.2 *CAPITAL MANAGEMENT*

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

The capital structure of the Group consists of borrowings and lease liabilities, less cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium, other reserves and retained profits/accumulated deficits as disclosed in the consolidated statement of changes in equity.

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

The Group monitors capital on the basis of the gearing ratio as at 31 December 2019 and 2018. This ratio is calculated as net debts divided by total equity. Net debts is calculated as bank borrowings and lease liabilities, less cash and cash equivalents, as shown in the consolidated statement of financial position. Total equity represents the balance as "Total equity" shown in the consolidated statement of financial position.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 *CAPITAL MANAGEMENT (CONTINUED)*

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. Accordingly, the net cash/debts position as at 1 January 2019 have been adjusted.

	31 December 2019 HK$'000	1 January 2019 HK$'000	31 December 2018 HK$'000
Lease liabilities *(Note 24)*	**1,823**	6,892	159
Bank borrowings *(Note 25)*	**74,638**	–	–
Less: cash and cash equivalents	**(19,999)**	(138,304)	(138,304)
Net debts/(cash)	**56,462**	(131,412)	(138,145)
Total equity	**662,413**	635,557	635,557
Gearing ratio	**8.52%**	N/A	N/A

Net cash position was noted as at 1 January 2019 and 31 December 2018.

3.3 *FAIR VALUE ESTIMATION*

(A) FINANCIAL ASSETS AND LIABILITIES

(I) FAIR VALUE HIERARCHY

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION *(CONTINUED)*

(A) FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

(I) FAIR VALUE HIERARCHY *(CONTINUED)*

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Recurring fair value measurements				
At 31 December 2018				
Financial assets				
Financial assets at fair value through profit or loss				
– listed equity securities *(Note)*	7,290	–	–	7,290

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

Note: During the year ended 31 December 2019, all the listed equity securities were disposed and no any balances of financial instruments measured at fair value existed as at 31 December 2019.

Level 1 The fair value of all identical financial instruments or non-financial assets/liabilities traded in active markets is based on quoted market prices at the end of the reporting period.

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

Level 3 If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION *(CONTINUED)*

(B) NON-FINANCIAL ASSETS AND LIABILITIES

(I) FAIR VALUE HIERARCHY

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

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2019				
Investment property				
– residential property in				
Hong Kong ("**Property I**")	**–**	**–**	**94,800**	**94,800**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2018				
Investment property				
– residential property in				
Hong Kong ("**Property I**")	–	–	92,500	92,500

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION *(CONTINUED)*

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

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

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

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

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

The following table presents the changes in level 3 items for the years ended 31 December 2019 and 2018 for recurring fair value measurements:

	Property I	**Property II**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2018	91,000	15,168	106,168
Disposal	–	(15,168)	(15,168)
Change in fair value	1,500	–	1,500
At 31 December 2018 and 1 January 2019	**92,500**	**–**	**92,500**
Change in fair value	**2,300**	**–**	**2,300**
At 31 December 2019	**94,800**	**–**	**94,800**

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION *(CONTINUED)*

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

(IV) VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE

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

Properties	HK$'000	Valuation techniques(s) and key input(s)	Significant unobservable input(s)	Range of unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2019					
Property I – property in Hong Kong	94,800	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: (1) Property size (2) Property floor level	Price per square feet, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	Property I: HK$23,732 – HK$43,784 per square feet	(1) The larger the property size, the higher the fair value. (2) The higher the floor level, the higher the price per square feet and the fair value.
At 31 December 2018					
Property I – property in Hong Kong	92,500	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: (1) Property size (2) Property floor level	Price per square feet, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	Property I: HK$27,609 – HK$40,593 per square feet	(1) The larger the property size, the higher the fair value. (2) The higher the floor level, the higher the price per square feet and the fair value.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.4 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Assets as per consolidated statement of financial position			
At 31 December 2019			
Trade and other receivables	**288,128**	**–**	**288,128**
Loan and interest receivables	**28,546**	**–**	**28,546**
Cash and cash equivalents	**19,999**	**–**	**19,999**
Total	**336,673**	**–**	**336,673**
At 31 December 2018			
Trade and other receivables	102,885	–	102,885
Loan and interest receivables	183,666	–	183,666
Financial assets at fair value through profit or loss	–	7,290	7,290
Cash and cash equivalents	138,304	–	138,304
Total	424,855	7,290	432,145

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.4 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
At 31 December 2019	
Trade and other payables	**15,970**
Lease liabilities	**1,823**
Bank borrowings	**74,638**
Total	**92,431**
At 31 December 2018	
Trade and other payables	49,816
Lease liabilities	159
Total	49,975

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The critical accounting judgements in applying the Group's accounting policies are described below.

(A) NET REALISABLE VALUE OF INVENTORIES

Determining whether a write-down is necessary in the carrying amount of inventories is based on a comparison of whether the historical value of the inventories is greater than their estimated selling price less all the related costs related to the selling process. In addition, a detailed physical examination and quality tests are also carried out in order to obtain an indication of realisable values. Once the carrying amount of the inventories is higher than their net realisable values, a write-down will be made so that the carrying amount of inventories would not be higher than their net realisable values. As at 31 December 2019, the carrying amount of inventories was HK$196,241,000 (2018: HK$41,131,000).

(B) IMPAIRMENT OF TRADE RECEIVABLES

The Group considers the ECLs of trade receivables are based on management's estimate of the lifetime expected credit losses which is taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history, collection status subsequent to year end, customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's trade receivables are disclosed in notes 3.1(C) and 18 respectively. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

As at 31 December 2019, the carrying amount of trade receivables, net of loss allowance was HK$254,002,000 (2018: HK$28,392,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(C) IMPAIRMENT OF LOAN AND INTEREST RECEIVABLES

The measurement of impairment of loan and interest receivables requires judgement and estimation on the amount and timing of future cash flows with, in particular, assessment of the collateral values and a significant increase in credit risk. During the judgement process, the impairment of loan and interest receivables is assessed on 12-month ECL basis as there has been no significant increase in credit risk since initial recognition unless there has been a significant increase in credit risk of the receivables, in which case the loss allowance is measured at an amount equal to lifetime ECL. In measuring whether the credit risk of receivables has increased significantly, the management has taken into accounts occurrence of default event and aging of overdue receivables with recurrent assessment of adjusted collateral values for the recovery and both the current and forecast general economic conditions.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan and interest receivables are disclosed in Notes 3.1(C) and 19 respectively. As at 31 December 2019, the carrying amount of loan and interest receivables was HK$28,546,000 (2018: HK$183,666,000).

