TIAN YUAN HEALTHCARE

天元医疗

China Tian Yuan Healthcare Group Limited

(Incorporated in the Cayman Islands with limited liability)
(STOCK CODE: 557)

2019
ANNUAL REPORT

Contents

Mission Statement

To invest in businesses with high growth potential so as to increase shareholder value.

Chairman's Statement

On behalf of the board (the "Board" or "Board of Directors") of directors (the "Directors") of the Company, I am pleased to present China Tian Yuan Healthcare Group Limited (the "Company") and its subsidiaries (the "Group") results for the financial year ended 31 December 2019 ("FY2019"). The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$170.2 million for FY2019 as compared with a net loss attributable to the equity shareholders of the Company of approximately HK$27.6 million in the previous corresponding year. The higher net loss was mainly due to the provision of expected credit losses for loan and trade and other receivables, impairment loss on goodwill and loss on change in fair value of other financial liabilities, which is partially offset by the net gain on disposal of a subsidiary for FY2019.

Investment Holding segment

The Group's Investment Holding segment recorded net loss on fair value of other financial assets/liabilities of approximately HK$46.0 million and the net realised and unrealised valuation loss on financial assets at FVTPL of approximately HK$4.2 million. Overall, total net realised and unrealised loss of approximately HK$50.2 million was recorded for FY2019 as compared with the total net realised and unrealised gain of approximately HK$6.9 million in the previous corresponding year. Consequently, the Group's Investment Holding segment reported a loss before tax of approximately HK$95.0 million for FY2019 as compared with a loss before tax of approximately HK$36.8 million in the previous corresponding year.

Hospitality segment

Regarding the Group's Hospitality segment, the Group's U.S. hotel management arm, Richfield Hospitality, Inc. has ceased the hotel management service in order to reduce loss in the hospitality segment and therefore no management fee income was recorded for FY2019. On the other hand, management fee income of approximately HK$4.4 million was recorded in the previous corresponding year. The loss before tax is approximately HK$11.3 million for FY2019 as compared with a loss before tax of approximately HK$9.8 million in the previous corresponding year.

On 2 April 2019, SWAN Carolina Investor, LLC, an indirect subsidiary of the Company, and Whiteboard Investments LLC, the joint operation partner of the joint operation, Sheraton Chapel Hill Hotel (collectively, the "Sellers") entered into the Hotel Purchase and Sale Agreement (the "Hotel PSA") with Atma Hotel Group Inc (the "Purchaser Atma"), pursuant to which the Sellers have agreed to sell and the Purchaser Atma has agreed to purchase certain assets of Sheraton Chapel Hill Hotel (the "Disposal of Assets"). The total consideration receivable by Group under the Hotel PSA is approximately USD4,625,000. The Disposal of Assets was completed on 2 August 2019.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of approximately HK$9.6 million for seven months as compared with approximately HK$20.8 million from the previous corresponding year. The Hotel recorded a loss before tax of approximately HK$5.1 million for FY2019 as compared with a loss before tax of approximately HK$2.2 million in the previous corresponding year.

On 26 June 2019, SWAN USA Inc., an indirect subsidiary of the Company (the "Seller"), entered into a Purchase and Sale agreement (the "PSA") with the Whiteboard Labs, LLC (the "Purchaser"), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase 51% of the equity interest in Sceptre Hospitality Resources, LLC (the "SHR") with consideration of approximately USD3,277,354 (the "Disposal of SHR"). The Disposal of SHR was completed on 6 July 2019.

The Group's 51% equity interest in SHR together with its subsidiaries, Sceptre Hospitality Resources Pte. Ltd, Sceptre Hospitality Resources Europe S.L., Cross-Tinental S.L. and Kootae SLU (collectively, the "SHR Group"), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded revenue of HK$56.3 million for six months as compared with approximately HK$90.4 million in the previous corresponding year, SHR Group recorded an operating loss of approximately HK$2.3 million as compared with an operating loss of approximately HK$21.5 million in the previous corresponding year.

