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

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

ANNUAL REPORT 2019

Green International Holdings Limited
Annual Report 2019

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BOARD OF DIRECTORS

Executive Directors
Mr. Yu Qigang *(Chairman)*
Mr. Chen Hanhong
Mr. Liu Dong

Independent Non-executive Directors
Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin

COMPANY SECRETARY
Mr. Tsang Kwok Wai

AUDIT COMMITTEE
Mr. David Tsoi *(Chairman)*
Mr. Wu Hong
Mr. Wang Chunlin

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

REMUNERATION COMMITTEE
Mr. David Tsoi *(Chairman)*
Mr. Yu Qigang
Mr. Wu Hong
Mr. Wang Chunlin

NOMINATION COMMITTEE
Mr. Yu Qigang *(Chairman)*
Mr. David Tsoi
Mr. Wu Hong
Mr. Wang Chunlin

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 2102, 21/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

PRINCIPAL BANKER
OCBC Wing Hang Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1–1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE
2700

WEBSITE
http://www.irasia.com/listco/hk/greeninternational/

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Green International Holdings Limited (the "**Company**"), I present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019.

During the year under review, we strive to improve the financial position of the Group. Through the fund-raising activities in the year of 2018 and the first quarter of 2019, the financial position of the Group has improved significantly. The Board will continue to review the financial performance of the various business segments of the Group and adjust the business strategy accordingly for the purpose of creating value to the Group.

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

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

Yu Qigang
Chairman of the Board

Hong Kong, 8 May 2020

OVERVIEW

During the year ended 31 December 2019 (the "**Year**") under review, the Group was principally engaged in provision of (i) health, medical and related services, (ii) beauty and wellness services, and (iii) integrated financial services comprising money-lending, securities brokerage, advising on securities and asset management.

BUSINESS REVIEW

The revenue of the health, medical and related services segment (the "**Health and Medical Business**") includes revenue from the hospital business (the "**Hospital Business**") and the club house business (the "**Club House Business**"). The Group operates its Hospital Business in Hunnan Province, China through Li County Phoenix Hospital Company Limited ("**Phoenix Opco**") and Yiyang Zizhong Kidney Disease Hospital Company Limited ("**Zizhong Opco**") having the medical organisation operating license granted by the local bureau of the National Health Commission to carry out, amongst other permitted medical treatments, hemodialysis treatment. The management of the Group keeps exploring business opportunities and strategies to expand the Hospital Business in other provinces in China. The Club House Business represents a club house business operated in Shenzhen, China providing health and related services.

The Group operates its beauty and wellness business (the "**Beauty Business**") through the Marsa group. Marsa group provides beauty products and wellness services under brand name of "瑪莎" through beauty centers and shops in Shenzhen, China, with gross floor area ranging from approximately 248 sq.m. to 871 sq.m. per shop/center. As at 31 December 2019, there are in total 94 staff employed by Marsa group, selling beauty and cosmetics products and providing beauty and wellness services to customers.

By leveraging its past experiences, expertise and professional beautician teams, Marsa group has successfully developed a network of beauty and wellness services centers and shops in China with advanced beauty and cosmetics equipment and modern decorations, aiming to provide a relaxing and comfortable environment to customers. Other related businesses include the development and research and sale of skin care and beauty products, beauty equipment and accessories and healthcare and nutritional supplements such as herbal teas. To strengthen its business, Marsa group also expands its business through the cooperation with business partners on a profit-sharing basis.

For the segment of integrated financial services (the "**Financial Business**"), the Group continued to explore business opportunities and strategies to develop its integrated financial services through Green Securities Limited, a licensed corporation licensed to carry out type-1 (dealing in securities) and type-4 (advising on securities) regulated activities in Hong Kong and Green Asset Management Limited, a licensed corporation licensed to carry out type-9 (asset management) regulated activities in Hong Kong.

The following events, which have significant impact to the financial position and the business operations of the Group, occurred during the Year:

(i) At the extraordinary general meeting of the Company held on 17 January 2019, the non-exercise of the Sell-Back Right of Marsa was approved by the independent shareholders of the Company. Details of the non-exercise of the Sell-back Right of Marsa are set out in the Company's circular dated 28 December 2018.

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

(iii) On 25 January 2019 (after trading hours), the Company and Jumbo Faith International Limited ("**Jumbo Faith**") entered into the Subscription Agreement, pursuant to which Jumbo Faith conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue, 754,716,981 Consolidated Shares (the "**Subscription Consolidated Shares**") of par value of HK$0.04 each in the share capital of the Company at the subscription price of HK$0.212 per Subscription Consolidated Share after the four-to-one Share Consolidation. At the extraordinary general meeting of the Company held on 18 March 2019, the issue of 754,716,981 Subscription Consolidated Shares was approved by the independent shareholders of the Company. The Subscription Consolidated Shares was completed on 3 April 2019 and the net proceeds raised therefrom was approximately HK$156,000,000.

(iv) As disclosed in the Company's announcement dated 29 March 2019, the Company determined that the Second PG of the Charm Eastern Acquisition failed in its entirety and the entire 2nd Ample Reach CB in the principal amount of HK$13,671,875 was cancelled. As a result of the non-fulfillment of the Second PG, the Company is entitled to sell the 19,531,250 Escrowed Shares allotted for the 1st Ample Reach CB and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages. Details of the Charm Eastern Acquisition are set out in the Company's announcement dated 28 November 2017.

(v) At the annual general meeting of the Company held on 26 June 2019, a new share option scheme was approved by the shareholders of the Company.

(vi) As disclosed in the Company's announcement dated 29 August 2019, the Company determined that the Third PG of the Charm Eastern Acquisition failed in its entirety and the entire 3rd Ample Reach CB in the principal amount of HK$13,671,875 shall be cancelled.

(vii) On 20 September 2019 (after trading hours), the Company entered into a share disposal agreement to dispose of the 19,531,250 Escrowed Shares to the purchaser at the disposal price of HK$0.19 per share. The net proceeds from the share disposal of approximately HK$3,600,000 shall be retained by the Company as liquidated damages pursuant to the terms of the deed of undertaking, because the Second PG of the Charm Eastern Acquisition is not satisfied in full. The disposal was completed on 3 October 2019.

(viii) As disclosed in the Company's announcement dated 20 December 2019, the Group disposed of the entire issued share capital of Harmonic Felicity Limited (the holding company of Green Capital (Hong Kong) Limited ("**Green Capital**") and Sino Front Limited ("**Sino Front**"), wholly-owned subsidiaries of the Group, which were engaged in money lending business and the holding of the portfolio of distressed debts) (the "**Disposal Group**") for a cash consideration of HK$2,200,000 together with a proportional entitlement to share any cash proceeds derived from any successful enforcement of winning judgment(s) of any of the recovery actions on the distressed debts. The Group recognised a net gain on disposal in the amount of approximately HK$1,104,000 on completion of the disposal.

The following subsequent events occurred between the end of the Year and the date thereof:

(i) On 25 February 2020, the Company received a notice of redemption from Crown Hang International Investment Limited informing the Company of its election not to exercise the conversion right attaching to the two-year 6% per annum convertible bonds in the principal amount of HK$60,000,000 (the "**Zheyin Tianqin 2018 CB**") issued by the Company on 19 April 2018 and maturing on 20 April 2020, and requested the Company to redeem the Zheyin Tianqin 2018 CB in cash.

(ii) On 23 March 2020, the Company allotted and issued 176,470,588 shares on the automatic conversion of the two-year 3% per annum convertible bonds in the principal amount of HK$120,000,000 (the "**HK Yinger CB**") at its maturity date on 23 March 2020. The conversion price of the HK Yinger CB is HK$0.68 per share (as adjusted by the four-to-one share consolidation of the Company which took place on 4 March 2019).

(iii) On 20 April 2020, the Company redeemed the Zheyin Tianqin 2018 CB in the principal amount of HK$60,000,000 in cash.

FINANCIAL REVIEW

Revenue

The Group reported revenue in the amount of approximately HK$78,659,000 (2018: HK$82,092,000) during the Year, representing a decrease of approximately 4.18%. Details of the revenue for the Year are set out in Note 6 to the consolidated financial statements.

Health, Medical and Related Business

The revenue and operating loss of the Health and Medical Business for the Year were approximately HK$43,863,000 (2018: HK$37,061,000) and HK$49,978,000 (2018: HK$37,629,000), respectively. The operating loss of the Health and Medical Business were mainly attributable to the impairment loss of goodwill for the Hospital Business of approximately HK$25,692,000 (2018: HK$17,812,000) and operating loss from the Club House Business of approximately HK$19,306,000 (2018: HK$17,314,000).

Beauty and Wellness Business

The revenue and operating loss of the Beauty Business for the Year were approximately HK$34,754,000 (2018: HK$44,858,000) and HK$66,746,000 (2018: operating profits of HK$9,251,000), respectively. The operating loss of the Beauty Business was mainly attributable to the impairment loss of trademark user right and technical know-how in the amount of approximately HK$60,143,000 (2018: HK$Nil) and the loss on fixed assets written off as a result of closure of shops in the amount of approximately HK$8,385,000 (2018: HK$Nil). The Group recorded a decrease in revenue in the amount of approximately HK$10,104,000 from the Beauty Business, representing a decrease of approximately 23% compared to the figure for the year ended 31 December 2018. The decrease in revenue was mainly attributable to (i) weakening of consumer sentiment in Shenzhen in 2019; (ii) the closure of one beauty center in Shenzhen in April 2019 due to urban redevelopment order issued by the Shenzhen government; and (iii) the slowing down of the pace of shop opening due to weakened consumer sentiment.

Integrated Financial Business

The revenue and operating loss of the Financial Business for the Year was approximately HK$42,000 (2018: HK$173,000) and HK$4,265,000 (2018: HK$3,376,000), respectively.

The Group's integrated financial business comprises the money lending business (the "**Money Lending Business**") which was operated by Green Capital, a wholly-owned subsidiary of the Company and a licensed money lender in Hong Kong, and the securities brokerage and asset management business operated by other subsidiaries of the Company. Since 2017, the Money Lending Business did not generate any revenue to the Group and continued to suffer loss due to the lack of expertise in developing this part of the business. During the past two years, Green Capital has stopped granting new loans and focused on debt-recovery actions through litigations (the "**Recovery Actions**") to pursue after the Group's debtors for the outstanding loans, promissory notes and receivables which were owed to the Group prior to 2017, which were impaired in the financial statements of the Group in or prior to the year ended 31 December 2017 but remained outstanding despite the Recovery Actions (the "**Distressed Debts**"). Due to the lack of expertise in developing the Money Lending Business and the significant legal costs of the Recovery Actions, in December 2019, the Group disposed of the Disposal Group for a cash consideration of HK$2,200,000 together with a proportional entitlement to share any cash proceeds derived from any successful enforcement of winning judgment(s) of any of the recovery actions on the distressed debts. The Group recognised a net gain on disposal in the amount of approximately HK$1,104,000 on completion of the disposal.

Administrative Expenses

The Group reported administrative expenses of approximately HK$64,279,000 for the Year (2018: HK$80,514,000), representing a decrease of approximately 20.16%. The decrease in the administrative expenses was due to the implementation of cost control measures during the Year.

Finance Costs

The Group reported finance costs, net of approximately HK$11,225,000 for the Year (2018: HK$13,534,000). Details of the finance costs, net for the Year are set out in Note 8 to the consolidated financial statements.

Impairment testing on goodwill

On completion of the acquisition of the Hospital Business, Ample Reach CBs in the face value of HK$41,015,625 were issued to Ample Reach in satisfaction of the consideration payable on completion and were recognised at fair value on issue at approximately HK$31,422,000 and goodwill in the amount of approximately HK$54,232,000 was recognised in the consolidated statement of financial position.

The management performed an impairment assessment on the goodwill at the end of the reporting period. Based on the valuation which was based on (a) the five years cash flow projections which are discounted using the discount rate of 11.32%; (b) a terminal value calculated using a discount rate of 3%; and (c) the latest operation figures and business plans provided by the management of Phoenix Opco and Zizhong Opco, the carrying amount of the goodwill as at 31 December 2019 was assessed at approximately HK$10,728,000 (2018: HK$36,420,000), resulting in an impairment loss of goodwill of approximately HK$25,692,000 (2018: HK$17,812,000) being recognised in the consolidated statement of profit or loss for the Year.

The Board considers that the financial effect of the impairment loss of goodwill for the years ended 31 December 2019 and 2018 are substantially offset by the forfeiture of the Escrowed Shares and the cancellation of the entire 2nd Ample Reach CB and 3rd Ample Reach CB.

Non-fulfillment of profit guarantee

During the Year, the Company determined that the Second PG and the Third PG failed in its entirety and the entire 2nd Ample Reach CB and 3rd Ample Reach CB in the principal amount of HK$13,671,875 each was cancelled. As a result of the non-fulfillment of the Second PG, the Company is entitled to sell the 19,531,250 Escrowed Shares allotted for the 1st Ample Reach CB and to retain the entire sale proceeds in the amount of approximately HK$3,710,000 of the Escrowed Shares as liquidated damages.

The Group therefore recognised a loss on disposal of financial assets at fair value through profit or loss in the consolidated statement of profit or loss in the amount of approximately HK$11,289,000 (2018: HK$Nil) which comprised of the fair value change of financial assets up to the date prior to the disposal in the amount of approximately HK$10,898,000 and the difference between the disposal amount and the fair value of the financial assets immediately prior to the disposal in the amount of approximately HK$391,000.

Impairment testing on trademark user right and technical know-how

The management performed an impairment assessment on the trademark user right and technical know-how in respect of Marsa Group at the end of the reporting period. Based on the valuation which was based on (a) the five years cash flow projections which are discounted using the discount rate of 13.41%; (b) a terminal value calculated using a discount rate of 3% and (c) the latest operation figures and business plans provided by the management of Marsa Group, the carrying amount of the trademark user right and technical know-how as at 31 December 2019 was assessed at approximately HK$34,744,000 (2018: HK$94,887,000), resulting in an impairment loss of the trademark user right and technical know-how of approximately HK$60,143,000 (2018: HK$Nil) being recognised in the consolidated statement of profit or loss for the Year.

The management of the Company considers that the Beauty Business faced weakened consumer sentiment in Shenzhen throughout the Year especially since the third quarter of 2019 and such trend will remain in the future for a period of time until at least the end of the COVID-19 coronavirus outbreak and the improvement of consumer sentiment in Shenzhen.

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

The management performed fair value assessment on the convertible bonds at fair value through profit or loss at the end of the reporting period. As the Ample Reach CBs were either fully converted or cancelled during the Year, the fair value of the convertible bonds at fair value through profit or loss as at 31 December 2019 was assessed at HK$Nil (2018: HK$2,913,000), resulting in fair value changes of convertible bonds at fair value through profit or loss of approximately HK$2,913,000 (2018: HK$28,509,000) being credited to the consolidated statement of profit or loss for the Year. As the Marsa CBs were either fully converted or cancelled during the financial year of 2018, no fair value changes of convertible bonds at fair value through profit of loss was recognized during the Year (2018: HK$7,142,000).

Fair value changes of derivative financial assets

The management performed fair value assessment on the redemption option derivation component for Zheyin Tianqin 2018 CB at the end of the reporting period (2018: redemption option derivation component comprised of Investor CB and Zheyin Tianqin 2018 CB). Fair value changes of derivative financial assets in the amount of approximately HK$2,802,000 (2018: credited to the consolidated statement of profit or loss HK$36,358,000) was recognised in the consolidated statement of profit or loss for the Year. As the Investor CB was fully converted during the financial year of 2018, no fair value changes of derivative financial assets was recognized during the Year (2018: HK$7,611,000).

Loss for the year

The Group reported net loss for the Year of approximately HK$151,997,000 (2018: HK$78,154,000).

CONNECTED TRANSACTIONS

Due to the non-satisfaction of profit guarantee of RMB20,000,000 for all three years ended 31 December 2015, 2016 and 2017, under the terms of the Marsa Acquisition, the Company shall have the Sell-Back Right to sell, and require the Vendors to buy back, Rainbow Star at the Sell-Back Consideration which is equivalent to the consideration already paid by the Company in the sum of HK$90,559,525. In October 2018, the Company proposed to put forward to the Independent Shareholders at the EGM a proposal not to exercise the Sell-Back Right. As Ms. Eva Au was an executive Director and therefore a connected person of the Company within 12 months from the date of the Company's announcement dated 16 October 2018, the non-exercise of the Sell-Back Right constitutes a connected transaction for the Company under Chapter 14A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). At the extraordinary general meeting of the Company held on 17 January 2019, the non-exercise of the Sell-back Right of Marsa was approved by the independent shareholders of the Company.

On 25 January 2019, the Company and Jumbo Faith entered into the Subscription Agreement, pursuant to which Jumbo Faith conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 754,716,981 shares at the subscription price of HK$0.212 per share (as adjusted by the four-to-one share consolidation of the Company which took place on 4 March 2019). As the entire issued share capital of Jumbo Faith is wholly-owned by Ms. Zhou, who is the spouse of Mr. Yu, an executive Director and the chairman of the Board, the Subscription constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. The Subscription by Jumbo Faith was completed on 3 April 2019. The net proceeds raised therefrom was approximately HK$156,000,000.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE YEAR

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
3 April 2019	Issue of 754,716,981 shares to Jumbo Faith at the subscription price of HK$0.212 per under specific mandate, which was completed on 3 April 2019	HK$156 million	The net proceeds were intended to be utilized as to: (a) approximately HK$31 million to repay, by way of offsetting, the principal and interest of the HK Yinger Loan Facility up to 12 February 2019; (b) approximately HK$15 million being set aside for the cash redemption of the Qianhai 2016 CB maturing in April 2019; (c) approximately HK$64 million being set aside for meeting repayment obligations of debts and liabilities of the Group; (d) approximately HK$8 million for replenishing the capital requirements of the financial services companies of the Group; and (e) approximately HK$38 million for the Group's general corporate expenses (such as salaries, rental expenses and professional fees) for the next twelve months.	Up to the date of this report, the net proceeds were actually utilized as to: (a) approximately HK$31 million for offsetting the principal and interest of the HK Yinger Loan Facility up to 12 February 2019; (b) approximately HK$15 million continuing to be set aside for the cash redemption of the Qianhai 2016 CB; (c) approximately HK$67 million being utilized for cash redemption of Zheyin Tianqin 2018 CB; (d) approximately HK$5 million already injected into and HK$3 million being set aside for replenishing the capital requirements of, the financial services companies of the Group; and (e) approximately HK$35 million continuing to be set aside for the Group's general corporate expenses (such as salaries, rental expenses and professional fees).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had total assets of approximately HK$305,381,000 (31 December 2018: HK$329,057,000) and interest-bearing borrowings of approximately HK$10,997,000 (31 December 2018: HK$40,486,000), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 3.6% (31 December 2018: 12.3%).