5 REVENUE AND SEGMENT INFORMATION

(A) REVENUE

Revenue represents the sale value of health-care products and electronic components supplied to customers, which is recognised at point in time.

(B) SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, which are the executive directors of the Company, for the purpose of allocating resources to the segments and to assess their performance which focus on the sale of different types of products from different business lines.

For the year ended 31 December 2019, in order to sustain the Group's development, the Group has introduced one more business line, sale of electronic components products. Specifically, the Group's reportable and operating segments have been identified as follows:

(i) Health-care products: sale of health-care products (including Chinese herbal medicines, skin-care and other health-care products); and

(ii) Electronic component products: sale of information technology components products (including central processing unit and semi-conductors).

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(B) SEGMENT INFORMATION (CONTINUED)

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

	Health-care products HK$'000	**Electronic components products HK$'000**	**Total HK$'000**
Year ended 31 December 2019			
Segment revenue	**420,689**	**167,119**	**587,808**
Cost of sales	**(395,889)**	**(159,236)**	**(555,125)**
Segment result	**24,800**	**7,883**	**32,683**

	Health-care products HK$'000	Electronic components products HK$'000	Total HK$'000
Year ended 31 December 2018			
Segment revenue	78,047	–	78,047
Cost of sales	(75,044)	–	(75,044)
Segment result	3,003	–	3,003

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(B) SEGMENT INFORMATION (CONTINUED)

	2019 HK$'000	2018 HK$'000
Segment results	**32,683**	3,003
Unallocated		
Other income	**17,777**	23,277
Other gains/(losses), net	**1,159**	(5,241)
Selling and distribution expenses	**(933)**	(3,678)
Administrative expenses	**(21,141)**	(30,961)
Finance costs	**(1,442)**	(233)
Share of profit of an associate accounted for using the equity method	**–**	8,830
Share of loss of a joint venture accounted for using the equity method	**(1,388)**	(13)
Profit/(loss) before income tax	**26,715**	(5,016)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2018 and 2019.

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

SEGMENT ASSETS AND LIABILITIES

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

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

GEOGRAPHICAL INFORMATION

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

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

	2019	2018
	HK$'000	HK$'000
Non-current assets		
The People's Republic of China (the "**PRC**")	**114,104**	119,566
Hong Kong	**129,487**	92,774
	243,591	212,340

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from major customers, each of whom amounted to 10% or more of total revenue of the Group, is set out below:

	2019	2018
	HK$'000	HK$'000
Customer A	**188,700**	N/A#
Customer B	**67,141**	29,984
Customer C	**N/A***	16,457
Customer D	**N/A***	12,541
Customer E	**N/A***	9,862
Customer F	**N/A***	8,897

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

\# No revenue was contributed to the Group in last year as this is a new customer.

Note: Revenue from the major customers above for each of whom amounted to 10% or more of total revenue of the Group were contributed from the segment of sale of health-care products during both the current and prior year.

6 EXPENSES BY NATURE

	2019 HK$'000	2018 HK$'000
Auditor's remuneration		
– Audit services	**880**	880
– Non-audit services	**–**	–
Cost of inventories sold	**555,125**	75,044
Employee benefit expense *(Note 9)*	**8,582**	11,525
Depreciation of property, plant and equipment *(Note 14)*	**2,408**	1,867
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 *(Note 14)*	**–**	5,834
Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019 *(Note 14)*	**2,712**	–
Transportation expenses	**242**	418
Legal and professional fee	**2,470**	1,867
Insurance expense	**448**	534
Office expense	**606**	4,738
Consultancy fee	**621**	1,200
Others	**3,105**	5,776
Total cost of sales, selling and distribution expenses and administrative expenses	**577,199**	109,683

7 OTHER INCOME

	2019 HK$'000	2018 HK$'000
Interest income from loan receivables	**16,907**	21,983
Interest income from bank deposits	**755**	433
Interest income from a joint venture	**115**	171
Rental income	**–**	666
Sundry income	**–**	24
	17,777	23,277

8 OTHER (LOSSES)/GAINS, NET

	2019 HK$'000	2018 HK$'000
(Loss)/gain on disposal of property, plant and equipment	**(1,836)**	6,685
Gain on disposal of subsidiaries *(Note 29)*	**–**	3,722
Gain on deemed disposal of a subsidiary *(Note 30)*	**–**	616
Fair value gain of investment property *(Note 15)*	**2,300**	1,500
Fair value loss of financial assets at fair value through profit or loss	**–**	(3,388)
Inventory write-down *(Note 17)*	**–**	(15,027)
Gain on derecognition of right-of-use assets and lease liabilities arising from early termination of lease *(Note 14)*	**535**	–
Realised loss on disposal of financial assets at fair value through profit or loss	**(445)**	(1,203)
Exchange gain, net	**427**	1,854
Reversal of provision of variable lease expense *(Note 14)*	**3,277**	–
Loss allowance for expected credit losses on trade receivables	**(3,099)**	–
	1,159	(5,241)

9 EMPLOYEE BENEFIT EXPENSE

	2019 HK$'000	2018 HK$'000
Wages and salaries	**8,394**	11,315
Pension costs – defined contribution plans	**188**	210
Total employee benefit expense	**8,582**	11,525

Note: Total employee benefit expense includes directors' emoluments as disclosed in Note 36(A).

FIVE HIGHEST PAID INDIVIDUALS

Among the five individuals with the highest emoluments in the Group, one (2018: two) was/were the directors of the Company for the year ended 31 December 2019 whose emoluments are included in the disclosures in Note 36(A).

During the year ended 31 December 2018, one of two directors above resigned on 29 June 2018 and became an employee of the Group.

9 EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

The aggregate of the emoluments in respect of the other four individuals (2018: three individuals and above-mentioned resigned director) are as follows:

	2019 HK$'000	2018 HK$'000
Wages and salaries	3,618	2,738
Pension costs – defined contribution plans	70	54
	3,688	2,792

The emoluments of remaining four individuals (2018: three individuals and above-mentioned resigned director) fell within the following bands:

	2019 HK$'000	2018 HK$'000
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	–	1

10 FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expense on:		
– Bank loans	1,198	233
– Lease liabilities	244	–
	1,442	233

11 INCOME TAX CREDIT

	2019	2018
	HK$'000	HK$'000
Hong Kong Profits Tax		
Current income tax	**–**	–
Over-provision in respect of prior years	**–**	1,925
Deferred tax credit *(Note b)*	**–**	8,124
Income tax credit	**–**	10,049

(I) HONG KONG PROFITS TAX

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profit. No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries incorporated in Hong Kong as they have no assessable profits or sufficient tax losses brought forward to set off estimate assessable profits for the current and prior year.

(II) PRC ENTERPRISE INCOME TAX

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") rate of 25% (2018: 25%) during the year.

No provision for PRC EIT has been made as the subsidiaries established in the PRC have estimated tax losses for both current and prior year.

(III) INCOME TAX FROM OTHER TAX JURISDICTIONS

Pursuant to the income tax rules and regulations, the Group is not subject to income tax in the jurisdictions of the Cayman Islands and the BVI.

11 INCOME TAX CREDIT *(CONTINUED)*

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

	2019 HK$'000	2018 HK$'000
Profit/(loss) before income tax	**26,715**	(5,016)
Tax (expense)/credit at the applicable income tax rate of 16.5% (2018: 16.5%)	**(4,408)**	828
Tax effect of different income tax rates in other jurisdictions	**178**	1,961
Tax effect of expenses not deductible for tax purposes	**(1,441)**	(1,332)
Tax effect of income not taxable for tax purpose	**476**	2,697
Tax effect of temporary difference not recognised	**118**	(18)
Tax effect of tax loss not recognised	**(144)**	(4,960)
Tax effect of tax loss utilised	**5,221**	845
Over-provision in respect of prior years	**–**	1,925
Reversal of deferred income tax liabilities in respect of prior years	**–**	8,103
Tax credit for the year	**–**	10,049

Note:

(a) The Group did not recognise deferred income tax assets of approximately HK$118,111,000 (2018: HK$144,023,000) in respect of unutilised tax losses amounting to approximately HK$715,827,000 (2018: HK$872,869,000) that can be carried forward against future taxable income without expiry dates due to the unpredictability of future profit streams. Other temporary differences are not material.

(b) During the year ended 31 December 2018, aggregate reversal of deferred taxation regarding temporary difference of accelerated tax depreciation and fair value changes of investment property of HK$21,000 and HK$8,103,000 respectively was recognised in profit or loss.

In prior years, the Group's investment property was held with a business model whose objective is to consume substantially all of economic benefits embodied in the investment property through use. In 2018, the management of the Company resolved to seek a potential buyer for disposal after termination of existing leasing agreement, which resulted in change of intention of relevant property held by the Group through sale. The directors of the Company was of the opinion that any gain from disposal of the Group's investment property situated in Hong Kong, which are not for short-term profit, are not taxable in Hong Kong and there is no longer deferred tax effect, and therefore, reversal of deferred tax liabilities in respect of fair value changes of investment property, amounted to HK$8,103,000, was recognised in 2018.

12 DIVIDEND

	2019 **HK$'000**	2018 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil cent (2018: HK$1 cent)* per share	**–**	17,004

* adjusted as a result of the share consideration as stated in Note 26(A)(i).

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 December 2019.

13 EARNINGS PER SHARE

(A) BASIC

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

	2019 **HK$'000**	2018 HK$'000
Profit for the year attributable to owners of the Company	**26,715**	5,071
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**1,692,760**	1,697,052

The weighted average number of ordinary shares for the year ended 31 December 2018 has included the effect of the share consolidation and the repurchase of shares as disclosed in Notes 26(A)(i) and (ii).

(B) DILUTED

Diluted earnings per share is the same amount as the basic earnings per share for the years ended 31 December 2019 and 2018 because the exercise of the outstanding share options would be anti-dilutive.

14 PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use *(Note (b))* HK$'000	Leasehold land and buildings *(Noted (e))* HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Fixtures and office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2018	–	14,609	4,901	1,655	965	42,604	64,734
Exchange differences	–	–	(224)	(59)	(40)	(3,309)	(3,632)
Additions	–	–	213	–	563	21,245	22,021
Disposals	–	(14,609)	(1,062)	–	(222)	–	(15,893)
Deemed disposal of a subsidiary *(Note 30)*	–	–	–	–	–	(60,540)	(60,540)
At 31 December 2018	–	–	3,828	1,596	1,266	–	6,690
At 31 December 2018	–	–	3,828	1,596	1,266	–	6,690
Impact on initial application of HKFRS 16 *(Note (a))*	6,733	–	–	–	–	–	6,733
Adjusted balance at 1 January 2019	6,733	–	3,828	1,596	1,266	–	13,423
Exchange differences	–	–	–	(8)	(5)	–	(13)
Additions arising from entering into new lease contracts	1,833	–	–	–	–	–	1,833
Derecognition arising from early termination of lease contract	(6,733)	–	–	–	–	–	(6,733)
Additions	–	29,929	3,184	–	15	–	33,128
Disposals	–	–	(3,829)	–	(235)	–	(4,064)
At 31 December 2019	1,833	29,929	3,183	1,588	1,041	–	37,574
Accumulated depreciation and impairment loss							
At 1 January 2018	–	1,096	1,087	784	352	–	3,319
Exchange differences	–	–	(53)	(19)	(8)	–	(80)
Charge for the year	–	268	1,056	251	292	–	1,867
Disposals	–	(1,364)	(899)	–	(170)	–	(2,433)
At 31 December 2018	–	–	1,191	1,016	466	–	2,673
At 1 January 2019	–	–	1,191	1,016	466	–	2,673
Exchange differences	–	–	–	(5)	(2)	–	(7)
Charge for the year	873	270	790	240	235	–	2,408
Derecognition arising from early termination of lease contract	(797)	–	–	–	–	–	(797)
Disposals	–	–	(1,981)	–	(90)	–	(2,071)
At 31 December 2019	76	270	–	1,251	609	–	2,206
Net carrying amount							
At 31 December 2019	1,757	29,659	3,183	337	432	–	35,368
At 1 January 2019	6,733	–	2,637	580	800	–	10,750
At 31 December 2018	–	–	2,637	580	800	–	4,017

14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The analysis of the net carrying amount of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 HK$'000	1 January 2019 HK$'000 *(Note (a))*
Net carrying amount of right-of-use assets		
Properties leased for own use *(Note (b))*	**1,757**	6,733
Fixtures and office equipment *(Note (c))*	**68**	159
	1,825	6,892

The analysis of the expense items in relation to leases recognised in profit or loss as follows:

	2019 HK$'000	2019 HK$'000 *(Note (a))*
Depreciation charges of right-of-use assets		
Properties leased for own use	**873**	–
Fixtures and equipment	**91**	–
	964	–

14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	2019 HK$'000	2019 HK$'000 *(Note (a))*
Other items of income/(expenses)		
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	(5,834)
Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(2,712)**	–
Interest expense on lease liabilities	**(244)**	–
Gain on derecognition of right-of-use assets and lease liabilities arising from early termination of lease *(Note (d))*	**535**	–
Reversal of provision of variable lease expense	**3,277**	–

Note:

(a) The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balance at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating lease under HKAS 17 (see Note 2.2).