As at 31 December 2019, the Group had net current assets of approximately HK$24,263,000 (31 December 2018: net current liabilities of approximately HK$2,865,000), being the surplus of current assets of approximately HK$170,909,000 (31 December 2018: HK$117,088,000) over the current liabilities of approximately HK$146,646,000 (31 December 2018: HK$119,953,000), representing a current ratio of approximately 1.17 (31 December 2018: 0.98).

As at 31 December 2019, the Group had cash and bank balances (including trust and segregated accounts) of approximately HK$135,203,000 (31 December 2018: HK$64,737,000). As at 31 December 2019, the Group had cash and bank balances (excluding trust and segregated accounts) of approximately HK$135,028,000 (31 December 2018: HK$52,911,000).

GEARING RATIO AND FINANCIAL MANAGEMENT

As the Group had no bank borrowing during the Year, no gearing ratio was shown. The Group's financing and treasury activities were managed centrally at the corporate level.

SIGNIFICANT INVESTMENT HELD

The Group had no significant investment held as at 31 December 2019.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

In December 2019, the Group disposed of the Disposal Group for a cash consideration of HK$2,200,000 together with a proportional entitlement to share any cash proceeds derived from any successful enforcement of winning judgment(s) of any of the recovery actions on the distressed debts. The Group recognised a net gain on disposal in the amount of approximately HK$1,104,000 on completion of the disposal.

Save as disclosed above, the Group had no acquisition and no other disposal of subsidiaries during the Year.

CHARGES ON ASSETS

None of the Group's assets was pledged to secure any facilities and borrowings granted to the Group as at 31 December 2019.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019.

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the years ended 31 December 2019 and 2018.

(A) Share Capital

Details on the movements of the share capital for the years ended 31 December 2019 and 2018 are set out in Note 23 to the consolidated financial statements.

(B) Share Options

Old Share Option Scheme

On 2 September 2006, a share option scheme (the "**Old Share Option Scheme**") was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme. The Old Share Option Scheme has a lifespan of 10 years. On 2 September 2016, the Old Share Option Scheme lapsed pursuant to its term. No share options can be granted under the Share Option Scheme after the scheme lapsed in September 2016.

Details on the movements of the share options granted under the Old Share Option Scheme of the Company for the years ended 31 December 2019 and 2018 are set out as follows:

	Number of share option	Weighted average exercise price in HK$ per Share
As at 1 January 2018	23,000,000	0.32
Lapsed during the year	(9,000,000)	0.32
As at 31 December 2018	**14,000,000**	**0.32**
Share consolidation	**(10,500,000)**	**–**
Lapsed during the year	**(3,500,000)**	**1.28**
As at 31 December 2019	**–**	**–**

Notes:

(i) The 2019 share consolidation became effective on 4 March 2019, on the basis of every four issued and unissued ordinary shares of par value HK$0.01 each in the share capital of the Company being consolidated into one consolidated share of par value HK$0.04 each.

(ii) As disclosed in the joint announcement of the Company dated 2 May 2019, 3,500,000 outstanding share options granted under the Old Share Option Scheme lapsed automatically after the close of the option offer on the closing date of 2 May 2019.

New Share Option Scheme

At the annual general meeting of the Company held on 26 June 2019, a new share option scheme (the "**New Share Option Scheme**") was approved by the shareholders of the Company. The New Share Option Scheme has a lifespan of 10 years. At the annual general meeting of the Company held on 26 June 2019, the Scheme Mandate Limit was approved to allow the Company to grant up to the maximum of 147,326,614 options, representing 10% of the shares in issue on the date of approval of the scheme. No share options were granted under the New Share Option Scheme for the Year. As at the date of this report, the number of options which can be granted under the New Share Option Scheme was 147,326,614 Shares, representing 8.93% of the existing issued share capital of the Company.

Further details regarding the New Share Option Scheme are set out in the Report of the Directors.

(C) Convertible Bonds

Details on the movements of the convertible bonds during the years ended 31 December 2019 and 2018 and the outstanding convertible bonds as at 31 December 2019 and 2018 are set out in Note 24 to the consolidated financial statements.

DIVIDEND

The Directors do not recommend the payment of any dividend for the Year (2018: Nil).

HUMAN RESOURCES

As at 31 December 2019, the Group has 306 employees in Hong Kong and China. Employees' remuneration, promotion and salary increments are assessed based on both individuals' and the Group's performance, professional and working experiences and by reference to prevailing market practices and standards. Apart from the general remuneration package, the Group also granted share options and discretionary bonus to the eligible staffs based on their performance and contribution to the Group. The Group regards high-caliber staff as one of the key factors to corporate success.

LITIGATIONS

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

(i) As disclosed in the Company's announcement dated 20 December 2019, the Company issued 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited ("**HK Qianhai Financial**") in an aggregate principal amount of HK$12,000,000 (the "**Qianhai 2016 CB**") carrying conversion right to convert into the shares of the Company. The Qianhai 2016 CB matured on 15 April 2019 without conversion. At or around the maturity date of the Qianhai 2016 CB, the Company received conflicting instructions from Mr. Zhang Xuejun (張學軍) ("**Mr. Zhang**") and another entity named 深圳市前海盛尊華龍控股有限公司 (Shenzhen Qianhai Shengzun Hualong Holdings Co., Ltd.) ("**Shengzun Hualong**"), both purporting to have the authority from the holder of the Qianhai 2016 CB and each purporting to give different payment instructions to the Company regarding the recipient of the cash redemption amount. The Company was notified that Shengzun Hualong has commenced legal action against Mr. Zhang, HK Qianhai Financial and the Company (the "**Litigation**") seeking to recover the cash redemption amount of the Qianhai 2016 CB. As the Company is capable and willing to honour its contractual obligations under the Qianhai 2016 CB and the delay, if any, on the redemption was the sole responsibilities of other parties who failed to provide consistent instructions to the Company, the Directors are of the view that the Litigation shall not have any significant impact on the financial position of the Company. The Company has instructed its legal advisers to uphold its own lawful right in the Litigation.

(ii) As disclosed in the Company's announcement dated 20 December 2019, the Club House Business suffered from a temporary power suspension in October 2019 due to a dispute (the "**Dispute**") between the Group's wholly-owned subsidiary, Green Silver Lake Healthcare & Wellness (Shenzhen) Co., Ltd. (格林銀湖健康養生（深圳）有限公司) ("**Green Silver Lake**") and the property management company of the premises of the Club House Business (the "**PM Company**") regarding the amount of reimbursement of electricity fees. In November 2019, Green Silver Lake commenced legal action to seek to recover from the PM Company an over-payment of approximately RMB4,260,000 and other damages and remedies. On 3 December 2019, Green Silver Lake received a counterclaim from the PM Company regarding an alleged under-payment of RMB1,560,000. Green Silver Lake has instructed its legal advisers to uphold its lawful rights and pursue after the PM Company for damages suffered by Green Silver Lake as a result of the PM Company's breach of contractual obligations

EXECUTIVE DIRECTORS

Mr. Yu Qigang ("Mr. Yu"), age 55, was appointed as an executive Director on 5 September 2013, the Chairman of the Board on 6 June 2017, the chairman of the nomination committee of the Company on 7 June 2017 and a member of the remuneration committee of the Company on 14 June 2017. He was a member of the Standing Committee of the Shenzhen Committee of Chinese Peoples' Political Consultative Conference during the fourth and fifth sessions from 2005 to 2015. He is the founder of Shenzhen Yinger Fashion Group Co., Ltd and has over 25 years of operation and management experience in garment and fashion industries.

Based on the disclosure of interests filings, Mr. Yu regarded himself to be deemed, pursuant to Part XV of the Securities and Futures Ordinance, to be interested in (a) 246,924,406 Consolidated Shares held by Gold Bless International Invest Limited ("**Gold Bless**"), a company which is regarded as a controlled corporation of Mr. Yu; (b) 169,117,647 Consolidated Shares held by Fluent Robust Limited ("**Fluent Robust**"), a wholly-owned subsidiary of Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**") which is regarded as a controlled corporation of Mr. Yu; and (c) 756,061,682 Consolidated Shares held by Jumbo Faith International Limited ("**Jumbo Faith**") a company which is wholly-owned by Ms. Zhou Cuiqiong, the spouse of Mr. Yu.

Mr. Chen Hanhong ("Mr. Chen"), aged 68, was appointed as an executive Director on 1 July 2013. He has over 20 years of experience in the management and investment industries. He completed the Tsinghua Executive Master in Business Administration Research and Advanced Study Class organized by the Research Institute of Tsinghua University in Shenzhen. Mr. Chen is a director of the following principal subsidiaries of the Company, namely, Big Point Investment Limited, Green Securities Limited, Green Asset Management Limited, Rainbow Star Global Limited, and China Joy Holdings Limited.

Mr. Liu Dong ("Mr. Liu"), aged 51, was appointed as an executive Director on 13 July 2018. He has completed his undergraduate studies in Medical University of People's Armed Police Force of China (now known as Logistics University of People's Armed Police Force of China), Tianjin, China in 1996. Mr. Liu has more than 20 years of experience in financial investment, trading and property development in China and Hong Kong. Mr. Liu is a director of the following principal subsidiary of the Company, namely, China Joy Holdings Limited.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Hong ("Mr. Wu"), aged 60, was appointed as an independent non-executive Director on 7 November 2011, a member of the audit committee of the Company on 7 November 2011, a member of the remuneration committee and nomination committee of the Company on 30 June 2017.

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

Mr. David Tsoi ("Mr. Tsoi"), aged 72, was appointed as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Company on 12 June 2017. Mr. Tsoi was appointed as the chairman of the audit committee and the remuneration committee of the Company on 14 June 2017.

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

Mr. Wang Chunlin ("Mr. Wang"), aged 56, was appointed as an independent non-executive Director, a member of the audit committee, remuneration committee and nomination committee of the Company on 12 June 2017.

Mr. Wang graduated from the University of International Business and Economics in Beijing in 1986 and has since attained a master's degree in business administration from Murdoch University in Australia and a master's degree in International Shipping and Transport Logistics from the Hong Kong Polytechnic University. Mr. Wang was formerly an executive director of Pacific Basin Shipping Limited.

REPORT OF THE DIRECTORS

The Board of the Company presents the annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

During the Year under review, the Group was principally engaged in provision of (i) health and medical services, (ii) beauty and wellness services, and (iii) integrated financial services comprising money-lending, securities brokerage and asset management. The principal activities of its principal subsidiaries are more particularly set out in Note 38 to the consolidated financial statements.

BUSINESS REVIEW

Details of business review of the Group for the Year are set out in the section headed "Management Discussions and Analysis" of this annual report.

SEGMENT INFORMATION

Details of the Group's segmental information for the Year are set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the accompanying consolidated financial statements. The Board does not recommend the payment of a final dividend for the years ended 31 December 2019 and 2018.

FIVE-YEAR FINANCIAL SUMMARY

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

SHARE CAPITAL

Details of movements in the Company's issued share capital during the Year are set out in Note 23 to the consolidated financial statements of this annual report.

CONVERTIBLE BONDS

Details of the outstanding convertible bonds as at 31 December 2019 are set out in Note 24 to the consolidated financial statements a of this annual report.

RESERVES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2019 and 2018 were HK$Nil.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeem any of the Company's securities listed on the Stock Exchange during the Year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Yu Qigang *(Chairman)*
Mr. Chen Hanhong
Mr. Liu Dong

Independent Non-executive Directors

Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin

Biographical Details of Directors

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

Director's Service Contracts

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

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

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

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

Emoluments of the Directors and the Five Highest Paid Individuals

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

Arrangement for Directors to Acquire Shares or Debentures

Save and except (a) the HK Yinger CB which remained outstanding during the Year; (b) the subscription of Shares by Jumbo Faith; (c) the New Share Option Scheme which was adopted during the Year, or otherwise disclosed herein, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

Save for the subscription of 756,061,682 shares by Jumbo Faith (a company controlled by the spouse of Mr. Yu Qigang), no contracts of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Directors' Interests in Competing Business

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

Confirmation of Independence by Independent Non-executive Directors

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2019, the interests or short positions of the Directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "**SFO**"), or as otherwise notified to the Company and the Stock Exchange of pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

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

Name of Director	Capacity in which the shares or underlying shares are held	Long positions in shares and underlying shares	Approximate percentage of total issued shares *(Note 3)*
Mr. Yu Qigang	Interest of controlled corporations and family interests	1,179,456,676 *(Note 1)*	80.06%
Mr. Liu Dong	Beneficial owner and interest of controlled corporation	62,865,000 *(Note 2)*	4.27%

Notes:

1. These 1,179,456,676 shares and underlying shares deemed to be interested by Mr. Yu comprised:

    (a) 176,470,588 underlying shares attributable to the HK Yinger CB (with principal sum of HK$120,000,000 carrying conversion right to convert into shares at the conversion price of HK$0.68 per share) beneficially owned by Fluent Robust Limited ("**Fluent Robust**"), which is a controlled corporation wholly-owned by HK Yinger, which is in turn wholly-owned by Mr. Yu;

    (b) 246,924,406 shares beneficially owned by Gold Bless, a company whose issued shares were registered, according to the disclosure of interest filings made on behalf of Mr. Yang Wang Jian ("**Mr. Yang**"), an ex-director of Gold Bless and an ex-director of the Company, as to: (a) 65% (the "**Disputed Gold Bless Shareholding**") in the name of Mr. Yang; (b) 20% in the name of Mr. Yu; and (c) 15% in the name of Winning Top Investments Limited ("**Winning Top**"), a company which is wholly-owned by Mr. Yu; and

    (c) According to the disclosure of interest filings, 756,061,682 shares beneficially owned by Jumbo Faith, a controlled corporation wholly-owned by Ms. Zhou Cuiqiong ("**Ms. Zhou**"). Ms. Zhou and Jumbo Faith's deemed interests in 756,061,682 shares duplicates with each other. Mr. Yu, as the spouse of Ms. Zhou, is taken to be interested in the 756,061,682 shares held by Ms. Zhou and Jumbo Faith by virtue of Part XV of the SFO.

    Gold Bless is deemed to be a controlled corporation of Mr. Yu pursuant to Part XV of the SFO because of the 20% and 15% registered shareholding of Mr. Yu and Winning Top in Gold Bless. In addition, based on the information provided by Mr. Yu, (i) he has an alleged claim over the Disputed Gold Bless Shareholding; (ii) he has commenced legal action in Hong Kong (the "**Gold Bless Litigation**") against Mr.Yang which may, subject to the outcome of the litigation, affect the ownership of the Disputed Gold Bless Shareholding; (iii) the 246,924,406 Shares held by Gold Bless are maintained with a licensed financial institution; and (iv) pursuant to the order of the High Court of Hong Kong, Mr. Yang cannot deal with the Disputed Gold Bless Shareholding and with the 246,924,406 Shares held by Gold Bless until further order or the conclusion of the Gold Bless Litigation.

    The deemed interest of Mr. Yu regarding the 176,470,588 underlying shares attributable to the HK Yinger CB duplicates with those of HK Yinger and Fluent Robust as described in Note 1(a) in the section headed "Substantial Shareholders' Interests in Shares" below. The deemed interest of Mr. Yu regarding the 246,924,406 shares held by Gold Bless duplicates with those of Gold Bless and Mr. Yang as described in Note 1(b) in the section headed "Substantial Shareholders' Interests in Shares" below. The deemed interest of Mr. Yu regarding the 756,061,682 shares held by Ms. Zhou and Jumbo Faith duplicates with those of Ms. Zhou and Jumbo Faith as described in Note 1(c) in the section headed "Substantial Shareholders' Interests in Shares" below.

2. Mr. Liu Dong ("**Mr. Liu**") is an executive Director. These 62,865,000 shares deemed to be interested by Mr. Liu comprised (a) 22,865,000 shares held by Mr. Liu personally; and (b) 40,000,000 shares held by Smoothly Good, a controlled corporation wholly-owned by Mr. Liu. Mr. Liu and Smoothly Good's deemed interests in 40,000,000 shares here duplicates with each other.

3. The percentages are calculated based on the total number of 1,473,266,145 issued shares as at 31 December 2019.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2019, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares and underlying shares of the Company

Name of substantial shareholder	**Capacity in which the shares or underlying shares are held**	**Long positions in shares and underlying shares**	**Approximate percentage of total issued shares** *(Note 2)*
Ms. Zhou	Interest of controlled corporations and family interests	1,179,456,676 *(Note 1)*	80.06%
Jumbo Faith	Beneficial owner	756,061,682 *(Note 1(c))*	51.32%
HK Yinger	Interest of controlled corporation	176,470,588 *(Note 1(a))*	11.98%
Fluent Robust	Beneficial owner	176,470,588 *(Note 1(a))*	11.98%
Mr. Yang	Interest of controlled corporation	246,924,406 *(Note 1(b))*	16.76%
Gold Bless	Beneficial owner	246,924,406 *(Note 1(b))*	16.76%

Notes:

1. These 1,179,456,676 shares and underlying shares deemed to be interested by Ms. Zhou comprised:

   (a) 176,470,588 underlying shares attributable to the HK Yinger CB (with principal sum of HK$120,000,000 carrying conversion right to convert into shares at the conversion price of HK$0.68 per share) beneficially owned by Fluent Robust, which is a controlled corporation wholly-owned by HK Yinger, which is in turn wholly-owned by Mr. Yu. Ms. Zhou, as the spouse of Mr. Yu, is taken to be interested in the 176,470,588 shares held by Fluent Robust by virtue of Part XV of the SFO, which duplicates with the deemed interest of Mr. Yu as described in Note 1(a) in the section headed "Directors' Interests in Shares" above;

   (b) 246,924,406 shares beneficially owned by Gold Bless, a company whose issued shares were registered, according to the disclosure of interest filings made on behalf of Mr. Yang, an ex-director of Gold Bless and an ex-director of the Company, as to: (a) 65% in the name of Mr. Yang; (b) 20% in the name of Mr. Yu; and (c) 15% in the name of Winning Top, a company which is wholly-owned by Mr. Yu. Ms. Zhou, as the spouse of Mr. Yu, is taken to be interested in the 246,924,406 shares held by Mr. Yu by virtue of Part XV of the SFO, which duplicates with those of Mr. Yu as described in Note 1(b) in the section headed "Directors' Interests in Shares" above; and

   (c) According to the disclosure of interest filings, 756,061,682 shares beneficially owned by Jumbo Faith, a controlled corporation wholly-owned by Ms. Zhou. Ms. Zhou and Jumbo Faith's deemed interests in 756,061,682 shares duplicated with each other. The deemed interest of Ms. Zhou and Jumbo Faith here duplicates with those of Mr. Yu as described in Note 1(c) in the section headed "Directors' Interests in Shares" above

2. The percentages are calculated based on the total number of 1,473,266,145 issued shares as at 31 December 2019.

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

Save as disclosed above, as at 31 December 2019, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

Old Share Option Scheme

On 2 September 2006, the Old Share Option Scheme was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme. The Old Share Option Scheme has a lifespan of 10 years. On 2 September 2016, the Old Share Option Scheme lapsed pursuant to its term. No share options can be granted under the Share Option Scheme after the scheme lapsed in September 2016.