(b) The Group has obtained the right to use properties as office through tenancy agreements. Except for the early terminated leases as mentioned in Note (d) below, the leases typically run for an initial period of 2 years.

(c) Prior to date of initial application of HFKRS 16 at 1 January 2019, the Group recognised leased assets and lease liabilities in relation to leases that were classified finance leases under HKAS 17. The assets were presented in property, plant and equipment whereas the liabilities were presented as obligations under the finance leases (See Note 2.2).

(d) During the year ended 31 December 2019, one of leases for the office occupied by the Group in the PRC for which the expiry is originally in 2025 was agreed to be early terminated by both the Group and relevant landlord. Accordingly, the recognised right-of-use assets and lease liabilities with the net carrying amount at the termination date of HK$5,936,000 and HK$6,471,000 respectively were derecognised, and the net amount of HK$535,000 was recognised in profit or loss during the year.

(e) At 31 December 2019, the land and buildings, which are used for warehouses, with net carrying amount of HK$29,659,000 (2018: Nil), have been pledged to secure the banking facilities as set out in Note 25.

15 INVESTMENT PROPERTY

	2019 HK$'000	2018 HK$'000
At fair value		
At 1 January	**92,500**	91,000
Change in fair value	**2,300**	1,500
At 31 December	**94,800**	92,500

The Group's investment property as at 31 December 2019 and 2018 has been pledged to secure the banking facilities as set out in Note 25.

Information regarding the methods and assumptions used in determining fair value is stated in Note 3.3(B).

AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR INVESTMENT PROPERTY

	2019 HK$'000	2018 HK$'000
Gross rental income	**–**	666
Direct operating expenses from property which generated rental income	**–**	(427)
	–	239

Note: The investment property was vacant during the year ended 31 December 2019.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(A) INTERESTS IN A JOINT VENTURE

Set out below is the joint venture of the Group as at 31 December 2019 and 2018 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of establishment	Proportion of ownership interest held by the Company		Principal activities	Measurement method	Carrying amount	
		2019 **%**	2018 %			**2019** **HK$'000**	2018 HK$'000
杭州湍口眾安滙尊溫泉度假村有限公司("**HJHS**")	The PRC	**51**	51 *(Note)*	Property development and investment	Equity method	**113,423**	115,823

Note:

With the virture of the contractual agreement as disclosed in Note 30, it constituted a joint arrangement by both equity holders as a joint venture in 2018.

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

	2019 **HK$'000**	2018 HK$'000
At 1 January	**115,823**	–
Deemed cost of investment *(Note 30)*	**–**	115,836
Share of loss of a joint venture	**(1,388)**	(13)
Exchange difference	**(1,012)**	–
At 31 December	**113,423**	115,823

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(A) INTERESTS IN A JOINT VENTURE (CONTINUED)

SUMMARISED FINANCIAL INFORMATION OF THE JOINT VENTURE

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

	2019	2018
	HK$'000	HK$'000
Summarised statement of financial position		
Non-current assets	**235,505**	221,476
Current assets	**87,636**	112,097
Current liabilities	**(101,952)**	(107,676)
Net assets	**221,189**	225,897
Cash and cash equivalents included in current assets	**7,256**	14,082

SUMMARISED PROFIT OR LOSS

	HK$'000	HK$'000
Revenue	**–**	–
Interest income	**1**	23
Depreciation of property, plant and equipment	**–**	–
Loss and total comprehensive loss	**2,722**	25

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(A) *INTERESTS IN A JOINT VENTURE (CONTINUED)*

SUMMARISED FINANCIAL INFORMATION OF THE JOINT VENTURE *(CONTINUED)*

RECONCILIATION TO CARRYING AMOUNT

	2019 HK$'000	2018 HK$'000
Gross amount of net assets of the joint venture	**221,189**	225,897
Group's share in %	**51%**	51%
Group's share of net assets of the joint venture	**112,807**	115,207
Increase in fair value arising from deemed disposal in 2018 *(Note 30)*	**616**	616
Carrying amount	**113,423**	115,823

(B) *INTERESTS IN AN ASSOCIATE*

Set out below is the particulars of former associate, previously held by the Group with 49% equity interest, which was disposed in 2018 through disposal of a subsidiary.

Name of entity	**Place of business/ country of establishment**	**Principal activities**	**Measurement method**
浙江滙尊網絡科技有限公司 （"**HJIT**"）	The PRC	Provision for information technology problem-solving service	Equity method

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(B) INTERESTS IN AN ASSOCIATE (CONTINUED)

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

	HK$'000
At 1 January 2018	43,300
Share of profit of an associate	8,830
Exchange difference	(2,971)
Disposal	(49,159)
At 31 December 2018	–

SUMMARISED PROFIT OR LOSS

	Period from 1 January 2018 to 30 November 2018 (date of disposal) HK$'000
Revenue	234,875
Interest income	1,209
Depreciation of property, plant and equipment	6,547
Profit and total comprehensive income	18,020

17 INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods	**182,270**	16,435
Goods in transits	**13,971**	24,696
	196,241	41,131

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$555,125,000 (2018: HK$75,044,000). During the year ended 31 December 2019, no provision for inventory write-down was recognised (2018: provision for write-down of HK$15,027,000 was recognised in "other loss, net").

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

	2019 HK$'000	2018 HK$'000
At 1 January	**32,311**	32,975
Provision for the year	**–**	15,027
Utilisation for the year	**(32,311)**	(15,691)
At 31 December	**–**	32,311

18 TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables, net of loss allowance	**254,002**	28,392
Loan to a joint venture	**33,600**	33,900
Consideration receivable in relation to disposal of subsidiaries	**–**	40,000
Prepayment for inventory purchase	**9,202**	6,000
Other prepayments	**383**	916
Deposits	**437**	527
Others	**89**	66
	43,711	81,409
Total trade and other receivables	**297,713**	109,801
Less: Non-current loan	**(33,600)**	(33,900)
Current portion	**264,113**	75,901

The Group generally grants credit periods ranging from 30 to 90 days (2018: 30 to 60 days) to its customers. Before accepting any new customer upon receipt of partial prepayment in advance, the Group internally assesses the potential customer's credit quality and define an appropriate credit limit. Management closely monitors the credit quality and follow-up action is taken if overdue debts are noted. Further details on the Group's credit policy on trade and other receivables are set out in Note 3.1(C).