Details on the movements of the share options granted under the Old Share Option Scheme of the Company for the years ended 31 December 2019 and 2018 are set out in the section headed "Capital Structure" of the Management Discussion and Analysis.

New Share Option Scheme

At the annual general meeting of the Company held on 26 June 2019, the New Share Option Scheme was approved by the shareholders of the Company. The New Share Option Scheme has a lifespan of 10 years. At the annual general meeting of the Company held on 26 June 2019, the Scheme Mandate Limit was approved to allow the Company to grant up to the maximum of 147,326,614 options, representing 10% of the shares in issue on the date of approval of the scheme. No share options were granted under the New Share Option Scheme for the Year. As at the date of this report, the number of options which can be granted under the New Share Option Scheme was 147,326,614 Shares, representing 8.93% of the existing issued share capital of the Company.

Details of the New Share Option Scheme are disclosed as follows:

(1) The purpose of the scheme

(a) The New Share Option Scheme is a share incentive scheme and is established to provide the Company with a flexible means of giving incentive or rewards to Eligible Participants for their retention and contribution or potential contribution to the Group.

(b) The New Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with a view to motivating the Eligible Participants to utilize their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group.

(2) The participants of the scheme

The Eligible Participants of the New Share Option Scheme are determined taking into account the Company's operations and financial situation from time to time and the contributions and potential contributions which the Eligible Participants have made or may make to the Group, and in accordance with the rules of the relevant stock exchange(s), the laws and regulations of the relevant jurisdictions and the relevant provisions of the Articles of Association of the Company.

The Board may at its discretion grant Options to the following Eligible Participants:

(i) any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any entity in which any member of the Group holds any interest (the "**Invested Entity**");

(ii) any discretionary trust whose discretionary objects include any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any Invested Entity; and

(iii) a company beneficially owned by any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any Invested Entity.

(3) The total number of securities available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the report

(a) 30% limit

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

(b) 10% limit

In addition to the overall 30% limit, and subject to the following paragraph, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the New Share Option Scheme (excluding any options which have lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company) (the "**Scheme Mandate Limit**").

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the Shareholders at a general meeting. Once refreshed, the total number of securities which may be issued upon exercise of all options to be granted under the New Share Option Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the New Share Option Scheme and/or any other share option schemes, including without limitation any options which are outstanding, cancelled, lapsed or exercised, will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

The Company may seek separate approval of the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit or the refreshed Scheme Mandate Limit provided the Options in excess of such limit are granted only to the Eligible Participants specifically identified before such approval is sought. A circular containing a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose and other information required under the Listing Rules must be sent to the Shareholders.

(4) The maximum entitlement of each participant under the scheme

Unless approved by the Shareholders, the total number of securities issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his associates abstaining from voting.

(5) The period within which the securities must be taken up under an option

An option shall be exercisable at any time during a period to be notified by the Directors to each grantee, provided that no option shall be exercisable later than ten years after its date of grant. Unless otherwise determined by the Directors at their sole discretion, there is no performance target which must be achieved before an option can be exercised.

(6) The minimum period, if any, for which an option must be held before it can be exercised

Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum period for which an Option must be held before such an Option can be exercised under the terms of the New Share Option Scheme.

(7) The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

HK$1.00 is payable by each Eligible Participant to the Company on acceptance of an Offer of an Option, which shall be paid within 21 days from the Offer Date.

(8) The basis of determining the exercise price

The Subscription Price must be at least the highest of: (a) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a Business Day; and (b) the average of the closing prices of the Shares as shown on the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (c) the nominal value of a Share.

(9) The remaining life of the scheme

The New Share Option Scheme was adopted on 26 June 2019 and shall continue in force until the tenth anniversary of such date (i.e. 26 June 2029).

CUSTOMERS AND SUPPLIERS

During the Year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue attributable to the Group's five largest customers combined was less than 30% of the Group's total purchases and sales, respectively.

MANAGEMENT CONTRACTS

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

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the subscription of 756,061,682 shares by Jumbo Faith, at no time during the Year had the Company or any of its subsidiaries entered into any contract of significance with any controlling shareholder of the Company or any entities beneficially owned by such controlling shareholder(s).

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

AUDIT COMMITTEE

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

The audited consolidated financial statements of the Group for the Year have been reviewed by the audit committee of the Company.

AUDITORS

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

EVENTS AFTER THE REPORTING PERIOD

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

On behalf of the Board

Yu Qigang
Chairman of the Board

Hong Kong, 8 May 2020

CORPORATE GOVERNANCE PRACTICES

The Company and the Directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as stated in Appendix 14 of the Listing Rules during the Year, except the deviation disclosed in the following paragraphs:

(i) With respect to Code Provisions C.2.1 and C.2.2, (a) the Board should conduct a review of the effectiveness of the risk management and internal control systems of the issuer and its subsidiaries at least annually; (b) the review should cover all material controls, including financial, operational and compliance controls and risk management functions; and (c) such annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting function. The Company has engaged Crowe (HK) Risk Advisory Limited to review its internal control systems and provide recommendation to the Company.

(ii) With respect to Code Provision C.2.5, an issuer should have an internal audit function and issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. Due to the size and scale of operations, the Group did not have internal audit function during the Year. To facilities the Group's internal control function, the Company has engaged Crowe (HK) Risk Advisory Limited to carry out internal control review and provide recommendation to the Company. On 29 August 2019, the Board adopted new internal control policies regarding contract management, financial reporting and the use of the company seal. The Company and its key operating subsidiaries were working with the Company's internal control adviser to walk through the implementation outcome of the new policies. The implementation review was completed by the end of November 2019.

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS OF LISTED ISSUERS

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct for Directors in their dealings in the Company's securities. All existing directors have confirmed to the Company that they have complied with the Model Code during the Year.

THE BOARD OF DIRECTORS

Responsibilities

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

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

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

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

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

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

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

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

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

Composition

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

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

Executive Directors

Mr. Yu Qigang *(Chairman)*
Mr. Chen Hanhong
Mr. Liu Dong

Independent Non-executive Directors

Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin

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

Chairman and Chief Executive

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

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

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

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

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

The position of chief executive officer of the Company was vacated since November 2018. The Company will review the need of recruiting suitable candidate to fill up the vacancy from time to time. In the meantime, the functions of chief executive officer is taken up by other executive directors of the Company.

Independent Non-executive Directors

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

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

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

Appointment and Re-election of Directors

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

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

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

The Nomination Committee of the Company will review and assess the background, expertise and experience of the retiring Directors, having regard to the Board Diversity Policy of the Company taking into consideration different diversity factors such as gender, age, cultural and educational background, skills and professional experience, knowledge and length of service. The Nomination Committee would form a view on the re-election of retiring Directors by reference to their experience, expertise and knowledge and the potential contribution to the Company.

Induction and Continuing Professional Development for Directors

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

Directors	**Type of trainings** *(Notes)*
Executive Directors	
Mr. Yu Qigang *(Chairman)*	b
Mr. Chen Hanhong	b
Mr. Liu Dong	b
Independent Non-executive Directors	
Mr. Wu Hong	b
Mr. David Tsoi	b
Mr. Wang Chunlin	b

Notes:

(a) attending seminars and/or training sessions

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

Directors' and officers' liability insurance and indemnity

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

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

Responsibilities for the Financial Statements

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

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

Board Meetings

During the Year, eight (8) Board meetings were held and the individual attendance of each Director is set out below:

Directors	**Attendance**
Executive Directors	
Mr. Yu Qigang *(Chairman)*	8/8
Mr. Chen Hanhong	8/8
Mr. Liu Dong	8/8
Independent Non-executive Directors	
Mr. Wu Hong	8/8
Mr. David Tsoi	8/8
Mr. Wang Chunlin	8/8

BOARD COMMITTEES

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

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

Audit Committee

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

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

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

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

The primary functions of the Audit Committee include:

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

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

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

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

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

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

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

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

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

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

Name of Members	**Attendance**
Mr. David Tsoi *(Chairman)*	2/2
Mr. Wu Hong	2/2
Mr. Wang Chunlin	2/2

Remuneration Committee

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

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

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

The primary functions of the Remuneration Committee include:

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

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

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

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

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

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

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

(ii) assessing the performance of executive Directors;

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

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

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

Name of Members	**Attendance**
Mr. David Tsoi *(Chairman)*	3/3
Mr. Yu Qigang	3/3
Mr. Wu Hong	3/3
Mr. Wang Chunlin	3/3

Remuneration Paid to Members of Senior Management

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

	Number of Individuals
HK$Nil — HK$500,000	–
HK$500,000 — HK$1,000,000	2

Nomination Committee

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

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

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

The primary functions of the Nomination Committee include:

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

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

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

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

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

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

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

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

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

Name of Members	**Attendance**
Mr. Yu Qigang *(Chairman)*	3/3
Mr. David Tsoi	3/3
Mr. Wu Hong	3/3
Mr. Wang Chunlin	3/3

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the Year was duly held on 26 June 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

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

BOARD DIVERSITY POLICY

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

NOMINATION POLICY

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

DIVIDEND POLICY

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

AUDITORS

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

AUDITORS' REMUNERATION

A summary of services provided by the external auditors for the Year and their corresponding remuneration are as follows:

Nature of service	**Amount** *HK$'000*
Audit service	1,350
Non-audit service	–

SHAREHOLDERS' RIGHTS

Procedure for shareholders to put forward enquiries to the Board

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

Procedures for attending general meetings and demanding poll

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

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

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

Procedures for shareholders to convene an extraordinary general meeting

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

Procedures for shareholders to put forward proposals at general meetings

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

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

If a shareholder wishes to propose a person for election as a director of the Company at a general meeting, he/she shall deposit a written notice at the Company's head office at Suite 2102, 21/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, in compliance with Article 88 and containing all details as required by Rule 13.51(2) of the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

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

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

INVESTOR RELATIONS

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

About this Report

The Environmental, Social and Governance ("**ESG**") Report ("**Report**") of Green International Holding Limited ("**Company**", together with its subsidiaries, or the "**Group**") has made reference to the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEx Appendix 27 ESG Reporting Guide**"), and compile the report content in accordance with the principles of materiality, quantitative, balance and consistency.

The scope of this report is based on the Company and its major subsidiaries, unless specifically stated otherwise. There were no significant changes observed in the Group's operating locations, the suppliers' location and supply chain structure in the financial year ended 31 December 2019 ("**year**" or "**reporting period**").

Reporting Period and Scope

The statistics, figures and information cited in this Report are referenced from the archived questionnaires, records and research of the Group. This Report highlights the Group's sustainability efforts in environmental and social aspects.

Reporting period: 1 January 2019 to 31 December 2019, the financial period of our Annual Report 2019.

Organisations covered: Green International Holding Limited and its subsidiaries.

Reference Guidelines

HKEx Appendix 27 ESG Reporting Guide

Contact

Should you have any enquiries or feedback on this Report, please feel free to contact us via the following methods:

- **Address:** Suite 2102, 21/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
- **Tel:** +852 2169-0813
- **Fax:** +852 2169-0663
- **Email:** cs@green-international.com
- **Official website:** http://www.irasia.com/listco/hk/greeninternational/

Overview

The principal business of the Group is (i) health, medical and related services, (ii) beauty and wellness services, and (iii) integrated financial services. These operations include medicine, hemodialysis treatment, general surgery, Chinese medicine, laboratory medicine and medical imaging. Being a well-recognized health, medical, beauty and wellness service provider in China, the Group has dedicated to provide customers various treatment service with professionalism and high-quality. In addition, the Group has leveraged their own professional experience by continuously exploring latest medical and beauty technologies to provide the best service to the customers. Thus, the Group has established important long-term business relationships with customers by providing diversified medical beauty services.

Core Values/Management Principles

Apart from last year, the Group has started to pay more attention on sustainable development as commitment to be environmentally and socially responsible is crucial to prosper the business. This year, the Group has adopted the concept of triple bottom live (RBL) and integrate it into the corporate culture to take a balance between economic development, environmental protection and social responsibility. In the meantime, the Group has ensured all of the business operations are complied with relevant national and local law and regulations.

Management Structure

The Group has direct governance procedures to oversee the overall ESG strategy by the Board and a comprehensive management structure, with its purpose to effectively implement sustainable development policies. The Board is also responsible for the determination and approval of ESG strategies, policies and guidelines for implementation by the Chief Executive Officer.

Environmental Performance

As a medical and health service provider, the Group is highly aware of its environmental risk and impact. The major energy consumption of the business operation of the Group is electricity. And the Group has paid high attention on handling medical waste to minimize the potential risk posing to the surrounding environment and the health of the customers as well. The Group has also created an environmental data collection and environmental management system to monitor the overall performance and annually review the effectiveness of the overall environmental control measures and policies.

The Group is strictly complied with all related PRC national laws and regulation, such as the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, the Law of the PRC on Prevention and Control of Pollution From Environmental Noise, the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste and Law of the PRC on Environmental Impact Assessment, and Regulations on the Administration of Medical Wastes, and implements corresponding environmental management policies at all level to fulfil the Group's environmental protection objectives.

During the reporting period, no material changes have been made to the Group's major business and the Group has complied with the latest environmental regulations.

1. Emissions

The Group has strictly followed all laws and regulation and improves its emission management. Apart from the use of electricity, vehicular emission is the other major source of emission from the Group's business. In order to better control the emission, the vehicles owned by the Group are required to qualify for the latest emission standards to achieve better fuel efficiency and lower exhaust gas emission. Moreover, the Group has also introduced guidelines for the use of vehicles, such as carpooling and reduce driving frequencies.

1.1. Gas Emission

The principal business of the Groups does not emit a large amount of gaseous pollutants but majorly indirect emission from the use of electricity of the hospitals and beauty workshop and the emission from vehicles. The Group has issued "Public Area Air- conditioning Standard Operating Procedures" to limit the use of air-conditioning in public area, such as regulate the temperature with 25.5°C, turning off during off-work hour, etc. These measures not only can help reduce the emission from the use of electricity, they can also help increase the environmental awareness of the staffs.

Apart from the above-mentioned measures, the Group has also set out a list of general rules for the staff on energy conservation and reduction, the major measures are:

- Conduct regular maintenance on all electricity equipment of the Group to ensure proper function;
- The Human Resources and Administration Department ("**HR Department**") keeps track on the energy consumption of all departments;
- Encourage paper-less office environment to reduce the indirect emission from paper waste;
- Reduce unnecessary business trips and promote the use of video conferencing for meetings; and
- Adopt energy efficient devices to reduce to the use of electricity where possible operations.

Major Gas Emission Indicators

Vehicular Emissions	Unit	Consumption in 2019
Carbon Dioxide (CO_2)	Tonnes	200.94
Methane (CH_4)	Tonnes	0.02
Nitrous Oxide (N_2O)	Tonnes	1.22
Nitrogen Oxides (NO_x)	Tonnes	1.26
Sulphur Oxides (SO_x)	Tonnes	1.75
Particulate Matter (PM)	Tonnes	0.09

Total Greenhouse Gas Emissions	Unit	Consumption in 2019
Direct emission from combustion	t-CO_2 eq.	2.60
Direct emission from vehicles	t-CO_2 eq.	224.74
Indirect emission from electricity consumption	t-CO_2 eq.	408.96

Emission Intensity (per employee)	Unit	Consumption in 2019
Direct emission from combustion	t-CO_2 eq.	0.01
Direct emission from vehicles	t-CO_2 eq.	1.11
Indirect emission from electricity consumption	t-CO_2 eq.	2.01

1.2 Waste Management

Waste management is always a crucial topic to the Group's daily operation. The Group promotes the philosophy of natural and pollution-free service to the customers. All medical waste produced from the Group's business operation are strictly followed the "Regulation on the Administration of Medical Wastes".

For medical waste, such as syringes, needles, cartridges, surgical dressing, swabs dribbling with blood, all are collected and stored in biochemical plastic bags with obvious signs. All bags are then stored in a designated area with traceable record. The Group has also assigned qualified medical waste collector to process the medical waste properly. For other hazardous waste, such as light bulbs, printer toner cartridges, batteries, the Group does not generate serious amount of these types of waste, and such waste are all separately collected and collected by qualified waste disposal and treatment company for proper handling.

For non-hazardous waste, they are mainly generated from the kitchen operations in the Group's wellness centre and hospitals. All general wastes are properly stored to ensure hygienic condition and grease traps are installed in kitchens to prevent oil seepage into the waste water system.

In addition, the Group has implemented the concept of 4R principles to reduce, reuse, recycle and replace. During this reporting period, the Group has retrieved more than 2,500 tonnes recyclable medical waste and further utilizes such resources by delivering them to qualified medical waste recyclers.

During the daily operation, the Group has also taken measures to reduce waste generation as follow:

- Establish waste-classification system to properly collect general waste by type, such as paper, plastic and metal, to facilitate waste recycling;
- Encourage reusing papers and double-sided printing in workplace;
- Utilize recycled packaging and products in kitchen operations; and
- Adopt electronic such as WeChat and e-notices to provide information and receipt to customers.

Major Waste Generation Indicator

Waste Types	Unit	Consumption in 2019
Hazardous Waste	Tonnes	26,865.6
Non-Hazardous Waste	Tonnes	2,840.0

Waste Intensity (per employee)	Unit	Consumption in 2019
Hazardous Waste	Tonnes	132.3
Non-Hazardous Waste	Tonnes	14.0

1.3 Water Discharge

Water is one of the essential components of the Group's daily operations. Therefore, the Group has identified related issues and dedicated to use water efficiently and promote water-saving awareness and best practises amongst the staffs. All water taps are manually controlled to reduce unnecessary water consumption and all flush toilets are equipped with water-saving devices. Water-saving topics are also included in staffs' general training sessions to promote water-use awareness. During this reporting period, the wastewater generation statistic is not available. Please refer to "Use of Resources" for the water consumption statistics of the Group as we believe the usage of water can largely represent the waste discharge situation of the Group. In addition, the Group has planned to install water meter on the water discharge pipes in major business operation sites to record the wastewater generation in the future.

2. Use of Resources

The Group promotes resource efficiency by implementing various measures during daily operations. And the Group is dedicated to protect the environment from over-exploitation which would also benefit the Group's business sustainability in long term. Only water supplies from municipal pipelines are used by the Group and regular maintenance on water pipelines are conducted to prevent any unnecessary water wastage. In addition, monthly use of water is recorded in the environmental data collection system and such statistics could help staffs to identify any water usage abnormalities. During the reporting period, no material issues were observed by the Group in seeking water resources.

Resource Consumption	Unit	Consumption in 2019
Electricity	Kilowatt Per Hour	419,018
Diesel	Litre	76,872
Water	Tonnes	10,950
Packaging materials	Tonnes	0.5

Resource consumption Intensity (per employee)	Unit	Consumption in 2019
Electricity	Kilowatt Per Hour	2,064.1
Diesel	Litre	378.7
Water	Tonnes	53.9
Packaging materials	Tonnes	0.002

3. The Environment and Natural Resources

Due to the business nature of the operation, the Group does not generate a great risk to the environment nor use up enormous amount of natural resources. Despite that, the Group has introduced measures, which have mentioned above, to ensure the operation of the medical service and wellness service causing minimum environmental impact, as well as complying to all national and local environmental laws and regulations.

The Group is always committed on resource conservation, energy efficiency, and promotes environmental awareness to the staffs and all major stakeholders. Instead of the internal environmental management policies the Group has implemented, the Group has cooperated with the local government agencies closely and provide support to the non-governmental organization to promote "green" society. The Group has also invested resources on providing training to employees to increase their environmental awareness, such as water and energy conservation, optimal use of resources and waste recycling.

We have also been monitoring the effectiveness of the measures and exploring any room for improvement.

SOCIAL PERFORMANCE

1. Employment

The number of staff of the Group has been reduced by 21 during the reporting period. At the same time, the Group has strictly complied with national regulations, such as the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Promotion Law of the PRC, the Labour Dispute Mediation and Arbitration Law of the PRC, the Regulation on the Annual Leave of Employees and local labour laws and regulations. And in order to provide a safe and equal working environment to the employees, all of the related employment policies are demonstrated on the "Staff Handbook" and it covers various topics, such as compensation and dismissal, recruitment and promotion, working hours, rest periods, and other benefits and welfare. The formulated policies can ensure that the Group is effectively managing and providing labour protection to the staffs' compensation and benefits, recruitment and promotion, working hours, rest periods, entitled leaves, equal opportunity, diversity, anti-discrimination, staff training, attendance and performance.

For the recruitment system, the Group strives to provide a equal employment opportunities to all applicants. Therefore, the HR Department strictly follows the Group's recruitment principles of equal employment. And the Group will not tolerate any discrimination including gender, disability, pregnancy, family status, age, race, sexual orientation, nationality, ethnicity, and religion as stated in local laws and regulations. We do not tolerate any discrimination or harassment behaviour in the workplace, and any breaching of such policies during recruitment processes will be dealt with according to corresponding procedures.

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

2. Health and Safety

The Group has strictly followed the Labour Law of the PRC, the Prevention and Control of Occupational Diseases of the PRC, Fire Control Law of the PRC, Measures for the Determination of Work-related Injuries and relevant local laws and regulations, and is committed to providing a safe and comfortable working environment. In order to provide a safe, and comfortable working environment, the Group has provided sufficient equipment and facilities for the operations to ensure safety and work convenience to the employees. All permanent staffs are covered with social, medical and accidental insurances as required by law.

All business operations of the Group are authorised by the PRC government and obtained sanitation permits. Prior to employment, all service personnel have completed body check to meet the statutory public sanitation standards. The Group has also ensured adequate protection equipment, such as masks and gloves, are provided to all employees.

All workplaces are equipped with ventilation and fresh air systems, in order to enhance the indoor air quality. And regular maintenance to the ventilation system are conducted to increase its working efficiency. As a medical service provider, all the instruments require stringent safety standards. In order to achieve it, the Group requires all suppliers to provide certifications of relevant instruments prior to making procurement decision. The existing instruments and electrical appliances are required to conduct regular functional.

All workplaces are installed with qualified emergency lights, fire extinguishers, fire alarms, and fire hydrants to minimise the risk of fire. Third-party fire safety consultant is also engaged to conduct annual check on the relevant equipment as well.

In the meantime, the Group has provided regular employee training on the operating methodologies and procedures of equipment and products handling to ensure they could be fully aware of the job-related risks. In addition, emergency training and drills, such as fire drills, fire prevention training, are also provided to all employees to enhance employee's preparedness when sudden safety incidents arise.

3. Development and Training

The Group highly values employees' skills and knowledge, and the Group believes employees' loyalty can be enhanced by providing them development and training on their working ability. The HR Department oversees and design training programs for all new and existing employees.

The Group mainly provides training base on the job's needs, employees' willingness, potential competence. Various types of training program are available for the employees, such as in-house and external training courses, seminars, workshops, conferences, etc. For the professional hired in the Group's hospital, qualified clinical staffs are regularly sent for exchange to enhance their clinical exposure and knowledge. On the other hand, all hospitals would conduct regular medical training and assessment to the clinical staffs every month to ensure their skillset and professionalism are up to the Group's standard.

In addition, employees are also encouraged to attend external training and educational program to maintain their competitiveness and performance.

4. Labour Standards

The Group strictly complies with the Labour Law of the PRC, the Labour Contract Law of PRC, Provisions on Prohibition of Using Child Labour, the Law of the PRC on the Protection of Minors and other related labour laws and regulations to prevent any child labour and forced labour. In 2019, there were no labour strikes within the Group and it did not experience any material labour disputes nor any material insurance claims related to the employees' injuries. The Group is not aware of any material non-compliance with the relevant standards, rules and regulations in relation to its employment and labour practices in 2019. The Group also did not experience any material safety problems and no material safety accidents occurred due to the fault of the Group.

Equal opportunities have been given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees have not been discriminated against or deprived of opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age material status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws. The Group firmly believes that it has maintained a good working relationship with its employees.

In order to improve transparency, the Group has formulated the Human Resources Management System (《人事管理制度》) and Files Management System (《檔案管理制度》), the HR Department regularly monitors information and data related to employment to prevent non-compliance with rules, such as child labour and forced labour. All applicants are required to present valid identity documents during recruitment processes. If the applicants are found in providing any false information, the Group possesses the rights to terminate the terms of employment with immediate effect. In particular, the Group has formulated regulations on managing the prohibition of child labour. Individuals under the age of 16 or without identification documents are disqualified from employment. During the reporting period, the Group did not find any use of forced labour and child labour.

5. Supply Chain Management on Environmental and Social Risks

The Group has paid great attention to supplier management and have developed the Company Centralised Procurement (《公司集中採購》). The Group has established diverse and stringent procedures for the selection of and consistent monitoring of suppliers and products carefully, and maintained a stable relationship with qualified suppliers. The Group generally seeks to have a long-term business relationship with its suppliers. In addition to factors such as service quality, goodwill and cost, whether the suppliers and distributors have commitment to environmental and social responsibilities is another important consideration. The Group maintains a list of suppliers who have track records in dealing with it or in the market. Regular assessments on the suppliers, including field investigations, requests to provide basic certifications, licenses and product catalogues, will be conducted to ensure that the suppliers are not only committed to the cost and quality of the products supplied, but also have not violated any laws and practices.

During the Reporting Period, the Group had a total of 76 suppliers and all the suppliers were local in the PRC, which reaffirmed the strategy of supporting the local economy. The Group did not experience any significant problems with the products provided by its suppliers, any materials limitations in the supply nor any shortage of any products. The development of the hospital and medical services business will continue to increase the number and diversity of the suppliers.

6. Product Responsibility

Ensuring quality of service is of high importance in the Group's operation. It is committed to medical services that are appropriate and safe by the provision of qualified and trained professionals. During the year, the Group complied with specific standards and all applicable laws and regulations regarding health, medical and related services. There was no non-compliance relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and method of redress.

6.1 Data Protection and Privacy

The Group registers and collects patients/customers' personal data according to the Standard Registration Procedures of the Group.

The Group has established the Medical Record Management Office (《病案管理室》)and security measures are in place to ensure adequate protection and confidentiality of all corporate data and information. Personal information for the customers is stored in the internal membership management system. The system can only be assessed by authorized person and is not connected to external network in order to ensure that information is kept confidential. According to the Group's terms and conditions, prior written approval must be obtained from relevant customer whenever such information is required to be utilized by third party. All employment contracts specifically contain confidentiality provisions and employees are prohibited from accessing information without approval and/or leaking private and confidential information to third parties. The employees are trained to handle and use patient information with extreme caution, protect patient information, and comply with statutory requirements in privacy law and legal action will be taken against any violation.

During the reporting period, there were no cases initiated against the Group, nor any complaints received, regarding any breach of relevant privacy laws, regulations and policies in any area in which the Group operates.

6.2 Protecting Intellectual Property

The Group owns and values different types of intellectual properties such as patents and copyrights. The Group's principal intellectual property rights include the trademarks registered for the beauty service centre brand-name as well as for the name and associated signs of its hospitals. The Group primarily rely on trademark and intellectual property laws, and confidentiality agreements with its senior employees to protect all intellectual property relating to the Group and operations. The Group has enhanced the management on paper signature to further the protection of intellectual property.

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

6.3 Customer Services and Complaints

The Group makes every effort to maintain a high standard of customer service and continuously improves its service to enhance its competitiveness. It is committed to respectful, compassionate and practice of ethical patient care. Quality of services is monitored and evaluated through monthly inspections by management staff. Frontline staff are provided with customer service training and relevant guidelines to strengthen their awareness and service skills. All the customers of the Group are requested to conduct satisfaction evaluation after the completion of services and all operations' managers will contact customers via after-sales phone calls or WeChat follow up to conduct customer satisfaction surveys.

The Group also has systematic channels for enquiries and established medical dispute resolution office for complaints. The staff shall report all complaints to their supervisors who will review the matter with the relevant customer and offer them remedial proposals. The complaints will be recorded for internal review. If the complaint cannot be resolved on site or if a complaint has been received online through email or WeChat, the incident will be reported to the general manager, who will investigate the incident and file a report to the management with solutions to improve or avoid similar incidents in the future. An explanation will be sent to the relevant customer to ensure the matter has been resolved and to maintain good customer relationships.

6.4 Safety and Hygiene

The Group exercises strict disinfection procedures to ensure machines and equipment to be used are uncontaminated. All responsible employees are required to operate equipment or dispense pharmaceuticals and deliver service in accordance with national standards and internal operating guidelines. In addition, the Group conducts safety checks and maintenance where necessary of its equipment and audits of its pharmaceuticals and general items used in its hospital services, on an ongoing basis, to ensure strict compliance with relevant safety, hygiene and public security requirements.

6.5 Security

The Group has established safety and anti-crime manuals and safety and security training are also provided to staff regularly to ensure that they are aware of safety and security procedures. A team of staff has been designated by the Group to monitor the CCTV camera systems at hospitals to ensure that the Group were able to identify theft or harassment of medical and services staff promptly and stop such activities. The security team will attend the scene to investigate immediately if any suspicious circumstances arise or stop any fights or harassment of staff or patients and their families once identified.

7. Anti-Corruption

The Group upholds a zero-tolerance attitude towards corruption in any form of bribery, extortion, fraud, money laundering, etc. All directors and employees are required to strictly follow the Code of Conduct and Staff Regulations to prevent potential bribery, extortion, fraud and money laundering. The Group's Code of Conduct clearly states that:

- All directors and employees should avoid conflicts of personal interest and their professional duties;
- Employees should not exercise authority, make influenced decisions and actions or gain access to the Group's assets and information through their employment in the Group to achieve private and personal gain;
- Employees are required to declare any conflict of interest by completing the required form as instructed by the Group's HR Department;
- Neither directors nor employees shall obtain or provide benefits to governmental department, patients, suppliers, or people with business relationship with the Group;
- Any acceptance of voluntary gifts over a prescribed value must be declared and have undergone the approval process as administered by the Group's HR Department; and
- The Group's whistle-blowing procedures encourage and enable its employees to confidentially and anonymously report on observed and suspend non-compliance and questionable practices through telephone or email.

During the reporting period, no cases of corruption, extortion, fraud and money laundering occurred to the Group. The Group has adopted and implemented clear policies and procedures with regards to procurement, sales, patient service delivery, operational management and finance, which comply with applicable national and local laws and regulations such as the Criminal Law of the PRC. As the Group develops the hospital and medical services operations, it is also development internal systems to monitor and ensure compliance with relevant laws and regulations such as Law of the People's Republic of China on Medical Practitioner (中華人民共和國執業醫師法), Law of the People's Republic of China Against Unfair Competition (中華人民共和國反不正當競爭法) and the Provisions on the Establishment of Commercial Bribery Records in the Purchase and Sale of Medicines (關於建立醫藥購銷領域商業賄賂不良記錄的規定) and Regulations of Consolidating the Implementation of "Nine Prohibitions" for Proper Medical and Healthcare Industry Practices.

8. Community Investment

The Group recognises its responsibility towards its stakeholders, the community and the environment. Apart from the establishment of a harmonious and win-win relationship with community stakeholders, the Group also encourages its employees to participate in different community activities and fully understand the needs of community ensure that the Group fully considers the interests of the community while developing the Group's business. By recruiting employees from the local communities, the Group secures employees familiar with the local environment and who are more acutely aware of local concerns and issues. With the development of the new hospital division, the Group will devote more resources to local community investment.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

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

OPINION

We have audited the consolidated financial statements of Green International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 57 to 152, 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 profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and consolidated cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment on goodwill and trademark user right and technical know-how Refer to Note 17 to the consolidated financial statements Management performed impairment assessment of goodwill and trademark user right and technical know-how and concluded that an impairment loss on goodwill and trademark user right and technical know-how of approximately HK$25,692,000 and HK$60,143,000 respectively was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation was obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking on a sampling basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence. We found the key assumptions were supported by the available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The engagement director on audit resulting in this independent auditors' report is Mr. Tien Sun Kit, Jack.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 8 May 2020

	Notes	2019 HK$'000	2018 HK$'000
Revenue	6	78,659	82,092
Direct costs and operating expenses		(31,202)	(27,958)
Gross profit		47,457	54,134
Other (expenses)/income and loss, net	7	(6,878)	9,536
Selling expenses		(32,396)	(38,775)
Administrative expenses		(64,279)	(80,514)
Gain on disposal of subsidiaries	27	1,104	240
Loss on disposal of financial assets at fair value through profit or loss		(11,289)	–
Fair value changes of derivative financial instruments			
— Financial assets at fair value through profit or loss		–	1,328
— Financial liabilities at fair value through profit or loss	24	2,913	35,651
— Derivative financial assets	24	2,802	(28,747)
Impairment loss of goodwill	17	(25,692)	(17,812)
Impairment loss of trademark user right and technical know-how	17	(60,143)	–
Finance costs, net	8	(11,225)	(13,534)
Loss before income tax	9	(157,626)	(78,493)
Income tax credit	10	5,629	339
Loss for the year		(151,997)	(78,154)
Loss for the year attributable to:			
— Equity holders of the Company		(147,992)	(79,454)
— Non-controlling interests		(4,005)	1,300
		(151,997)	(78,154)
Loss per share for loss for the year attributable to the equity holders of the Company			
— Basic and diluted *(HK cents)*	13	(11.02)	(13.78)

The notes on pages 63 to 152 are an integral part of these consolidated financial statements.

	2019 *HK$'000*	2018 *HK$'000*
Loss for the year	**(151,997)**	(78,154)
Other comprehensive (expense)/income, net of tax		
— Exchange differences arising during the year	**(3,586)**	431
Total comprehensive expenses for the year	**(155,583)**	(77,723)
Total comprehensive expenses for the year attributable to:		
— Equity holders of the Company	**(151,314)**	(78,288)
— Non-controlling interests	**(4,269)**	565
	(155,583)	(77,723)

The notes on pages 63 to 152 are an integral part of these consolidated financial statements.

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	32,256	80,662
Right-of-use assets	16	56,744	–
Goodwill	17	10,728	36,420
Trademark user right and technical know-how	17	34,744	94,887
		134,472	211,969
Current assets			
Inventories	18	8,476	9,240
Trade receivables	20	6,932	4,341
Prepayments, deposits and other receivables	21	16,793	22,360
Financial assets at fair value through profit or loss		–	15,000
Derivative financial assets	24	3,505	703
Tax recoverable		–	707
Bank balances — trust and segregated accounts	22	175	11,826
Bank balances (general accounts) and cash	22	135,028	52,911
		170,909	117,088
Total assets		305,381	329,057
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	23	58,931	28,742
Reserves		31,976	57,479
		90,907	86,221
Non-controlling interests		7,769	12,038
Total equity		98,676	98,259

The notes on pages 63 to 152 are an integral part of these consolidated financial statements.

	Notes	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible bonds	24	–	56,807
Bonds payables	25	10,997	9,733
Lease liabilities/Obligations under finance lease	33	45,470	34,316
Deferred tax liabilities	28	3,592	9,989
		60,059	110,845
Current liabilities			
Trade payables	29	7,453	18,209
Contract liabilities	30	5,514	11,117
Accruals and other payables	31	60,845	39,752
Convertible bonds	24	59,107	14,379
Financial liabilities at fair value through profit or loss	24	–	2,913
Loan from a related company		–	30,753
Lease liabilities/Obligations under finance lease	33	13,649	2,465
Tax payable		78	365
		146,646	119,953
Total liabilities		206,705	230,798
Total equity and liabilities		305,381	329,057
Net current assets/(liabilities)		24,263	(2,865)
Total assets less current liabilities		158,735	209,104

On behalf of the Board

Yu Qigang
Director

Chen Hanhong
Director

The notes on pages 63 to 152 are an integral part of these consolidated financial statements.

	Attributable to the equity holders of the Company								
	Share capital	Share premium	Share-based equity reserve*	Convertible bonds -equity component reserve*	Exchange reserve*	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2018	19,725	544,946	4,696	12,328	5,828	(674,639)	(87,116)	6,678	(80,438)
Loss for the year	–	–	–	–	–	(79,454)	(79,454)	1,300	(78,154)
Other comprehensive income/(expenses) for the year	–	–	–	–	1,166	–	1,166	(735)	431
	–	–	–	–	1,166	(79,454)	(78,288)	565	(77,723)
Issue of share capital	4,660	20,038	–	–	–	–	24,698	–	24,698
Issue of convertible bonds	–	–	–	168,458	–	–	168,458	–	168,458
Redemption of convertible bonds	–	–	–	(10,390)	–	10,390	–	–	–
Issue of share upon conversion of financial liabilities at fair value through profit or loss	1,507	18,252	–	–	–	–	19,759	–	19,759
Issue of share upon conversion of convertible bonds	2,850	44,054	–	(7,165)	–	–	39,739	–	39,739
Lapse of share options	–	–	(1,838)	–	–	1,838	–	–	–
Initial recognition of deferred tax liabilities from convertible bonds	–	–	–	(1,029)	–	–	(1,029)	–	(1,029)
Acquisition of subsidiaries	–	–	–	–	–	–	–	4,795	4,795
	9,017	82,344	(1,838)	149,874	–	12,228	251,625	4,795	256,420
As at 31 December 2018 and 1 January 2019	**28,742**	**627,290**	**2,858**	**162,202**	**6,994**	**(741,865)**	**86,221**	**12,038**	**98,259**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(147,992)**	**(147,992)**	**(4,005)**	**(151,997)**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**(3,322)**	**–**	**(3,322)**	**(264)**	**(3,586)**
	–	**–**	**–**	**–**	**(3,322)**	**(147,992)**	**(151,314)**	**(4,269)**	**(155,583)**
Issue of share capital, net of issuing expense *(Note 23)*	**30,189**	**125,811**	**–**	**–**	**–**	**–**	**156,000**	**–**	**156,000**
Lapse of share options	**–**	**–**	**(2,858)**	**–**	**–**	**2,858**	**–**	**–**	**–**
Transfer to accumulated losses upon mature of convertible bonds	**–**	**–**	**–**	**(1,235)**	**–**	**1,235**	**–**	**–**	**–**
	30,189	**125,811**	**(2,858)**	**(1,235)**	**–**	**4,093**	**156,000**	**–**	**156,000**
As at 31 December 2019	**58,931**	**753,101**	**–**	**160,967**	**3,672**	**(885,764)**	**90,907**	**7,769**	**98,676**

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

The notes on pages 63 to 152 are an integral part of these consolidated financial statements.