The following is an aging analysis of trade receivables based on the invoice date and net of loss allowance at the end of each reporting period:

	2019 HK$'000	2018 HK$'000
Within 30 days	**212,301**	2,634
31 to 90 days	**33,495**	19,226
91 to 180 days	**5,990**	–
181 to 365 days	**2,216**	6,532
	254,002	28,392

18 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

As at 31 December 2019, included in trade and other receivables is the significant balance of HK$156,323,000 (2018: HK$Nil) denominated in USD which is a foreign currency, other than functional currencies of entities within the Group.

19 LOAN AND INTEREST RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loan receivables	**24,219**	170,500
Interest receivables	**4,327**	13,166
	28,546	183,666

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

The loan receivables are bearing a fixed interest rate at ranging from 13.2% to 14.4% (2018: 0.7% to 18%) per annum. Loan and interest receivables are repayable within one year from the dates of inception of the loans.

As at 31 December 2019 and 2018, all the loan receivables were secured by floating charges regarding inventories (2018: certain of listed and unlisted shares) held by the borrowers.

Further details on the Group's policy on loan and interest receivables are set out in Note 3.1(C).

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss represent investments in equity securities listed in Hong Kong, which all are held for trading. Information regarding the methods and assumptions used in determining fair value is stated in Note 3.3(A).

Fair value loss resulting from the change in fair value of HK$Nil (2018: HK$3,388,000) and realised loss on disposal of HK$445,000 (2018: HK$1,203,000) of financial assets at fair value through profit or loss was recognised in other losses, net in profit or loss during the year.

21 CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents comprises cash at banks and on hand. As at 31 December 2019, included in cash and cash equivalents is the balance of HK$1,008,000 (2018: HK$6,451,000) denominated in United States dollars which is a foreign currency, other than functional currencies of entities within the Group.

22 TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	13,971	43,603
Other payables		
– Accrued expenses	1,797	6,113
– Others	202	100
	1,999	6,213
Total trade and other payables	15,970	49,816

The Group normally receives credit terms of 90 to 150 days from its suppliers. All of the trade payables as at 31 December 2019 and 2018, based on invoice date, were due within 30 days.

As at 31 December 2019, included in trade and other payables is the balance of HK$13,971,000 (2018: HK$43,603,000) denominated in CAD which is a foreign currency, other than functional currencies of entities within the Group.

23 CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Receipts in advance regarding:		
– sale of electronic components products	31,246	–
– sale of health-care products	–	7,000
	31,246	7,000

Note:

(a) Typical payment practice

When the Group receives a deposit from customers before supply and delivery of promised goods of electronic components products and health-care products, which depends on the specific terms of sales and concern of new customer, this will give rise to contract liabilities at the short of contract. Payments are usually based on billing schedule.

23 CONTRACT LIABILITIES *(CONTINUED)*

Note: (Continued)

(b) Movements in contract liabilities

	Health-case products HK$'000	Electronic components products HK$'000	Total HK$'000
At 1 January 2019	7,000	–	–
Decrease in contract liabilities as a result of recognising revenue during the year that was included in contract liabilities at 1 January 2019	(7,000)	–	–
Increase in contract liabilities as a result of receiving deposits from customers during the year in respect of supply of products in progress	–	31,246	31,246
At 31 December 2019	–	31,246	31,246

All contracts in respect of sale of electronic components products and health-care products are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition of HKFRS 16.

	31 December 2019		1 January 2019 *(Note)*		31 December 2018 *(Note)*	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**964**	**1,028**	1,376	1,649	91	91
After 1 year but within 2 years	**859**	**880**	1,057	1,282	68	68
After 2 years but within 5 years	**–**	**–**	4,459	4,857	–	–
	859	**880**	5,516	6,139	68	68
	1,823	**1,908**	6,892	7,788	159	159
Less: total future interest expenses		**(85)**		(896)		–
Present value of lease liabilities		**1,823**		6,892		159

24 LEASE LIABILITIES *(CONTINUED)*

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in Note 2.2.

25 BANK BORROWINGS

	2019	2018
	HK$'000	HK$'000
Secured bank borrowings		
– Trade loans	**53,188**	–
– Revolving term loan	**21,450**	–
	74,638	–

All the bank borrowings are secured by the banking facilities as mentioned below and bear variable interest rate at Hong Kong Interbank Offered Rate ("**HIBOR**") or London Interbank Offered Rate ("**LIBOR**") plus a margin ranging from 2% to 3% (2018: 2% to 2.75%) per annum.

As at 31 December 2019, all the Group's bank borrowings were repayable within 3 months to 1 year.

For the year ended 31 December 2019, the effective interest expenses in respect of above loans were ranging from 3.94% to 5.10% (2018: 4.66% to 5.08%) per annum.

As at 31 December 2019, the banking facilities of approximately HK$76,200,000 (2018: HK$48,500,000) were secured by an investment property held by the Group, with the carrying amount of HK$94,800,000 (2018: HK$92,500,000) (see note 15), the leasehold land and buildings held by the Group, with the carrying amount of HK$29,659,000 (2018: Nil) (see note 14), and the cross corporate guarantee executed by the Company and certain subsidiaries of the Group.

As at 31 December 2019, included in the bank borrowings is the balance of HK$32,019,000 (2018: Nil) denominated in USD which is a foreign currency other than functional currencies of entities within the Group.

26 SHARE CAPITAL AND RESERVES

(A) SHARE CAPITAL

	Note	**Number of shares** (thousands)	**Nominal value** HK$'000
Ordinary shares			
Authorised:			
At 1 January 2018		50,000,000	200,000
Share consolidation	*(i)*	(45,000,000)	–
At 31 December 2018, 1 January 2019 and 31 December 2019		5,000,000	200,000
Issued and fully paid:			
At 1 January 2018		17,004,050	68,016
Shares repurchased in April and May 2018	*(ii)*	(33,480)	(134)
Shares repurchased in June 2018	*(ii)*	(27,440)	(110)
Share consolidation	*(i)*	(15,248,817)	–
Shares repurchased in September and October 2018	*(ii)*	(1,553)	(62)
At 31 December 2018, 1 January 2019 and 31 December 2019		1,692,760	67,710

Note:

(i) Share consolidation

On 12 September 2018, the Company implemented the share consolidation on the basis that every ten issued and unissued existing ordinary shares of HK$0.004 each in the share capital of the Company be consolidated into one consolidated ordinary share of HK$0.04 each.