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash used in operations	34	(16,936)	(48,660)
Profits tax paid		(348)	(1,495)
Net cash used in operating activities		(17,284)	(50,155)
Cash flows from investing activities			
Additions to property, plant and equipment	15	(4,716)	(18,176)
Proceeds from additions to lease liabilities/obligations under finance lease		1,982	10,490
Interest received		131	58
Net cash outflow on acquisition of subsidiaries	26	–	(29,691)
Net cash inflow on disposal of subsidiaries	27	1,676	1,343
Proceeds from disposal of financial asset at fair value through profit or loss		3,711	–
Proceeds from disposal of property, plant and equipment		–	144
Net cash generated from/(used in) investing activities		2,784	(35,832)
Cash flows from financing activities			
Interest paid		(4,453)	(5,459)
Proceeds from issue of equity share, net of issuing expense		156,000	24,698
Net proceeds from issue of convertible bonds		–	207,200
Repayment of lease liabilities/obligation under finance lease		(23,089)	(2,811)
Redemption of promissory note		–	(6,363)
Loan from a related company		–	50,000
Repayment loan from a related company		(30,000)	(120,000)
Redemption of convertible bonds		–	(38,058)
Net cash generated from financing activities		98,458	109,207
Net increase in cash and cash equivalents		83,958	23,220
Cash and cash equivalents at 1 January		52,911	26,458
Effects of exchange rate changes on balances denominated in foreign currencies		(1,841)	3,233
Cash and cash equivalents at 31 December	22	135,028	52,911

The notes on pages 63 to 152 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company was a public limited company incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. Its registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2006. Its parent company is Jumbo Faith International Limited ("**Jumbo Faith**"), which owns 45.83% of the issued share capital of the Company. Jumbo Faith is 100% owned by Ms. Zhou Cuigiong, spouse of Mr. Yu Qigang (the chairman of the Company and an executive Director).

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

These consolidated financial statements are presented in Group's functional currency, Hong Kong dollars ("**HK$**"), which is also the Company functional currency, and all values are rounded to the nearest thousand ("**HK$'000**"), except when otherwise indicated.

These consolidated financial statements have been approved for issue by the Board on 8 May 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

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

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

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

2.2 Basic of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

2.3 Application of New and Amendments to Hong Kong Financial Reporting Standards

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

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

Except as described below, the directors of the Company (the "**Directors**") anticipate that the application of all other new and amendments to HKFRSs had no material impact on the Group's financial positions and performance for the current year and prior years and/or the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

Transition and summary of effects arising from initial application of HKFRS 16

On 1 January 2019, the Group has applied HKFRS 16. HKFRS 16 superseded HKAS 17, and the related interpretations. The Group applied the HKFRS 16 in accordance with the transition provisions of HKFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HKFRIC – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

During the year ended 31 December 2019, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

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

2.3 Application of New and Amendments to Hong Kong Financial Reporting Standards *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

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

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

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

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

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

v. relied on assessment of whether lease are onerous by applying HKAS 37 Provision, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

On transition, the Group has made the following adjustments upon application of HKFRS16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities ranged from 1.59% to 5.92%.

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

2.3 Application of New and Amendments to Hong Kong Financial Reporting Standards *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessee (Continued)

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	46,205
Less: Effect from discounting at the incremental borrowing rate as at 1 January 2019	(4,098)
	42,107
Less: Recognition exemption — short term or low value leases	(2,090)
Add: Obligations under finance lease recognised as at 31 December 2018	36,781
Lease liabilities as at 1 January 2019	76,798
Analysed as:	
Current	20,688
Non-current	56,110
	76,798

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

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	40,017
Add: Amount included in property, plant and equipment under HKAS 17	
— Assets previously under finance leases	35,662
	75,679
By class:	
Leasehold properties	40,017
Plant & machinery	35,662
	75,679

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

2.3 Application of New and Amendments to Hong Kong Financial Reporting Standards *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessee (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	At 31 December 2018	Reclassification	Recognition of leases	At 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	80,662	(35,662)	–	45,000
Right-of-use assets	–	35,662	40,017	75,679
Current liabilities				
Lease liabilities	–	2,465	18,223	20,688
Obligations under finance lease	2,465	(2,465)	–	–
Non-current liabilities				
Lease liabilities	–	34,316	21,794	56,110
Obligations under finance lease	34,316	(34,316)	–	–

2.4 New and Amendments to HKFRS in issued but not yet effective

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

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

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

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework" in HKFRSs, will be effective for annual periods beginning on or after 1 January 2020. The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

2.5 Basis of consolidations

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

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

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

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

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

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

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

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

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

2.6 Business combinations

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

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

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

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

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

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

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

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

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

2.6 Business combinations *(Continued)*

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

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

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

2.7 Goodwill

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

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

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

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

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

2.8 Segment reporting

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

2.9 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

2.9 Foreign currency translation *(Continued)*

(d) Disposal and partial disposal of foreign operation

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

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

2.10 Property, plant and equipment

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

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

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

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

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

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

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

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

2.10 Property, plant and equipment *(Continued)*

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

2.11 Other intangible assets

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

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

2.12 Impairment of non-financial assets

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

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

2.13 Financial instruments

Financial assets

Classification and measurement of financial assets at amortised cost

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

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

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

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other revenue and other income" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, pledged bank deposit and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

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

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

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

Significant increase in credit risk

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

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

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

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

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

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

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

Write-off policy

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

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

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

Measurement and recognition of ECL

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

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

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

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

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

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

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

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

2.13 Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as financial liabilities or equity

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables and accruals, convertible bonds, lease liabilities and bond payables) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

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

2.13 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition

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

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

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

2.14 Inventories

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

2.15 Cash and cash equivalents

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

2.16 Borrowing costs

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

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

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

2.17 Current and deferred income tax

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

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

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

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

2.17 Current and deferred income tax *(Continued)*

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

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

2.18 Employee benefits

(a) Pension obligations

(i) Hong Kong

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

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

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

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

(b) Employee leave entitlements

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

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

2.18 Employee benefits *(Continued)*

(c) Share-based compensation plan

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

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

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

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

(d) Bonus plan

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

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

2.19 Provisions

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

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

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

2.20 Contingent liability

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

2.21 Revenue recognition

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

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

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

2.21 Revenue recognition *(Continued)*

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

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

Interest income

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

2.22 Leases (upon application of HKFRS 16 as at 1 January 2019)

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

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

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

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

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

2.22 Leases (upon application of HKFRS 16 as at 1 January 2019) *(Continued)*

As a lessee *(Continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

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

Right-of-use assets

The cost of right-of-use assets includes:

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

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable rental deposits

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

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

2.22 Leases (upon application of HKFRS 16 as at 1 January 2019) *(Continued)*

As a lessee *(Continued)*

Lease liabilities

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

The lease payments include:

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

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

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

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

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

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

2.22 Leases (upon application of HKFRS 16 as at 1 January 2019) *(Continued)*

***As a lessee** (Continued)*

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

As a lessor

Classification and measurement of leases

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

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 to allocate consideration in a contract to lease and nonlease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

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

2.22 Leases (upon application of HKFRS 16 as at 1 January 2019) *(Continued)*

As a lessor *(Continued)*

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Leasing (before adoption of HKFRS 16 as at 1 January 2019)

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

The Group as lessee

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

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

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

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

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

2.23 Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

3.1 Financial risk factors

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

(a) *Foreign exchange risk*

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

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

(b) *Credit risk*

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

As at 31 December 2019 and 2018, the majority of bank balances are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality.

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

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

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

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

3.1 Financial risk factors *(Continued)*

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

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables. Assessed lifetime expected credit losses rate of trade receivables is close to be zero as at 31 December 2019 as there are no recent history of default and continuous payments have been received. Based on historical and forward looking elements of the Group, it was determined that no loss allowance provision is necessary in respect of these balances as there has not been a significant change in credit quality of the clients.

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

Money lending business

The Group reviews the recoverable amount of each individual's loan receivables at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts. As at 31 December 2019, the Directors are of the opinion that impairment loss of loan and interest receivables of HK$Nil (2018: HK$27,297,000) is necessary in respect of these balances were overdue beyond their respective expiry dates and no subsequent settlements were received by the Group from the borrowers.

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

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

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Provision of brokerage services

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

In respect of amounts receivable from clearing house as at 31 December 2018, credit risks are considered low as the Group normally enters into transactions with clearing house which are registered with regulatory bodies.

Deposits and other receivables

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

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

	Other receivables *HK$'000*
At a 1 January 2018	369
Allowance for expected credit losses	453
Effect of foreign currency exchange difference	(37)
As at 31 December 2018 and 1 January 2019	**785**
Allowance for expected credit losses	**672**
Effect of foreign currency exchange difference	**(18)**
As at 31 December 2019	**1,439**

Bank Balances

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

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

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

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

	Weighted average interest rate	On demand or within 1 year	1 to 2 years	Over 2 years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019						
Trade payables	**–**	**7,453**	**–**	**–**	**7,453**	**7,453**
Accruals and other payables	**–**	**60,845**	**–**	**–**	**60,845**	**60,845**
Convertible bonds	**4.0%**	**61,471**	**–**	**–**	**61,471**	**59,107**
Lease liabilities	**6.5%**	**15,611**	**9,901**	**45,167**	**70,679**	**59,119**
Bond payable	**5.8%**	**–**	**–**	**14,000**	**14,000**	**10,997**
		145,380	**9,901**	**59,167**	**214,448**	**197,521**
As at 31 December 2018						
Trade payables	–	18,209	–	–	18,209	18,209
Accruals and other payables	–	39,752	–	–	39,752	39,752
Convertible bonds	6.3%	14,880	67,200	–	82,080	71,186
Loan from a related company	5.8%	31,068	–	–	31,068	30,753
Financial liabilities at fair value through profit or loss	–	31,422	–	–	31,422	2,913
Obligations under finance lease	4.9%	4,241	4,916	37,660	46,817	36,781
Bond payable	5.6%	–	–	14,000	14,000	9,733
		139,572	72,116	51,660	263,348	209,327

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

3.1 Financial risk factors *(Continued)*

(d) Cash flow and fair value interest rate risk

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

The Group has no significant in interest-bearing liabilities at floating rates. As at 31 December 2019, the Groups has convertible bonds, bonds payables and lease liabilities (2018: convertible bonds, bonds payables, promissory note payables, obligations under finance lease and loan from a related company) carried interest at fixed rates. Save as disclosed above, the Group does not have any other interest bearing borrowings. The details of convertible bonds, bonds payable, promissory note payables and lease liabilities/ obligations under finance lease are disclosed in Notes 24, 25, 32 and 33 respectively.

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

3.2 Fair value estimation on a recurring basis

(i) Fair value estimation on a recurring basis

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

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2019 and 2018:

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
2019				
Financial assets				
Derivative financial assets *(Note 24(a))*	**–**	**–**	**3,505**	**3,505**
2018				
Financial assets				
Financial assets at fair value through profit or loss	15,000	–	–	15,000
Derivative financial assets *(Note 24(a))*	–	–	703	703
Financial liabilities				
Financial liabilities at fair value through profit or loss *(Note 24(b))*	–	–	2,913	2,913

There was no transfer between Levels 1, 2, and 3 and changes in valuation techniques during the years ended 31 December 2019 and 2018.

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

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

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

Derivative financial instruments are measured at fair value as at 31 December 2019 and 2018. The following table gives information about how the fair values of these financial instruments are determined.

	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	2019 *HK$'000*	2018 *HK$'000*			
Financial assets					
Derivative financial assets *(Note 24(a))*	3,505	703	Level 3	The Binomial Option Model	Risk free rate adopted: 2019: 1.94% (2018: 1.73%) Expected Volatility: 2019: 46.13% (2018: 74.34%)
Financial liabilities					
Financial liabilities at fair value through profit or loss	–	2,913	Level 3	Generating a large number of possible random price paths using Binomial model simulation to calculate the average present value of the extra payoff from the simulated paths	Discount rate adopted: 2018: 10.68% Share price volatility: 2018: 40.80% *(Note ii)*

Notes:

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

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

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

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

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

Reconciliation of Level 3 fair value measurements:

Financial asset

	HK'000
At 1 January 2018	–
Issue of convertible bonds — derivative financial assets	42,221
Cancellation of convertible bonds	(12,771)
Fair value change	(28,747)
At 31 December 2018 and 1 January 2019	**703**
Fair value change	**2,802**
At 31 December 2019	**3,505**

Financial liabilities

	HK'000
At 1 January 2018	13,229
Issue of convertible bonds — derivative financial assets	31,422
Cancellation of convertible bonds	(6,087)
Fair value change	(35,651)
At 31 December 2018 and 1 January 2019	**2,913**
Fair value change	**(2,913)**
At 31 December 2019	**–**

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

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

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

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

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

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

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

	2019		2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial liabilities				
Convertible bonds	**59,107**	**62,166**	71,186	72,476

As at 31 December 2019, the fair value of convertible bonds of approximately HK$62,166,000 (2018: HK$72,476,000). The fair value of liabilities component of convertible bonds was valued by an independent valuer. The convertible bonds was calculated by discounting the future cash flow at market rate and including some unobservable inputs. See Note 24 for the details information of convertible bonds.

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

	Valuation technique	**Significant unobservable inputs**	**2019**	2018
Convertible bonds	Binomial model	Risk free rate	**1.94%**	1.73% to 1.77%
		Volatility	**46.13%**	74.34% to 111%
		Discount rate	**7.75%**	12% to 12.3%

There was no transfers between all levels in both years.

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

3.3 Capital risk management

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

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

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

The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Debt *(i)*	**129,223**	151,366
Equity *(ii)*	**90,907**	86,221
Gearing ratio	**142.1%**	175.6%

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Estimated Impairment of trade and other receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Notes 3.1(b), 20 and 21.

(b) Income taxes

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

(c) Estimated fair values financial instruments

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

(d) Impairment of right-of-use assets and property, plant and equipment

Right-of-use assets and property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2019, the carrying amounts of right-of-use assets and property, plant and equipment amounted to HK$56,744,000 and HK$32,256,000, respectively. No impairment losses were recognised during the year ended 31 December 2019. Details of the right-of-use assets and property, plant and equipment are disclosed in Notes 15 and 16.

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

(e) Impairment of trademark user right and technical know-how and goodwill

The Group determines whether trademark user right and technical know-how and goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of trademark user right and technical know-how and goodwill at 31 December 2019 was HK$34,744,000 and HK$10,728,000,respectively (2018: HK$94,887,000 and 36,420,000). Further details are disclosed in Note 17.

5. REVENUE AND SEGMENT INFORMATION

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

(a) the health and medical segment engages in the operation of health, medical and related businesses of its clubhouse, hemodialysis center and hospital;

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

(c) the financial business segment engages in money lending, securities brokerage, advising on securities and asset management businesses.

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

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

Segment results are presented as operating profit or loss.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Health and medical business *HK$'000*	Beauty and wellness business *HK$'000*	Financial business *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2019				
Hong Kong				
— At a point in time	–	–	42	42
The PRC				
— At a point in time	43,863	34,754	–	78,617
	43,863	34,754	42	78,659

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

Geographical analysis of revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for health and medical business, beauty and wellness business and financial business segments, respectively. There was no revenue from any single customer contributing over 10% of total revenue of the Group for the years ended 31 December 2019 and 2018.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Results by operating segments are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Health and medical business *(Note (i))*	**(49,978)**	(37,629)
Beauty and wellness business *(Note (ii))*	**(66,746)**	9,251
Financial business	**(4,265)**	(3,376)
Total net operating loss by operating segments	**(120,989)**	(31,754)
Unallocated corporate expenses, net	**(20,226)**	(41,224)
Gain on disposal of subsidiaries	**1,104**	240
Loss on disposal of financial assets at fair value through profit or loss	**(11,289)**	–
Fair value changes of derivative financial instruments:		
— Financial assets at fair value through profit or loss	**–**	1,328
— Financial liabilities at fair value through profit or loss	**2,913**	35,651
— Derivative financial assets	**2,802**	(28,747)
Net allowance for expected credit losses on other receivables	**(672)**	(453)
Loss on disposal of property, plant and equipment	**(44)**	–
Finance costs, net *(Note 8)*	**(11,225)**	(13,534)
Loss before income tax	**(157,626)**	(78,493)
Income tax credit	**5,629**	339
Loss for the year	**(151,997)**	(78,154)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss incurred by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain unallocated corporate expenses and income, gain on disposal of subsidiaries, loss on disposal of financial assets at fair value through profit or loss, fair value changes of derivative financial instruments, net allowance for expected credit losses on other receivables, loss on disposal of property, plant and equipment and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

Notes:

(i) For the year ended 31 December 2019, impairment loss of goodwill of approximately HK$25,692,000 (2018: HK$17,812,000) was included within the health and medical business segment.

(ii) For the year ended 31 December 2019, impairment loss of trademark user right and technical know-how of approximately HK$60,143,000 (2018: HK$Nil) and loss on disposal of property, plant and equipment of approximately HK$8,385,000 (2018: HK$Nil) were included within the beauty and wellness business segment.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Amounts included in the measure of segment results:

	2019 *HK$'000*	2018 *HK$'000*
Depreciation and amortization		
— Health and medical business	6,324	4,808
— Beauty and wellness business	22,532	5,627
— Financial business	104	240
	28,960	10,675
— Unallocated	162	1,017
	29,122	11,692
Net allowance for expected credit losses on other receivables		
— Heath and medical business	672	453

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

	Health and medical business *HK$'000*	Beauty and wellness business *HK$'000*	Financial business *HK$'000*	Unallocated corporate assets *HK$'000*	Consolidated *HK$'000*
As at 31 December 2019					
Hong Kong	–	–	7,805	122,159	129,964
The PRC	94,150	73,994	–	7,273	175,417
Segment total assets	94,150	73,994	7,805	129,432	305,381

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	Health and medical business HK$'000	Beauty and wellness business HK$'000	Financial business HK$'000	Unallocated corporate assets HK$'000	Consolidated HK$'000
As at 31 December 2018					
Hong Kong	–	–	18,057	30,779	48,836
The PRC	135,019	140,261	–	4,941	280,221
Segment total assets	135,019	140,261	18,057	35,720	329,057

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

	Health and medical business ***HK$'000***	**Beauty and wellness business** ***HK$'000***	**Financial business** ***HK$'000***	**Unallocated corporate assets** ***HK$'000***	**Consolidated** ***HK$'000***
As at 31 December 2019					
Hong Kong	**–**	**–**	**790**	**1,657**	**2,447**
The PRC	**68,655**	**63,370**	**–**	**–**	**132,025**
Segment total non-current assets (excluding financial instruments)	**68,655**	**63,370**	**790**	**1,657**	**134,472**

	Health and medical business HK$'000	Beauty and wellness business HK$'000	Financial business HK$'000	Unallocated corporate assets HK$'000	Consolidated HK$'000
As at 31 December 2018					
Hong Kong	–	–	69	1,123	1,192
The PRC	82,476	127,682	–	619	210,777
Segment total non-current assets (excluding financial instruments)	82,476	127,682	69	1,742	211,969

6. REVENUE

The Group's revenue represents by health and medical business, beauty and wellness business and financial business.

An analysis of revenue by types of services as follows:

	2019 *HK$'000*	2018 *HK$'000*
Health and medical business	43,863	37,061
Beauty and wellness business	34,754	44,858
Financial business	42	173
Total revenue recognized at a point in time	78,659	82,092

All of the Group's revenue from contracts with customers is generated in the Hong Kong and PRC based on where goods are sold. All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed.

7. OTHER (EXPENSES)/INCOME AND LOSS, NET

	2019 *HK$'000*	2018 *HK$'000*
Recovery of loan receivable	–	3,300
Donation received	–	3,820
Sundry income	1,551	2,361
(Loss)/gain on disposal of property, plant and equipment	(8,429)	55
	(6,878)	9,536

8. FINANCE COSTS, NET

	2019 HK$'000	2018 HK$'000
Interest incomes:		
— Bank deposits	131	58
Interest expenses:		
— Convertible bonds	(6,356)	(7,859)
— Bonds payable	(1,764)	(1,793)
— Other borrowings *(Note (i))*	(519)	(2,202)
— Lease liabilities/Obligations under finance lease	(2,717)	(1,738)
	(11,225)	(13,534)

Note:

(i) Interest expense on other borrowings includes interest expense on loan from a related company of approximately HK$483,000.

9. LOSS BEFORE INCOME TAX

	2019 HK$'000	2018 HK$'000
Auditors' remuneration	1,350	1,500
Depreciation of property, plant and equipment	7,468	11,692
Depreciation of right-of-use assets	21,654	–
Merchandise purchased and changes in inventories	20,842	15,702
Employee benefit expenses	40,157	46,967
Lease rental expenses	–	19,227
Expenses relating to short-term lease	2,131	–
Net allowance for expected credit losses on other receivables	672	453

10. INCOME TAX CREDIT

Hong Kong profits tax and the PRC enterprise income tax have been provided at the rate of 16.5% and 25% respectively (2018: 16.5% and 25% respectively), on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax credited to the consolidated statement of profit or loss as follow:

	2019 *HK$'000*	2018 *HK$'000*
Current taxation		
PRC enterprise income tax		
— Current year	768	192
Deferred taxation	(6,397)	(531)
	(5,629)	(339)

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years.

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

	2019 *HK$'000*	2018 *HK$'000*
Loss before income tax	(157,626)	(78,493)
Calculated at Hong Kong profits tax rate of 16.5% (2018: 16.5%)	(26,008)	(12,951)
Effect of different tax rates in other jurisdictions	(2,608)	(1,436)
Income not subject to tax	(762)	(157)
Expenses not deductible	111	1,965
Tax losses for which no deferred income tax asset was recognised	23,638	12,240
Income tax	(5,629)	(339)

11. EMPLOYEE BENEFIT EXPENSES

	2019 *HK$'000*	2018 *HK$'000*
Wages, salaries and other short-term employee benefits	37,888	42,744
Pension costs — defined contribution plans	2,269	4,223
	40,157	46,967

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2019 is set out below:

Name of Director	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Employer's contribution to pension scheme *HK$'000*	Share options *HK$'000*	Total *HK$'000*
Executive Directors					
YU, Qigang *(Chairman)*	–	2,400	18	–	2,418
CHEN, Hanhong	720	–	–	–	720
LIU Dong *(Note (iii))*	–	180	9	–	189
Independent Non-executive Directors					
WU, Hong	180	–	–	–	180
TSOI, David	180	–	–	–	180
WANG, Chunlin	180	–	–	–	180
	1,260	2,580	27	–	3,867

11. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of each Director for the year ended 31 December 2018 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Share options	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
YU, Qigang *(Chairman)*	–	2,400	18	–	2,418
ZENG, Xiangdi *(Note (i))*	770	–	–	–	770
CHEN, Hanhong	720	–	–	–	720
LIU, Dong *(Note (iii))*	–	84	4	–	88
YANG, Wang Jian *(Note (ii))*	–	157	8	–	165
AU, Eva *(Note (ii))*	79	–	–	–	79
Non-executive Directors					
YU, Jiaoli *(Note (iv))*	64	–	–	–	64
Independent Non-executive Directors					
WU, Hong	180	–	–	–	180
TSOI, David	180	–	–	–	180
WANG, Chunlin	180	–	–	–	180
SUN, Zhili *(Note (v))*	135	–	–	–	135
	2,308	2,641	30	–	4,979

Notes:

(i) Appointed on 24 February 2017 and resigned on 29 November 2018

(ii) Retired on 7 June 2018

(iii) Appointed on 13 July 2018

(iv) Resigned on 12 July 2018

(v) Appointed on 12 June 2017 and resigned on 30 September 2018

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

11. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) 5 highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 including 3 Directors (2018: 4), whose emoluments are disclosed in Note 11(a). Details of emoluments of the remaining 2 (2018: 1) individuals are as follows:

	2019	2018
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**1,722**	960
Pension costs — defined contribution plans	**18**	18
	1,740	978

The emoluments are within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
HK$Nil – HK$500,000	**–**	–
HK$500,001 – HK$1,000,000	**2**	1
	2	1

12. LOSS ATTRIBUTABLE TO THE EQUITY HOLDER OF THE COMPANY

The loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$167,851,000 (2018: HK$152,424,000) (Note 38(c)).

13. LOSS PER SHARE

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

	2019 *HK$'000*	2018 *HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(147,992)**	(79,454)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue	**1,343,000**	576,539
Loss per share		
Basic loss per share *(HK$ cents)*	**(11.02)**	(13.78)

Note: The weighted average number of ordinary shares for the years ended 31 December 2019 and 2018 has been adjusted for four-to-one share consolidation of the Company which became effective on 4 March 2019.

Diluted

For the years ended 31 December 2019 and 2018, the effect of the Company's share option and convertible bonds was anti-dilutive and was therefore not included in the calculation of the diluted loss per share.

14. DIVIDENDS

No dividend in respect of the Year (2018: Nil) is to be proposed at the forthcoming annual general meeting.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Office equipment furniture and fixtures *HK$'000*	Transportation vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At 1 January 2018						
Cost	47,140	27,471	5,265	6,143	256	86,275
Accumulated depreciation and impairment	(24,076)	(17,558)	(3,606)	(3,488)	(256)	(48,984)
Net book amount	23,064	9,913	1,659	2,655	–	37,291
Year ended 31 December 2018						
Opening net book amount	23,064	9,913	1,659	2,655	–	37,291
Acquisition of subsidiaries	6,586	31,054	2,973	73	–	40,686
Additions	3,022	14,126	1,028	–	–	18,176
Depreciation *(Note 9)*	(4,773)	(4,830)	(1,356)	(733)	–	(11,692)
Disposal	–	(8)	(81)	–	–	(89)
Exchange realignment	(179)	(3,215)	(254)	(62)	–	(3,710)
Closing net book amount	27,720	47,040	3,969	1,933	–	80,662
At 31 December 2018						
Cost	56,430	68,461	14,204	5,291	–	144,386
Accumulated depreciation and impairment	(28,710)	(21,421)	(10,235)	(3,358)	–	(63,724)
Net book amount	27,720	47,040	3,969	1,933	–	80,662

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

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Office equipment furniture and fixtures *HK$'000*	Transportation vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At 1 January 2019						
Cost	56,430	30,589	14,204	5,291	–	106,514
Accumulated depreciation and impairment	(28,710)	(19,211)	(10,235)	(3,358)	–	(61,514)
Net book amount	27,720	11,378	3,969	1,933	–	45,000
Year ended 31 December 2019						
Opening net book amount	27,720	11,378	3,969	1,933	–	45,000
Disposal of subsidiaries *(Note 27)*	–	–	–	(528)	–	(528)
Additions	1,651	2,707	358	–	–	4,716
Depreciation *(Note 9)*	(3,596)	(2,000)	(1,187)	(685)	–	(7,468)
Disposal	(6,467)	(1,876)	(86)	–	–	(8,429)
Exchange realignment	(619)	(306)	(87)	(23)	–	(1,035)
Closing net book amount	18,689	9,903	2,967	697	–	32,256
At 31 December 2019						
Cost	42,327	30,534	10,558	2,244	–	85,663
Accumulated depreciation and impairment	(23,638)	(20,631)	(7,591)	(1,547)	–	(53,407)
Net book amount	18,689	9,903	2,967	697	–	32,256

The Group has initially applied HKFRS 16 using modified retrospective approach and adjusted the opening balances at 1 January 2019 to reclassify the assets under finance lease from property, plant equipment to right-of-use assets. Further details on the impact of the transition to HKFRS 16 are set out in Note 2.

Depreciation expense for the year ended 31 December 2019 of approximately HK$2,107,000 (2018: HK$8,654,000) and HK$5,361,000 (2018: HK$3,038,000) have been recognised as selling expenses and administrative expenses, respectively.

16. RIGHT-OF-USE ASSETS

	Plant and machinery *HK$'000*	Leased Properties *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2019 *(Note 2)*	35,662	40,017	75,679
Additions	1,982	2,435	4,417
Exchange realignment	(798)	(900)	(1,698)
At 31 December 2019	36,846	41,552	78,398
Accumulated depreciation and impairment losses			
At 1 January 2019 *(Note 2)*	–	–	–
Charge provided for the year	(2,535)	(19,119)	(21,654)
At 31 December 2019	(2,535)	(19,119)	(21,654)
Carrying amounts			
At 31 December 2019	34,311	22,433	56,744
At 1 January 2019 (restated)	35,662	40,017	75,679

Details of total cash outflow of leases is set out in the consolidated cash flow statements.

During the current year, the Group leases properties for own use. Lease contracts are entered into for fixed term of two to nineteen years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Depreciation expense for the year ended 31 December 2019 of approximately HK$21,654,000 have been recognized as administrative expenses.

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

			Other Intangible Assets		
	Trademark user right and technical know-how	**Goodwill**	**Medical license**	**Cross-boundary vehicle licence**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (a))	*(Note (b))*	*(Note (c))*	*(Note (d))*	
At 31 December 2018					
Cost	222,222	54,232	968	1,568	278,990
Accumulated amortisation and impairment	(127,335)	(17,812)	(968)	(1,568)	(147,683)
Net book amount	94,887	36,420	–	–	131,307
Year ended 31 December 2018					
Opening net book amount	94,887	–	8	1,346	96,241
Acquisition of subsidiaries *(Note 26)*	–	54,232	–	–	54,232
Impairment loss	–	(17,812)	–	–	(17,812)
Amortisation	–	–	(8)	–	(8)
Disposal of a subsidiary *(Note 27)*	–	–	–	(1,346)	(1,346)
Closing net book amount	94,887	36,420	–	–	131,307
At 31 December 2019					
Cost	**222,222**	**54,232**	**968**	**1,568**	**278,990**
Accumulated amortisation and Impairment	**(187,478)**	**(43,504)**	**(968)**	**(1,568)**	**(233,518)**
Net book amount	**34,744**	**10,728**	**–**	**–**	**45,472**
Year ended 31 December 2019					
Opening net book amount	**94,887**	**36,420**	**–**	**–**	**131,307**
Impairment loss	**(60,143)**	**(25,692)**	**–**	**–**	**(85,835)**
Closing net book amount	**34,744**	**10,728**	**–**	**–**	**45,472**

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

Notes:

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

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

The recoverable amount of the trademark user right and technical know-how with indefinite useful life is determined based on value-in-use calculation by reference to the valuation report issued by an independent valuer. The cash flow projection is based on a five-year profit forecast reviewed by the Directors in respect of the relevant identifiable CGU. Cash flows beyond the five-year period are extrapolated using growth rate of 3% (2018: 3%), which does not exceed the long-term average growth rate for the beauty and wellness business industry. The cash flows are discounted using a discount rate of 13.41% (2018: 17.98%). The discount rate used is pre-tax and reflects specific risks relating to the beauty and wellness segment. Other key assumptions involve (i) management's expectations for the market development and (ii) the continuity of the co-operation relationship with business partners.

During the year ended 31 December 2019, an impairment loss of approximately HK$60,143,000 (2018: HK$Nil) was recognised in respect of the trademark user right and technical know-how within the beauty and wellness segment, as the management of the Company considers that the Beauty Business faced weakened customer sentiment in Shenzhen throughout the Year especially since the third quarter of 2019 and such trend will remain in the future for a period of time until the finish of the COVID-19 coronavirus outbreak.

(b) Goodwill has been allocated for impairment testing purposes to the cash-generating units of health and medical business by Charm Eastern Limited and its subsidiaries ("**Charm Eastern Group**"), which is classified into the Group's reportable segment of health and medical operation.

Particular of impairment testing on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

Health and medical business

Before recognition of impairment loss, the carrying amount of goodwill was allocated to cash-generating units as follows:

	2019	2018
	HK$'000	*HK$'000*
Health and medical business	**54,232**	54,232

For the year ended 31 December 2019, the recoverable amount of goodwill with indefinite useful life is determined based on a value in use calculation by reference to the valuation report issued by an independent valuer. The cash flow projection based on financial budgets approved by the Directors and valued by the professional valuer covering a five year period, and discount rate of 11.32% (2018: 15%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3% (2018: 3%) growth rate. This growth rate does not exceed the long-term average growth rate for the market.

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

Notes: (Continued)

(b) *(Continued)*

The key assumptions used in the value-in-use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects the past experience.

During the year ended 31 December 2019, an impairment loss of approximately HK$25,692,000 (2018: HK$17,812,000) was recognised in respect of the goodwill within the health and medical segment. In the opinion of the Directors, the main factor contributing to the impairment loss was due to the effect of the COVID-19 Coronavirus outbreak.

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

(d) The cross-boundary vehicle license has a legal life of 1 year but is renewable every 1 year at minimal costs. The Directors are of the opinion that the Group would renew the cross-boundary vehicle license continuously and has the ability to do so. As a result, the cross-boundary vehicle license is considered by management of the Group as having an indefinite useful life and will not be amortised. For the year ended 31 December 2017, the cross-boundary vehicle license was impaired to the recoverable amount which is determined by subsequent selling price to HK$1,346,000.

18. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials and consumables	**8,476**	9,240

The cost of inventories recognised as expenses and included in cost of sales during the year ended 31 December 2019 amounted to approximately HK$20,842,000 (2018: HK$15,702,000) (Note 9).

19. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost *HK$'000*	Financial assets at fair value through profit or loss *HK$'000*
Financial assets		
At 31 December 2019		
Trade and other receivables, excluding prepayments	**21,955**	**–**
Derivative financial assets	**–**	**3,505**
Bank balances — trust and segregated accounts	**175**	**–**
Bank balances (general accounts)	**135,028**	**–**
	157,158	**3,505**
Financial assets		
At 31 December 2018		
Trade and other receivables, excluding prepayments	25,122	–
Financial asset at fair value through profit or loss	–	15,000
Derivative financial assets	–	703
Bank balances — trust and segregated accounts	11,826	–
Bank balances (general accounts) and cash	52,911	–
	89,859	15,703

	Financial liabilities at fair value *HK$'000*	Financial liabilities at amortised cost *HK$'000*
Financial liabilities		
At 31 December 2019		
Convertible bonds	**–**	**59,107**
Bonds payables	**–**	**10,997**
Lease liabilities/Obligations under finance lease	**–**	**59,119**
Trade and other payables, excluding membership deposit received	**–**	**60,654**
	–	**189,877**
Financial liabilities		
At 31 December 2018		
Financial liabilities at fair value through profit or loss	2,913	–
Convertible bonds	–	71,186
Bonds payables	–	9,733
Obligations under finance lease	–	36,781
Loan from a related company	–	30,753
Trade and other payables, excluding membership deposits received	–	57,961
	2,913	206,414

20. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables arising from the ordinary course of business of dealing in securities transactions:		
— Cash clients	–	75
— Clearing house	–	–
	–	75
Trade receivables from business other than business of dealing in securities transactions	6,932	56,245
Less: Provision for discount on past due balances	–	(51,979)
	6,932	4,266
Total	6,932	4,341

Trade receivables arising from the business of dealing in securities

The Group seeks to maintain tight control over its outstanding trade receivables and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limit are approved by designated approvers according to the clients' credit worthiness.

The normal settlement terms of trade receivables from clients and clearing house arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

Trade receivables due from cash clients are secured by clients' securities, which are publicly traded equity securities listed in Hong Kong. The fair values of the securities as at 31 December 2018 were approximately HK$75,000. All trade receivables from cash clients are neither past due nor impaired as at 31 December 2019 and 2018 and the Directors are of the opinion that the amount are recoverable. Cash client receivables which were past due but not impaired bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion.

In addition, the Group has a policy for determining the allowance for impairment of trade receivables without sufficient collateral based on the evaluation of collectability and aging analysis of accounts and on management's judgement including the creditworthiness, collateral and the past collection history of each client.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to the reporting date and the fair values of the collateral held.

20. TRADE RECEIVABLES *(Continued)*

Trade receivables arising from businesses other than dealing in securities

The Group's trade receivables are generally with credit periods of 90 days. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade receivables. The Group does not hold any collateral as security. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise the credit risk.

The ageing analysis of gross carrying amount of trade receivables, based on invoice dates, as at 31 December 2019 and 2018 were as follows:

	2019 *HK$'000*	2018 *HK$'000*
Within 30 days	4,399	3,410
31–60 days	837	572
61–90 days	389	182
91–180 days	866	54
Over 180 days	441	52,027
	6,932	56,245

Management assessed the credit quality of those trade receivables of approximately HK$5,625,000 (31 December 2018: HK$4,164,000) that are neither past due nor impaired by reference to the repayment history and current financial position of those customers. Those receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and those balances are expected to be fully recoverable.

Details of assessment on expected credit losses are set out in Note 3.1b.