26 SHARE CAPITAL AND RESERVES *(CONTINUED)*

(A) SHARE CAPITAL *(CONTINUED)*

Note: (continued)

(ii) Repurchase of shares

Month/year	Number of shares repurchased (thousands)	Aggregate amount paid	Price paid per share Highest	Lowest
		HK$'000	HK$	HK$
April and May 2018	33,480	2,804	0.089	0.079
June 2018	27,440	2,071	0.078	0.072
	60,920	4,875		
September and October 2018*	1,553	627	0.42	0.365

* Repurchase of shares in September and October 2018 has taken place after the share consolidation as disclosed in Note (A)(i) above.

The repurchase was governed by the applicable laws of the Cayman Islands. During the year ended 31 December 2018, the issued share capital of the Company was cancelled by the nominal value of these shares of HK$306 and the premium paid on the repurchase of the shares of HK$5,196 was charged to share premium account.

(B) NATURE AND PURPOSE OF RESERVES

(I) SHARE PREMIUM

The application of the share premium account is governed by the Company's Articles of Association and the Companies Law of the Cayman Islands, which provides that the share premium account may be applied in making distributions or paying dividends to shareholders, provided that immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

26 SHARE CAPITAL AND RESERVES *(CONTINUED)*

(B) NATURE AND PURPOSE OF RESERVES (CONTINUED)

(II) CAPITAL RESERVE

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

(III) EXCHANGE RESERVE

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 2.6(C) and (D).

(IV) SHARE OPTION RESERVE

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible participants under the share option scheme of the Company recognised in accordance with the accounting policy set out in Note 2.20.

27 SHARE-BASED PAYMENT TRANSACTIONS

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

27 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

As at 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 16,925,000 (2018: Nil), representing 0.99% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following table discloses movements of the Company's outstanding share options held by directors and its associates, employees, suppliers and consultants during the year ended 31 December 2019:

				Number of Share Options (thousands)		
Type of participates	Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2019	Granted during the year	Outstanding at 31 December 2019
			HK$			
A supplier	20 May 2019	20 May 2019 to 19 May 2022	0.25	–	16,925	16,925
				–	16,925	16,925

27 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

The following table discloses movements of the Company's outstanding share options held by directors and its associates, employees, suppliers and consultants during the year ended 31 December 2018:

				Number of Share Options (thousands)			
Type of participates	Date of grant	Exercise period	(Note) Adjusted exercise price HK$	Outstanding at 1 January 2018	Adjustment on share consolidation	Lapsed during the year	Outstanding at 31 December 2018
Directors and its associates	6 January 2015	6 January 2015 to 5 January 2018	0.752	5,000	–	(5,000)	–
Employees	6 January 2015	6 January 2016 to 5 January 2018	0.752	525	–	(525)	–
	6 January 2015	6 January 2017 to 5 January 2018	0.752	525	–	(525)	–
	1 November 2016	1 November 2016 to 31 October 2019	1.65	53,347	(48,012)	(5,335)	–
	(Note (i), (ii))	1 November 2017 to 31 October 2019	1.65	53,347	(48,012)	(5,335)	–
		1 November 2018 to 31 October 2019	1.65	53,346	(48,012)	(5,334)	–
Consultants	6 January 2015	6 January 2015 to 5 January 2018	0.752	250,000	–	(250,000)	–
				416,090	(144,036)	(272,054)	–

Note:

(i) The grantee resigned as a non-executive director on 29 June 2018.

(ii) On 12 September 2018, the exercise price for options granted on 1 November 2016 was adjusted upwards from HK$0.165 to HK$1.65 per share with effect from 12 September 2018 as a result of the share consolidation and total number of share options was adjusted downwards from 160,040,000 to 16,004,000.

(iii) The exercise price for options granted on 6 January 2015 has not been adjusted to reflect the effect of the share consolidation with effect from 12 September 2018 as these options were lapsed before such the share consolidation.

27 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

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

	2019		2018	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1 January	**–**	**–**	0.526	416,090
Granted	**0.25**	**16,925**	–	–
Lapsed before share consolidation	**–**	**–**	0.526	(256,050)
Share consolidation	**–**	**–**	N/A	(144,036)
Lapsed after share consolidation	**–**	**–**	1.65	(16,004)
At 31 December	**0.25**	**16,925**	–	–

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

	Exercise price in HK$ per share option	**Number of share options (thousands)**	
		2019	2018
19 May 2019	0.25	**16,925**	–
Weighted average remaining contractual life		**2.39 years**	–

27 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

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

	20 May 2019
Share price on grant date	HK$0.25
Exercise price	HK$0.25
Expected volatility	67.6810%
Expected life	3 years
Risk-free rate	1.6780%
Expected dividend yield	1.2195%
Early exercise multiple	
– Directors	N/A
– Employees, consultants and service provider	N/A
– A supplier	1.35X

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

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

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

During the year ended 31 December 2019, the share-based payment expenses of approximately HK$1,064,000 (2018: HK$Nil) in relation to share options granted by the Company were recognised in profit or loss and included in "administrative expenses".

During the year ended 31 December 2018, share options of 256,050,000 (before share consolidation) and 16,004,000 (after share consolidation) with unit value of HK$0.752 and HK$1.65 respectively lapsed by the reason of expiration and resignation from the Grantee's position of the Company under the Scheme. The total value of the share options lapsed of approximately HK$72,476,000 was transferred to retained profits during the year.

28 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	31 December 2019 HK$'000	1 January 2019 HK$'000	31 December 2018 HK$'000
Lease liabilities	**1,823**	6,892	159
Borrowings – repayable within one year and interest bearing at variable interest rates	**74,638**	–	–
	76,461	6,892	159

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

	Lease liabilities HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 January 2018	250	15,032	15,282
Cash flows:			
Interest paid on bank borrowings	–	(309)	(309)
Repayments	–	(15,032)	(15,032)
Principal element of lease payments	(91)	–	(91)
	(91)	(15,341)	(15,432)
Other changes:			
Change of accrued interests	–	76	76
Interest expenses	–	233	233
	–	309	309
At 31 December 2018	159	–	159
Impact on initial application of HKFRS 16 *(See Note 2.2)*	6,733	–	6,733
At 1 January 2019	6,892	–	6,892
Cash flows:			
Interest paid on bank borrowings	–	(628)	(628)
New bank loans	–	102,177	102,177
Repayments	–	(27,539)	(27,539)
Principal element of lease payments	(431)	–	(431)
Interest element of lease payments	(244)	–	(244)
	(675)	74,010	73,335
Other changes:			
Change of accrued interests	–	(570)	(570)
Interest expenses	244	1,198	1,442
Increase in lease liabilities from entering into new leases	1,833	–	1,833
Decrease in lease liabilities from early termination of leases	(6,471)	–	(6,471)
	(4,394)	628	(3,766)
At 31 December 2019	1,823	74,638	76,461

29 DISPOSAL OF SUBSIDIARIES

On 19 January 2018, the Group disposed of its entire interests in Luck Power (Hong Kong) Limited and Luck Power Development Limited (together "**Luck Power Group**"), which are incorporated in Hong Kong and principally engaged in property investment, at a consideration of HK$62,500,000 to certain independent third parties. As at 31 December 2017, the relevant assets and liabilities of Luck Power Group, amounting to HK$59,311,000 and HK$177,000 respectively, were recognised as held for sale upon provisional sale and purchase agreements signed in 2017.