Trade receivables are denominated in the following currencies:

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong dollars	–	75
Renminbi	6,932	4,191
US dollars	–	51,979
	6,932	56,245

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 *HK$'000*	2018 *HK$'000*
Prepayments	**1,770**	1,579
Prepayment for establishment of an associated company	**–**	4,000
Other deposits paid	**3,048**	1,335
Other receivables	**13,402**	24,005
Interest receivables	**12**	6,629
	18,232	37,548
Less: Allowance for expected credit losses on other receivables and interest receivables *(Note (a))*	**(1,439)**	(785)
Less: Impairment loss on interest receivables *(Note (b))*	**–**	(6,629)
Less: Impairment loss on prepayment and other receivables *(Note (c))*	**–**	(7,774)
	16,793	22,360

Notes:

(a) Movement in allowance for ECL that has been recognised for deposits and other receivables under ECL model of HKFRS 9 for the year ended 31 December 2019 and 2018 was detailed in Note 3.1(b).

(b) As at 31 December 2018, an impairment loss on interest receivables of HK$6,629,000 in relation to the loan receivables had been recognised in prior year. During the year ended 31 December 2019, the gross amounts of interest receivables and impairment loss of HK$6,629,000 was disposed upon disposal of subsidiaries.

(c) As at 31 December 2018, an impairment loss on prepayments and other receivables of HK$7,774,000 was recognised in prior year. During the year ended 31 December 2019, the gross amounts of prepayments and other receivables and impairment loss of HK$7,774,000 was disposed upon disposal of subsidiaries.

Prepayments, deposits and other receivables are denominated in the following currencies:

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong dollars	**3,629**	2,016
Renminbi	**13,164**	20,344
	16,793	22,360

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Loan receivables:

	2019	2018
	HK$'000	*HK$'000*
91–180 days	–	–
181–365 days	–	–
Over 1 year	–	23,968
	–	23,968
Less: Recovery of loan receivables	–	(3,300)
Less: Impairment loss	–	(20,668)
	–	–

The loan receivables are unsecured, bear interests ranging from 10% to 36% per annum, and repayable within one year.

At each of the reporting date, the Group's loan receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain loan receivables and appropriate provision for impairment has been made against these loan receivables. The individually impaired receivables are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

As at 31 December 2018, an impairment loss on loan receivables of approximately HK$20,668,000 had been recognised in prior year. During the year ended 31 December 2019, the gross amount of loan receivables and impairment loss of approximately HK$20,668,000 was disposed upon disposal of subsidiaries.

The carrying amount of the loans receivable approximate their fair value.

22. CASH AND BANK BALANCES

	2019	2018
	HK$'000	*HK$'000*
Bank balances — trust and segregated accounts *(Note (iii))*	**175**	11,826
Bank balances (general accounts) and cash *(Note (iv))*	**135,028**	52,911
	135,203	64,737

Notes:

(i) An indirect wholly-owned subsidiary of the Company receives and holds money deposited by clients in the course of the conduct of the regulated activities of its ordinary business. The clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding trade payables to respective client. However, the Group does not have a currently enforceable right offset those payables with deposits placed.

(ii) The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

(iii) Segregated Accounts

From the Group's ordinary business in provision of brokerage and related services, the Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognized the corresponding accounts payable to respective clients. As at 31 December 2019, the segregated accounts with authorized institutions in relation to its brokerage business totaled HK$175,000 (2018: HK$11,826,000).

(iv) House accounts

Cash and bank balances comprise cash held by the Group and bank deposits at variable interest rate with original maturity of three months or less.

At 31 December 2019, the Group's certain bank deposits of approximately HK$Nil (2018: HK$35,594,000) denominated in RMB were placed with bank in the PRC.

Cash and cash equivalents are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong dollars	**122,298**	35,497
Renminbi	**12,904**	29,239
United State of America Dollar	**1**	1
	135,203	64,737

23. SHARE CAPITAL

Details on the movements of the share capital for the years ended 31 December 2019 and 2018 are set out as follows:

	Number of shares	Nominal value
	'000	*HK$'000*
Authorised capital:		
As at 1 January 2018	4,000,000,000	40,000
Increased during the year *(Note (i))*	16,000,000,000	160,000
As at 31 December 2018	**20,000,000,000**	**200,000**
Share consolidation *(Note (iii))*	**(15,000,000,000)**	**–**
As at 31 December 2019	**5,000,000,000**	**200,000**
Issued and fully paid:		
As at 1 January 2018	1,972,452,606	19,725
Shares issued during the year *(Note (ii))*	901,744,050	9,017
As at 31 December 2018	**2,874,196,656**	**28,742**
Share consolidation *(Note (iii))*	**(2,155,647,492)**	**–**
Shares issued during the year *(Note (iv))*	**754,716,981**	**30,189**
As at 31 December 2019	**1,473,266,145**	**58,931**

Notes:

(a) Changes in authorised and issued share capital during the year:

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

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

(iii) The share consolidation became effective on 4 March 2019, on the basis of every four issued and unissued ordinary shares of par value HK$0.01 each in the share capital of the Company being consolidated into one consolidated share of par value HK$0.04 each.

(iv) On 3 April 2019, the Company has allotted and issued 754,716,981 consolidated shares to Jumbo Faith at the price of HK$0.212 per consolidated share for a total amount of HK$160,000,000. The net proceeds (after deducting costs and expenses incidental to the issue of consolidated shares) raised from the issue of consolidated shares amount to approximately HK$156,000,000, which is intended to be used by the Company for the repayment on debts and liabilities, cash redemption of CB, replenishing the capital requirements of the financial services companies of the Group and for the Group's general corporate expense. Details of which were disclosed in the Company's announcement dated 3 April 2019.

23. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) Old Share Option Scheme:

On 2 September 2006, a share option scheme (the "**Share Option Scheme**") was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

(i) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

The weighted average fair value of options granted was determined using the Trinomial Option Pricing Model at HK$0.21 per option. The significant inputs into the model were weight average share price of HK$0.37 at the grant date, exercise price shown above, volatility of 45%, dividend yield of 0%, an expected option life of 10 years, and annual risk-free interest rate of 1.14%.

(ii) In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,245,260 share options under the Share Option Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). However, no share options were accepted by the grantees within 28 days from the date of offer in accordance with the rules of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year ended 31 December 2018.

(iii) Movements in the share options are as follows:

	2019 Weighted average exercise price in HK$ per Share	**2019** Number of share options	2018 Weighted average exercise price in HK$ per Share	2018 Number of share options
At 1 January	**0.32**	**14,000,000**	0.32	23,000,000
Share consolidation *(Note (i))*	**–**	**(10,500,000)**	–	–
Lapsed *(Note (ii))*	**1.28**	**(3,500,000)**	0.32	(9,000,000)
At 31 December	**–**	**–**	0.32	14,000,000

	2019	2018
— Number of share options exercisable at year ended	**–**	14,000,000
— Range of exercise prices	**–**	0.32
— Weighted average remaining contractual life	**–**	3.35 years

Notes:

(i) The share consolidation became effective on 4 March 2019, on the basis of every four issued and unissued ordinary shares of par value HK$0.01 each in the share capital of the Company being consolidated into one consolidated share of par value HK$0.04 each.

(ii) As disclosed in the announcement of the Company dated 2 May 2019, 3,500,000 outstanding share options granted under the Old Share Option Scheme lapsed automatically after the close of the option offer on the closing date of 2 May 2019.

23. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(c) New Share Option Scheme:

At the annual general meeting of the Company held on 26 June 2019, a new share option scheme (the "**New Share Option Scheme**") was approved by the shareholders of the Company. The New Share Option Scheme has a lifespan of 10 years.

Under the scheme, The Board may at its discretion grant options to the following Eligible Participants:

(i) any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any entity in which any member of the Group holds any interest (the "**Invested Entity**");

(ii) any discretionary trust whose discretionary objects include any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any Invested Entity; and

(iii) a company beneficially owned by any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any Invested Entity

The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue as at the date of approval of the New Share Option Scheme. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No share options were granted under the New Share Option Scheme for the years ended 31 December 2019. As at the date of this announcement, the number of options which can be granted under the New Share Option Scheme was 147,326,614 shares, representing 8.93% of the existing issued share capital of the Company. Unless approved by the shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of an option, which shall be paid within 21 days from the offer date.

An option shall be exercisable at any time during a period to be notified by the Directors to each grantee, provided that no option shall be exercisable later than ten years after its date of grant. The subscription price must be at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a business day; and (b) the average of the closing prices of the shares as shown on the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

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

For the purpose this note, references to number of conversion shares and conversion prices refer to the status of affairs prior to the four-to-one share consolidation of the Company which became effective on 4 March 2019. The adjustments to conversion shares and conversion prices as a result of the share consolidation are disclosed in the Company's announcement dated 1 March 2019. Details on the movements of the convertible bonds for the years ended 31 December 2019 and 2018 are set out as follows:

(a) Convertible Bonds

Movements of convertible bonds during the years ended 31 December 2019 and 2018 are summarised as below:

	2nd Tai Cheng CB	3rd Tai Cheng CB	2015 CB	Qianhai CB	Zheyin Tianqin 2017 CB	Investor CB	Zheyin Tianqin 2018 CB	Total
	HK'000	*HK'000*	*HK'000*	*HK'000* *(Note (i))*	*HK'000*	*HK'000*	*HK'000* *(Note (ii))*	*HK'000*
As at 1 January 2018	5,628	431	30,841	12,358	26,504	–	–	75,762
Issue of convertible bonds	–	–	–	–	–	27,200	60,000	87,200
Equity component on initial recognition	–	–	–	–	–	(6,462)	(40,967)	(47,429)
Redemption option derivative component on initial recognition	–	–	–	–	–	5,160	37,061	42,221
Deferred tax liabilities on initial recognition	–	–	–	–	–	(257)	(772)	(1,029)
Conversion of convertible bonds	–	–	–	–	(26,504)	(25,689)	–	(52,193)
Redemption of convertible bonds	(5,965)	(483)	(31,610)	–	–	–	–	(38,058)
Interest expenses	337	52	769	2,021	496	164	4,020	7,859
Accrued interest	–	–	–	–	(496)	(116)	(2,535)	(3,147)
As at 31 December 2018	–	–	–	14,379	–	–	56,807	71,186
Analysed by maturity date as 31 December 2018:								
Within one year and included in current liabilities	–	–	–	14,379	–	–	–	14,379
Over one year and included in non-current liabilities	–	–	–	–	–	–	56,807	56,807
	–	–	–	14,379	–	–	56,807	71,186

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

(a) Convertible Bonds *(Continued)*

	Qianhai CB HK'000 (Note (i))	Zheyin Tianqin 2018 CB HK'000 (Note (ii))	Total HK'000
As at 1 January 2019	14,379	56,807	71,186
Transferred to other payables	(14,835)	–	(14,835)
Interest expenses	456	5,900	6,356
Accrued interest	–	(3,600)	(3,600)
As at 31 December 2019	–	59,107	59,107
Analysed by maturity date as 31 December 2019:			
Within one year and included in current liabilities	–	59,107	59,107
Over one year and included in non-current liabilities	–	–	–
	–	59,107	59,107

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

(a) Convertible Bonds *(Continued)*

(i) Qianhai CB

On 15 April 2016, the Company issued 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited in an aggregate principal amount of HK$12,000,000 (the "**Qianhai CB**") carrying conversion right to convert into 40,000,000 shares at the conversion price of HK$0.30 per share (after adjustment) maturing on 15 April 2019. As disclosed in the Company's announcement dated 20 December 2019, the Company was capable and willing to honour its contractual obligations under the Qianhai CB but due to conflicting instructions given by Zhang Xuejun and Shenzhen Qianhai Shengzun Hualong Holdings Co., Ltd. as to the recipient of cash payment, the redemption process was delayed without any fault on the part of the Company, pending the resolution of litigation and dispute amongst the various parties. Qianhai CB in an aggregate principal amount of HK$12,000,000 and accrued interest of approximately HK$2,835,000 being recognised at other payables in the audited consolidated statement of financial position.

(ii) Zheyin Tianqin 2018 CB

On 19 April 2018, the Company issued 6% per annum convertible bonds to the nominated entity of Zheyin Tianqin, Dogain Capital Limited, in an aggregate principal amount of HK$60,000,000 (the "**Zheyin Tianqin 2018 CB**") carrying conversion right to convert into 352,941,176 shares at the conversion price of HK$0.17 per share and has been matured on 20 April 2020, being the second anniversary of the date of issue of the convertible bonds. The carrying value of the Zheyin Tianqin 2018 CB as at 31 December 2019 was approximately HK$59,107,000. The full amount has been repaid on 20 April 2020. For detail, please refer to Note 39.

	Liability component *HK$'000*	Equity component *HK$'000*	Redemption option derivative component *HK$'000*	Total *HK$'000*
At 1 January 2018	–	–	–	–
Issue of Zheyin Tianqin 2018 convertible bonds	55,322	41,739	(37,061)	60,000
Deferred tax liability upon conversion of convertible bonds	–	(772)	–	(772)
Effective interest charged	4,020	–	–	4,020
Interest payable	(2,535)	–	–	(2,535)
Change in fair value of derivative financial asset component of convertible notes	–	–	36,358	36,358

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

(a) Convertible Bonds *(Continued)*

(ii) Zheyin Tianqin 2018 CB (Continued)

	Liability component *HK$'000*	Equity component *HK$'000*	Redemption option derivative component *HK$'000*	Total *HK$'000*
At 31 December 2018 and 1 January 2019	56,807	40,967	(703)	97,071
Effective interest charged	5,900	–	–	5,900
Interest payable	(3,600)	–	–	(3,600)
Change in fair value of derivative financial asset component of convertible bonds	–	–	(2,802)	(2,802)
At 31 December 2019	59,107	40,967	(3,505)	96,569

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

Movements of financial liabilities at fair value through profit or loss during the years ended 31 December 2019 and 2018 are summarised as below:

	Mara CBs *HK$'000*	Ample Reach CBs *HK$'000*	Total *HK$'000*
As at 1 January 2018	13,229	–	13,229
Issue of convertible bonds, at fair value	–	31,422	31,422
Conversion and cancellation of convertible bonds	(6,087)	–	(6,087)
Changes in fair value	(7,142)	(28,509)	(35,651)
As at 31 December 2018 and 1 January 2019	–	2,913	2,913
Changes in fair value	–	(2,913)	(2,913)
As at 31 December 2019	–	–	–

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

(c) HK Yinger CB

On 23 March 2018, the Company issued 3% per annum convertible bonds to the nominated entity of Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**"), Fluent Robust Limited, in an aggregate principal amount of HK$120,000,000 (the "**HK Yinger CB**") carrying conversion right for the holder to convert into 705,882,352 shares of the Company at the initial conversion price of HK$0.17 per share, subject to anti-dilutive adjustments, and maturing on 23 March 2020, being the second anniversary of the date of issue of the convertible bonds.

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

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

25. BONDS PAYABLES

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

	HK$'000
As at 1 January 2018	8,516
Interest paid	(500)
Interest expense	1,717
As at 31 December 2018	**9,733**
Interest paid	**(500)**
Interest expense	**1,764**
As at 31 December 2019	**10,997**

25. BONDS PAYABLES *(Continued)*

As at 31 December 2019, there were outstanding bonds with an aggregate principal amount HK$14,000,000.

(i) On 28 June 2016, the Company entered into a placing agreement with Enhanced Securities Limited ("**Enhanced Securities**"), pursuant to which Enhanced Securities agreed with the Company to place bonds up to a principal amount of HK$10,000,000 to a placee who is an independent third party at 100% of principal amount of the bonds. The bond is denominated in Hong Kong dollars, unsecured, bears interest at 5% per annum and will mature on the date falling on the seventh anniversary of the issue of the bond. Interest is payable in arrears annually on each anniversary of the date of the issue.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.40% to 11.16% per annum.

(ii) On 24 March 2017, the Company entered into a placing agreement with Green Securities Limited ("**Green Securities**"), pursuant to which Green Securities agreed with the Company to place bonds up to a principal amount of HK$4,000,000 to a placee who is an independent third party at 100% of the principal amount of the bonds. The bond is denominated in Hong Kong dollars, unsecured, bears interest at 7.15% per annum and will mature on the date falling on the seventh anniversary of the issue of the bond. Interest is payable in arrears annually on each anniversary of the date of the issue.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.55% to 13.24% per annum.

The fair value of each of the bonds at issue was calculated using market interest rates for equivalent bonds. The difference between the fair value at issue and the net proceeds received was recognised within other income and loss in the consolidated statement of profit or loss.

26. ACQUISITION OF SUBSIDIARIES

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

Consideration transferred

	HK$'000
Cash	34,000
Ample Reach CBs	31,422
Total consideration	65,422

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

	HK$'000
Identifiable assets acquired and liabilities recognised:	
Property, plant and equipment	40,686
Inventories	1,016
Trade receivables	1,774
Prepayment, deposits and other receivable	8,321
Cash and bank balances	4,309
Trade payables	(1,284)
Obligations under finance lease	(30,020)
Other payables, accruals and deposit received	(8,817)
Total identifiable net assets acquired	15,985
Non-controlling interests	(4,795)
Acquiree's net assets	11,190
Goodwill	54,232
Total consideration	65,422

Note:

Goodwill arose in the acquisition of Charm Eastern Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Charm Eastern Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

26. ACQUISITION OF SUBSIDIARIES *(Continued)*

Net cash outflow

	HK$'000
Consideration paid in cash and bank balance	34,000
Less: cash and balance acquired of	(4,309)
	29,691

Impact of acquisitions on the results of the Charm Eastern Group

Included in the loss for the year is HK$3,942,000 attributable to the additional business generated by Charm Eastern Group. Revenue for the year includes HK25,015,000 in respect of Charm Eastern Group.

Had these business combinations been effected at 1 January 2018, the revenue of the Group from continuing operations would have been HK$26,662,000 and the loss for the year from continuing operations would have been HK$5,201,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

27. DISPOSAL OF SUBSIDIARIES

On 20 December 2019, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Harmonic Felicity Limited ("**Harmonic Felicity**") and its subsidiaries to an independent third party (the "**Purchaser**") for cash consideration of HK$2,200,000. The disposal was completed on 30 December 2019. Summary of the effects of the disposal is as follows:

Consideration:

	HK$'000
Cash	2,200

Analysis of asset and liabilities over which control was lost:

	Acquiree's carrying amount and fair value *HK$'000*
Non-current assets	
Property, plant and equipment	528
Current assets	
Deposits, prepayment and other receivables	44
Cash and bank balance	524
Net assets disposal	1,096
Gain on disposal of subsidiaries	
Consideration receivable	2,200
Net assets disposal	(1,096)
Gain on disposal	1,104
Net cash inflow on disposal of subsidiaries	
Consideration received in cash and bank balance	2,200
Less: cash and bank balance disposal of	(524)
	1,676

27. DISPOSAL OF SUBSIDIARIES *(Continued)*

On 13 March 2018, the Group entered into a sale and purchase agreement to disposal of its 100% equity interest in Hung Cheong Paper Products Factory Limited ("**Hung Cheong**") to an independent third party (the "**Purchaser**") for cash consideration of HK$1,346,000. The disposal was completed on 13 March 2018. Summary of the effects of the disposal is as follows:

Consideration:

	HK$'000
Total consideration	1,346

Analysis of asset and liabilities over which control was lost:

	Acquiree's carrying amount and fair value *HK$'000*
Non-current asset	
Other intangible assets	1,346
Current assets	
Prepayments, deposits and other receivables	1
Cash and bank balances	3
Current liability	
Other payables	(244)
Net assets disposal	1,106
Gain on disposal of a subsidiary	
Consideration received	1,346
Net assets disposal	(1,106)
Gain on disposal	240
Net cash inflow on disposal of a subsidiary	
Consideration received in cash and bank balances	1,346
Less: cash and bank balances disposal of	(3)
	1,343

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and the movements thereon during the current and prior year:

	Trademark user right and technical know-how	Accelerated tax depreciation	Convertible bonds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	9,488	193	–	9,681
Recognition of tax from convertible bonds	–	–	1,029	1,029
Charged to consolidated statement of profit or loss *(Note 10)*	–	(193)	(338)	(531)
Release of deferred tax upon conversion of convertible bonds	–	–	(190)	(190)
As at 31 December 2018	**9,488**	**–**	**501**	**9,989**
Charged to consolidated statement of profit or loss *(Note 10)*	**(6,014)**	**–**	**(383)**	**(6,397)**
As at 31 December 2019	**3,474**	**–**	**118**	**3,592**

No deferred tax asset has been recognised due to unpredictability of future profit streams.

29. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables arising from the ordinary course of business of dealing in securities transactions:		
— Cash clients	173	11,900
— Clearing house	1	1
Trade payables from purchase of goods other than ordinary course of business, except for business of dealing in securities transactions	7,279	6,308
	7,453	18,209

The carrying amounts of trade payables approximate their fair values.

Trade payables arising from the business of dealing in securities

The trade payables balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade data except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No ageing analysis is disclosed as, in the opinion of Directors, an ageing analysis does not give additional value in view of the nature of this business.

Trade payables arising from other businesses

The ageing analysis of trade payables, based on invoice dates, as at 31 December 2019 and 2018 are as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	2,481	2,737
31–60 days	1,316	1,064
61–90 days	331	57
91–180 days	183	72
Over 180 days	2,968	2,378
	7,279	6,308

The carrying amounts of trade payables approximate their fair values.

29. TRADE PAYABLES *(Continued)*

Trade payables arising from other businesses *(Continued)*

Trade payables are denominated in the following currencies:

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong dollars	174	11,901
Renminbi	7,279	6,308
	7,453	18,209

The carrying amounts of trade payables approximate their fair values.

30. CONTRACT LIABILITIES

	2019 *HK$'000*	2018 *HK$'000*
Receipts in advance	5,514	11,117

* The amounts in this column are after the adjustments from the application on HKFRS 15.

	Deposits received from customers *HK$'000*
As at 1 January 2018	24,288
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(28,496)
Increase in contract liabilities excluding amounts recognized as revenue during the year	16,097
Exchange realignment	(772)
As at 31 December 2018 and 1 January 2019	**11,117**
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	**(5,757)**
Increase in contract liabilities excluding amounts recognized as revenue during the year	**284**
Exchange realignment	**(130)**
As at 31 December 2019	**5,514**

31. ACCRUALS AND OTHER PAYABLES

	2019 *HK$'000*	2018 *HK$'000*
Accruals	**14,903**	9,794
Other payables *(Note)*	**45,942**	29,958
	60,845	39,752

Note: The Qianhai CB of approximately HK$14,835,000, including the principal amount and interest, was included in other payables. Details please refer to Note 24.

Accruals and other payables are denominated in the following currencies:

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong dollars	**26,060**	6,838
Renminbi	**34,785**	32,914
	60,845	39,752

32. PROMISSORY NOTE PAYABLE

Movements of promissory note payables during the years ended 31 December 2019 and 2018 are as follows:

	HK$'000
At 1 January 2018	6,287
Interest expense	76
Redemption of Promissory Note	(6,363)
At 31 December 2018 and 2019	**–**

On 15 March 2017, the Company entered into a side letter with Tai Shing, pursuant to which the Company and Tai Shing agreed to cancel the 1st Tai Cheng CB in the principal amount of HK$6,163,000 in exchange for 2% per annum promissory note in the same principal amount issued by the Company, which was supposed to mature on 30 November 2017. On 11 July 2018, its principal amount and accrued interest were fully repaid in cash by the Company.

33. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease payment		PV of minimum lease payment	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**15,611**	4,241	**13,649**	2,465
More than one year	**55,068**	42,576	**45,470**	34,316
	70,679	46,817	**59,119**	36,781
Less: Future finance charges	**(11,560)**	(10,036)	**–**	–
Present value of lease obligations	**59,119**	36,781	**59,119**	36,781
Less: Amount due within one year shown under current liabilities			**(13,649)**	(2,465)
Amount due after one year shown under non-current liabilities			**45,470**	34,316

The Group entered into lease arrangements with independent third parties in relation to certain properties and plant and machinery. The lease terms ranged from 2–19 years (2018: 2–7 years). Interest rates of underlying lease liabilities at the date of inception is 1.6% to 5.9% and 4.9% per annum as at 31 December 2019 and 2018, respectively. Obligations under finance lease were reclassified to lease liabilities on 1 January 2019 upon the adoption of HKFRS 16 as set out in Note 2.

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. 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.

The leases liabilities amount to approximately HK$35,490,000 (2018: 36,781,000) are secured by the lessor's charge over the leased assets.

Lease obligations denominated in RMB was approximately HK$56,782,000 as at 31 December 2019.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash used in operation

	Notes	2019 HK$'000	2018 HK$'000
Loss before income tax		(157,626)	(78,493)
Tax adjustment for:			
— Depreciation of property, plant and equipment	9	7,468	11,692
— Depreciation of right-of-use assets	9	21,654	–
— Loss/(gain) on disposal of property, plant and equipment	7	8,429	(55)
— Gain on disposal of subsidiaries	27	(1,104)	(240)
— Loss on disposal of financial assets at fair value through profit or loss		11,289	–
— Fair value change of derivative financial instruments			
Financial liabilities at fair value through profit or loss	24	(2,913)	(35,651)
Financial asset at fair value through profit or loss		–	(1,328)
Derivative financial assets	24	(2,802)	28,747
— Impairment loss of goodwill	17	25,692	17,812
— Impairment loss of trademark user right and technical know-how	17	60,143	–
— Allowance for expected credit losses on other receivables	9	672	453
— Amortisation of other intangible assets		–	8
— Finance cost, net	8	11,225	13,534
		(17,873)	(43,521)
Changes in working capital:			
— Inventories		764	(325)
— Trade receivables		(2,591)	(2,389)
— Prepayments, deposits and other receivables		4,850	9,594
— Bank balances — trust and segregated accounts		11,651	(4,930)
— Trade payables		(10,756)	7,380
— Contract liabilities		(5,603)	11,117
— Other payables, accruals and deposits received		2,622	(25,586)
Cash used in operations		(16,936)	(48,660)

Significant non-cash transactions

The Group had the following significant non-cash activities during the year ended 31 December 2019:

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$4,417,000 in respect of lease arrangements for plant and machinery and leased properties.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Reconciliation of liabilities arising from financing activities

	Convertible bonds	Bonds payables	Promissory Note Payables	Loan from a related company	Lease liabilities/ Obligations under finance lease	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net debts at 1 January 2018	75,762	8,516	6,287	101,772	–	192,337
Interest expenses	7,859	1,717	76	2,202	1,738	13,592
Accrued interest	(3,147)	–	–	–	–	(3,147)
Interest paid	–	(500)	–	(3,221)	(1,738)	(5,459)
Loan from a related company	–	–	–	50,000	–	50,000
Repayment of loan from a related company	–	–	–	(120,000)	–	(120,000)
Repayment of obligations under finance lease	–	–	–	–	(2,811)	(2,811)
Redemption of promissory note payables	–	–	(6,363)	–	–	(6,363)
Issue of convertible bonds	87,200	–	–	–	–	87,200
Redemption of convertible bonds	(38,058)	–	–	–	–	(38,058)
Non-cash items	(58,430)	–	–	–	–	(58,430)
Acquisition of subsidiaries *(Note 26)*	–	–	–	–	30,020	30,020
Proceeds from additions to obligations under finance lease	–	–	–	–	10,490	10,490
Exchange realignment	–	–	–	–	(918)	(918)
Net debt as at 31 December 2018	**71,186**	**9,733**	**–**	**30,753**	**36,781**	**148,453**
Interest expenses	**6,356**	**1,764**	**–**	**483**	**2,717**	**11,320**
Interest Payable	**(3,600)**	**–**	**–**	**–**	**–**	**(3,600)**
Interest paid	**–**	**(500)**	**–**	**(1,236)**	**(2,717)**	**(4,453)**
Repayment of loan from a related company	**–**	**–**	**–**	**(30,000)**	**–**	**(30,000)**
Repayment of lease liabilities	**–**	**–**	**–**	**–**	**(23,089)**	**(23,089)**
Charge to other payables for convertible bonds	**(14,835)**	**–**	**–**	**–**	**–**	**(14,835)**
Additions of lease liabilities	**–**	**–**	**–**	**–**	**46,416**	**46,416**
Exchange realignment	**–**	**–**	**–**	**–**	**(989)**	**(989)**
Net debt as at 31 December 2019	**59,107**	**10,997**	**–**	**–**	**59,119**	**129,223**

35. COMMITMENTS

Operating lease commitments

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

	2018
	HK$'000
Not later than 1 year	18,194
Later than 1 year but not later than 5 years	15,497
More than 5 years	12,514
	46,205

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Key management compensation

	2019	2018
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	3,840	4,949
Pension costs — defined contribution plans	27	30
	3,867	4,979

(b) Transactions

In addition to the transactions and the balances detailed elsewhere in the consolidated financial statements, the Group has the following transactions with related parties:

	2019	2018
	HK$'000	*HK$'000*
Interest expense to Hong Kong Sheen Smile International Investment Limited, a company wholly owned by Mr. Yu *(Note 8)*	483	2,202

36. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with a related party

	2019 *HK$'000*	2018 *HK$'000*
Loans from Hong Kong Sheen Smile International Investment Limited, a company wholly owned by Mr. Yu	–	30,753

The loans from Hong Kong Sheen Smile International Investment Limited were unsecured and carried interest at rate ranged from 4.8% to 6.5% per annum. They are repayable within 1 year and classified as current liabilities. As at 31 December 2019, the principal amount outstanding was HK$Nil (2018: HK$30,000,000).

37. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
ASSETS		
Non-Current assets		
Property, plant and equipment	54	139
Right-of-use assets	1,603	–
Investments in subsidiaries	62,498	169,955
	64,155	170,094
Current assets		
Prepayments, deposits and other receivables	857	397
Financial asset at fair value through profit or loss	–	15,000
Derivative financial assets	3,505	703
Amounts due from subsidiaries *(Note (b))*	14,543	14,555
Cash and cash equivalents	111,039	3,960
	129,944	34,615
Total assets	194,099	204,709
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	58,931	28,742
Reserves	11,807	53,847
Total equity	70,738	82,589

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

As at 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
LIABILITIES		
Non-current liabilities		
Convertible bonds	–	56,807
Bonds payables	10,997	9,733
Lease liabilities	780	–
Deferred tax liabilities	117	501
	11,894	67,041
Current liabilities		
Other payables, accruals and deposits received	25,992	6,778
Convertible bonds	59,107	14,379
Financial liabilities at fair value through profit or loss	–	2,913
Amounts due to subsidiaries	25,542	256
Lease liabilities	826	–
Loan from a related company	–	30,753
	111,467	55,079
Total liabilities	123,361	122,120
Total equity and liabilities	194,099	204,709
Net current assets/(liabilities)	18,477	(20,464)
Total assets less current liabilities	82,632	149,630

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) The following is a list of the subsidiaries which, in the opinion of the Directors, principally affected the results of the Group for the years ended 31 December 2019 and 2018 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Company Name	Places of incorporation/ establishment and kind of legal entity	Issued and fully paid-up share capital/ registered or paid-in capital	Equity interests attributable to the Company				Principal activities and places of operations
			Direct		Indirect		
			2019	2018	2019	2018	
格林銀湖健康養生(深圳)有限公司	The PRC wholly-owned foreign enterprise	HK$30,000,000	–	–	100%	100%	Operations of clubhouse and business in the PRC
深圳市瑪莎嘉兒連鎖實業有限公司	The PRC wholly-owned foreign enterprise	RMB10,000,000	–	–	70%	70%	Operations of beauty and wellness business in the PRC
深圳市瑪莎康盈生物科技有限公司	The PRC wholly-owned foreign enterprise	RMB1,000,000/ RMB2,000,000	–	–	70%	70%	Operations of beauty and wellness business in the PRC
澧縣鳳凰醫院有限公司	The PRC wholly-owned foreign enterprise	RMB15,000,000	–	–	70%	70%	Medical services of internal medicine, nephrology, surgery, chinese medicine, medical laboratory and Medical imaging in the PRC
益陽子仲腎臟病醫院有限公司	The PRC wholly-owned foreign enterprise	RMB10,000,000	–	–	70%	70%	Medical services of internal medicine, nephrology, medical laboratory and medical imaging ultrasound diagnosis and electrocardiography
Green Securities Limited	Hong Kong, limited liability	HK$21,500,000	–	–	100%	100%	Securities brokerage in Hong Kong
Green Asset Management Limited	Hong Kong, limited liability	HK$7,000,000	–	–	100%	100%	Asset management in Hong Kong

(b) The amounts due from subsidiaries are denominated in Hong Kong dollars. The balances are unsecured, interest-free and repayable on demand.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: (Continued)

(c) Reserves

	Share premium HK$'000	Share-based equity reserve* HK$'000	Convertible bonds-reserve* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	544,946	4,696	12,328	(598,307)	(36,337)
Loss for the year	–	–	–	(152,424)	(152,424)
Issue of share capital	20,038	–	–	–	20,038
Issue of convertible bonds	–	–	168,458	–	168,458
Initial recognition of deferred tax liabilities from convertible bonds	–	–	(1,029)	–	(1,029)
Redemption on convertible bonds	–	–	(10,390)	10,390	–
Issue of share upon conversion of financial liabilities at fair value	18,252	–	–	–	18,252
Issue of share upon conversion of convertible bonds	44,054	–	(7,165)	–	36,889
Lapse of share options	–	(1,838)	–	1,838	–
At 31 December 2018	627,290	2,858	162,202	(738,503)	53,847
Loss for the year	–	–	–	(167,851)	(167,851)
Issue of share capital	125,811	–	–	–	125,811
Lapse of Share option	–	(2,858)	–	2,858	–
Transfer of accumulated losses upon mature of convertible bonds	–	–	(1,235)	1,235	–
At 31 December 2019	753,101	–	160,967	(902,261)	11,807

39. EVENTS AFTER THE REPORTING PERIOD

The following subsequent events occurred between the end of the financial year ended 31 December 2019 and the date hereof:

(a) On 25 February 2020, the Company received a notice of redemption from Crown Hang International Investment Limited informing the Company of its election not to exercise the conversion right attaching to the two-year 6% per annum convertible bonds in the principal amount of HK$60,000,000 (the "**Zheyin Tianqin 2018 CB**") issued by the Company on 19 April 2018 and has been matured on 20 April 2020, and requested the Company to redeem the Zheyin Tianqin 2018 CB in cash. The Company has repaid the full amount on 20 April 2020.

(b) On 23 March 2020, the Company allotted and issued 176,470,588 shares on the automatic conversion of the two-year 3% per annum convertible bonds in the principal amount of HK$120,000,000 (the "**HK Yinger CB**") at its maturity date on 23 March 2020. The conversion price of the HK Yinger CB is HK$0.68 per share (as adjusted by the four-to-one share consolidation of the Company which took place on 4 March 2019).

(c) Since January 2020, the outbreak on Novel Coronavirus ("**COVID-19**") has impacted the global business environment. Up to the date of these consolidated financial statements, COVID-19 cause significant decrease in the Group's revenue. Pending the development and spread of COVID-19 subsequent to the date of the consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**78,659**	82,092	54,320	46,960	45,620
Direct costs and operating expenses	**(31,202)**	(27,958)	(9,819)	(8,813)	(18,595)
Gross profit	**47,457**	54,134	44,501	38,147	27,025
Other (expenses)/income and loss, net	**(6,878)**	9,536	2,039	883	2,055
Gain on bargain purchase on acquisitions of subsidiaries	**–**	–	–	–	36,918
Gain on disposal of subsidiaries	**1,104**	240	–	3,005	–
Selling expenses	**(32,396)**	(38,775)	(33,912)	(29,940)	(29,767)
Administrative expenses	**(64,279)**	(80,514)	(69,590)	(60,995)	(69,256)
Loss on disposal of financial assets at fair value through profit or loss	**(11,289)**	–	–	–	–
Fair value change of derivative financial instruments					
— Early redemption option	**–**	–	–	(9,803)	(47,690)
— Call options	**–**	–	(11,040)	(23,999)	–
— Financial liabilities at fair value through profit or loss	**2,913**	35,651	9,048	–	–
— Financial assets at fair value through profit or loss	**–**	1,328	–	–	–
— Derivative financial assets	**2,802**	(28,747)	–	–	–
Impairment loss of goodwill	**(25,692)**	(17,812)	–	–	(160,877)
Impairment loss of trademark user right and technical know-how	**(60,143)**	–	(62,585)	(64,972)	–
Impairment loss of property plant and equipment	**–**	–	–	(406)	(10,240)
Impairment loss of loan and interest receivables	**–**	–	(30,597)	–	–
Impairment loss of promissory note receivables	**–**	–	(165,617)	–	–
Impairment loss of prepayments, deposit and other receivables	**–**	–	(7,774)	–	–
Finance (cost)/income, net	**(11,225)**	(13,534)	(1,387)	11,090	45,605
Loss before income tax	**(157,626)**	(78,493)	(326,914)	(136,990)	(206,227)
Income tax	**5,629**	339	4,675	4,047	(2,624)
Loss for the year	**(151,997)**	(78,154)	(322,239)	(132,943)	(208,851)

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year attributable to:					
— Equity holders of the Company	**(147,992)**	(79,454)	(323,029)	(134,537)	(205,103)
— Non-controlling interests	**(4,005)**	1,300	790	1,594	(3,748)
	(151,997)	(78,154)	(322,239)	(132,943)	(208,851)

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
TOTAL ASSETS	**305,381**	329,057	199,769	438,787	539,127
TOTAL LIABILITIES	**(206,705)**	(230,798)	(279,838)	(194,005)	(191,128)
Non-controlling interests	**(7,769)**	(12,038)	(6,678)	(5,428)	(4,257)
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**90,907**	86,221	(86,747)	239,354	343,742