On 30 November 2018, the Group disposed of its entired interests in Wealthy Harvest Enterprises Limited and its subsidiaries (together "**Wealthy Harvest Group**"), which principally invested in an associate, HJIT (Note 16), at a consideration of HK$50,000,000 to an independent third party, of which amount of HK$10,000,000 was paid during the year, and the remainder of HK$40,000,000 was settled in 2019.

The net assets of those disposed subsidiaries at the respective dates of disposal in 2018 were as follows:

	Lucky Power Group HK$'000	**Wealthy Harvest Group** HK$'000	**Total** HK$'000
Property, plant and equipment	43,515	–	43,515
Investment properties	15,168	–	15,168
Interests in an associate	–	49,159	49,159
Other receivables	534	–	534
Other payables and accruals	(48)	–	(48)
Deferred tax liabilities	(91)	–	(91)
Net assets disposed of	59,078	49,159	108,237
Cumulative exchange differences in respect of net assets of disposed subsidiaries reclassified from equity to profit or loss			541
Gain on disposal			3,722
			112,500
Total consideration satisficed by:			
Consideration received in cash			72,500
Consideration receivable			40,000
			112,500
Net cash inflow arising from disposal of subsidiaries:			
Consideration received in cash			72,500

30 DEEMED DISPOSAL OF A SUBSIDIARY

Pursuant to a mutual control agreement signed on 10 October 2018, all major decisions of HJHS relating to business operations require unanimous consent from all the equity-holders with no change of shareholdings, which resulting in a loss of control over HJHS by the Group. Accordingly, with effect from 10 October 2018, HJHS ceased to be a subsidiary of the Group and the investment in HJHS was reclassified as investment in a jointly controlled entity, which is jointly controlled by the Group and the other equity-holder by virtue of the contractual arrangement amongst equity-holders.

The assets and liabilities of HJHS were deconsolidated from the Group's consolidated statement of financial position and the interests in HJHS have been accounted for as a jointly controlled entity using equity method. The fair value of the 51% equity interest in HJHS at the date on which the control was lost is regarded as the cost on initial recognition of the investment in HJHS as a jointly controlled entity.

The fair value of retained equity interest in HJHS at the date of disposal has been arrived at on the basis of valuations carried out by an independent qualified professional valuer which is not connected with the Group, APAC Appraisal and Consulting Limited. The calculation of fair value of the retained equity interest in HJHS, which has principally undertaken a property development project, uses the asset-based approach based on the revalued major assets of land use rights and construction in progress, which have taken into account land sale evidences available in the market and the accrued construction costs according to different stages of construction.

	HK$'000
Fair value of interest retained	115,836

Analysis of assets and liabilities at the date on which control was lost in 2018:

	HK$'000
Non-current assets	
Construction in progress	60,540
Land use rights	89,807
Prepayment	11,300
Current assets	
Other receivables, deposits and prepayments	2,624
Cash and cash equivalents	35,622
Current liabilities	
Other payables and accruals	(66,631)
Net assets disposal of	133,262

30 DEEMED DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

DEEMED GAIN ON DISPOSAL OF HJHS

	HK$'000
Fair value of retained interest	115,836
Less: Net assets disposed of	(133,262)
Add: Non-controlling interests	18,042
Gain on deemed disposal	616
Net cash outflow arising on deemed disposal of a subsidiary:	
Cash and cash equivalents of HJHS disposed of	35,622

31 OPERATING LEASE COMMITMENTS

As at 31 December 2018, commitments for minimum lease payments in relation to non-cancellable operating leases for various office premise and warehouses are payable as follows:

	HK$'000
Within one year	2,900
In the second to fifth years inclusive	4,857
Over five years	1,619
	9,376

The Group is the lessee in respect of an office premise and warehouses held under leases which were previously classified as operating leases under HKAS17. The Group has initially applied HKFRS 16 using the 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 2.2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in consolidated statement of financial position in accordance with the policies set out in Note 2.24, and the details regarding the Group's future lease payments are disclosed in Note 24.

32 CAPITAL COMMITMENTS

As at 31 December 2019 and 2018, all capital commitments were derived from operations of HJHS. Following the deemed disposal of HJHS (Note 30), all the related capital commitments are regarded as the capital commitments of a joint venture of the Group. As at 31 December 2019, share of the capital commitments of the Group's joint venture, which were contracted for but not provided for regarding construction and acquisition of property, plant and equipment, amounted to approximately HK$136,436,000 (2018: HK$32,620,000).

33 RELATED PARTY TRANSACTIONS

(A) *SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES*

During the year, apart from financial arrangements dealt with certain related parties within the Group which are disclosed in Note 25, the Group had the following significant transactions with its related parties which were carried out based on the terms agreed between the parties, as follows:

	2019	2018
	HK$'000	HK$'000
Interest income from a joint venture *(Note (i))*	**115**	171

Note:

(i) Terms of loan is stated in Note 33(B)(i) below.

(B) *YEAR-END BALANCES*

	2019	2018
	HK$'000	HK$'000
Loan to a joint venture *(i)*	**33,600**	33,900

Note:

(i) Pursuant to supplemental loan agreement, the terms of interest was revised from the floating rate at the People's Bank of China Benchmark interest rate minus 2.75% per annum to fixed rate of 0.33% per annum and the other terms remain unchanged that the loan is unsecured and repayable by instalments from 2021 to 2023.

33 RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	2019 HK$'000	2018 HK$'000
Salaries and other short-term employee benefits	**5,718**	7,875
Pension costs-defined contribution plans	**85**	104
	5,803	7,979

Total remuneration is included in "employee benefit expense" as disclosed in Note 9.

34 PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 31 December 2019 and 2018, the details of the Group's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital		Proportion of ownership interest held by the Company		Principal activities
		2019	2018	**2019**	2018	
Flying Century Limited	Hong Kong	**HK$10**	HK$10	**100%**	100%	Property and other assets holding
Fortune Gaining Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Property holding and leasing
Hang Fat Ginseng Global Importer Limited products	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of health-care products
Qianhai Health Finance Limited	Hong Kong	**HK$3,000,000**	HK$3,000,000	**100%**	100%	Money lending
Cheerwin Success Trading Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of health-care products and electronic components

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

35 FINANCIAL INFORMATION OF THE COMPANY

(A) STATEMENT OF FINANCIAL POSITION

	2019 HK$'000	2018 HK$'000
Non-current assets		
Interests in subsidiaries *(Note)*	**629,603**	567,964
Current assets		
Other receivables	**224**	40,233
Cash and cash equivalents	**468**	16,237
Total current assets	**692**	56,470
Total assets	**630,295**	624,434
Equity		
Equity attributable to owners of the Company		
Share capital	**67,710**	67,710
Reserves	**561,706**	555,164
Total equity	**629,416**	622,874
Current liabilities		
Other payables	**879**	1,560
Total liabilities	**879**	1,560
Total equity and liabilities	**630,295**	624,434

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2020 and are signed on its behalf by:

Xu Keli
Director

Lam Hin Chi
Director

Note:

The interests in subsidiaries included investment cost in an unlisted subsidiary of HK$1,000 (2018: HK$1,000) and deemed contribution to subsidiaries with aggregate amount of HK$1,100,825,000 (2018: HK$1,597,963,000), net of provision of impairment loss on interests in subsidiaries of HK$471,223,000 (2018: HK$1,030,000,000).

35 FINANCIAL INFORMATION OF THE COMPANY *(CONTINUED)*

(B) MOVEMENT OF RESERVES:

	Share premium HK$'000	Share options reserve HK$'000	Retained profits/ (accumulated deficits) HK$'000	Total HK$'000
At 1 January 2018	1,523,446	72,476	(1,046,174)	549,748
Profit and total comprehensive income for the year	–	–	27,616	27,616
Repurchase of shares	(5,196)	–	–	(5,196)
Dividend declared and paid	–	–	(17,004)	(17,004)
Transfer between reserves	(1,518,250)	–	1,518,250	–
Lapse of share options	–	(72,476)	72,476	–
At 31 December 2018 and 1 January 2019	–	–	555,164	555,164
Profit and total comprehensive income for the year	–	–	5,478	5,478
Equity-settled share-based payments	–	1,064	–	1,064
At 31 December 2019	–	1,064	560,642	561,706

36 BENEFITS AND INTEREST OF DIRECTORS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The remuneration of every director and the chief executive for the year ended 31 December 2019 is set out below:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kinds	Employer's contribution to a retirement benefit scheme	Total
		(Note (v))		*(Note (vi))*		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
George Lu *(Note (ii))*	–	–	–	–	–	–
Wong Kwok Ming *(Note (ii))*	–	127	–	–	6	133
Xu Keli *(Note (iii))*	–	512	–	–	–	512
Lam Hin Chi *(Note (iii))*	–	580	–	202	9	791
Non-executive directors						
Huang Guanchao *(Note (iv))*	–	–	–	–	–	–
Lim Tzea *(Note (iv))*	140	–	–	–	–	140
Independent non-executive directors						
Li Wei	180	–	–	–	–	180
Wu Wai Leung Danny	180	–	–	–	–	180
Yuen Chee Lap Carl	180	–	–	–	–	180
Total	680	1,219	–	202	15	2,116

36 BENEFITS AND INTEREST OF DIRECTORS *(CONTINUED)*

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

The remuneration of every director and the chief executive for the year ended 31 December 2018 is set out below:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kinds	Employer's contribution to a retirement benefit scheme	Total
		(Note (v))		*(Note (vi))*		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman and the Chief Executive Officer						
George Lu	–	1,800	500	–	18	2,318
Executive director						
Wong Kwok Ming	–	374	–	–	18	392
Non-executive director						
Yeung Wai Fai Andrew *(Note (i))*	–	1,248	–	–	9	1,257
Independent non-executive directors						
Li Wei	176	–	–	–	–	176
Wu Wai Leung Danny	176	–	–	–	–	176
Yuen Chee Lap Carl	176	–	–	–	–	176
Total	528	3,422	500	–	45	4,495

Note:

(i) The director resigned on 29 June 2018.

(ii) The directors resigned on 2 May 2019.

(iii) The directors were appointed on 17 July 2019.

(iv) The directors were appointed as executive directors on 12 April 2019 and re-designated as non-executive directors on 17 July 2019.

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

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

36 BENEFITS AND INTEREST OF DIRECTORS *(CONTINUED)*

(B) DIRECTORS' RETIREMENT BENEFITS AND TERMINATION BENEFITS

None of the directors received or will receive any retirement benefits or termination benefits during the year (2018: nil).

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

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: nil).

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

As at 31 December 2019, there were no loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors (2018: Nil).

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

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

37 PRIOR YEAR RECLASSIFICATIONS

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.2.

38 EVENT AFTER THE REPORTING PERIOD

On 12 March 2020, an indirect wholly-owned subsidiary of the Company (the "**Vendor**"), an independent third party (the "**Purchaser**") and a property agent entered into the provisional sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the only investment property owned by the Vendor at the consideration of HK$94,800,000. Details of this transaction is disclosed in the Company's announcement dated on 12 March 2020 and 18 March 2020.

Five-year Financial Summary

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note)	*(Note)*	*(Note)*
Results					
Revenue	**587,808**	78,047	197,062	354,385	835,531
Profit/(loss) before income tax	**26,715**	(5,016)	35,920	(564,487)	(396,856)
Income tax credit/(expense)	**–**	10,049	(59)	38,625	(41,664)
Profit/(loss) for the year	**26,715**	5,033	35,861	(525,862)	(438,520)
Attributable to:					
– Owners of the Company	**26,715**	5,071	35,861	(525,710)	(438,396)
– Non-controlling interests	**–**	(38)	–	(152)	(124)
	26,715	5,033	35,861	(525,862)	(438,520)

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**786,090**	692,532	795,734	639,222	2,333,556
Total liabilities	**(123,677)**	(56,975)	(123,031)	(19,321)	(1,823,290)
Net assets	**662,413**	635,557	672,703	619,901	510,266
Equity attributable to owners of the Company	**662,413**	635,557	665,503	619,904	507,390
Non-controlling interests	**–**	–	7,200	(3)	2,876
	662,413	635,557	672,703	619,901	510,266

Note:

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