Chairman's Statement

The Group also recognised share of losses from its associates, S-R Burlington Partners, LLC. of approximately HK$4.3 million for FY2019, as compared to a share of loss of HK$2.3 million in the previous corresponding year.

Consequently, excluding the net gain on disposal of a subsidiary/assets of HK$28.5 million and gain on joint operation written off of HK$0.3 million, the Group's Hospitality segment reported a loss before tax of approximately HK$16.4 million for FY2019 as compared with a loss before tax of approximately HK$35.8 million in the previous corresponding year.

Healthcare segment

The Group's healthcare business has been carried out under PRIP Communications Limited ("PRIP") and DIAM Holdings Co., Ltd ("DIAM"). PRIP contributed royalty income of approximately HK$20.3 million for FY2019 as compared with royalty income of approximately HK$8.1 million in the previous corresponding year, and PRIP and DIAM contributed service income of approximately HK$14.0 million for FY2019 as compared with service income of approximately HK$18.4 million in the previous corresponding year.

Money Lending and Related Business segment

Regarding the Group's Money Lending and Related Business segment, the Company recognised handling income of HK$3.1 million and interest income from third parties loans of HK$32.9 million for FY2019, as compared with handling income of HK$3.1 million and interest income from third parties loans of HK$25.5 million in the previous corresponding year.

Others

Basic loss per share for FY2019 was HK$42.65 cents, calculated on the weighted average number of ordinary shares of the Company in issue during the year of 398,979,524. The Group's net tangible assets per share up to HK$0.40 as at 31 December 2019, decreased from HK$0.62 at 31 December 2018. The board did not propose a final dividend for FY2019.

PROSPECTS

Hospitality segment

During 2019, the Group has completed the disposal of certain businesses in hospitality segment including the 51% equity interest in SHR Group and the assets in the Sheraton Chapel Hill Hotel (the "Disposal"), the details of which are disclosed in the announcements of the Company dated 6 July 2019 and 6 August 2019, respectively.

The operating activities under hospitality segment of the Group include the operation by its associate, S-R Burlington Partners, LLC. in which the Group has 27% effective interest. The Group will continue to run the hotel in Burlington operated by S-R Burlington Partners, LLC.. The Group will also develop other hospitality business and grasp the opportunity to enter into merger and acquisition in order to bring in growth other than organic growth as well as establish possible regional presences when it arises.

Healthcare business

Following the completion of the Disposal, the Group will continue to further develop and expand its existing core business, including but not limited to the plastic surgery and medical beauty services and assisted reproductive IVF services hospitals in China and other Asia Markets. The Group has been continuously exploring the healthcare and plastic surgery sector in the PRC.

On 31 December 2019, the Group entered into a sale and purchase agreement to acquire a plastic surgery hospital in Shanghai Province of the People's Republic of China which is in line with the Company's expansion strategy in the healthcare business sector and an opportunity to strengthen its existing principal business in the healthcare business segment. It is believed that plastic surgery business will bring synergy to the Group and is beneficial to the future development of the Group.

Chairman's Statement

Money lending and related business

In 2019, the Group will continue its money lending and related business, which include lender or borrower referral business, fund matching, fund arrangement and/or fund participation but exclude any regulatory activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Group will continue to develop the money lending and related business by leveraging and making good use of the resource and network of the executive Directors in banking and finance industries. Delightful Aesthetics Investment Limited, a wholly-owned subsidiary of the Company obtained a money lending licence under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). Given that the global outbreak of the novel coronavirus (COVID-19) pandemic has caused disruptions to the business activities globally and the trade friction and negotiation between the People's Republic of China and the United States is expected to continue and adversely affect the global economic environment, the Group has been and will be more cautious with the credit assessment and acceptance of customers from money lending and related business. In order to strike a balance between expansion of the money lending and related business segment and the risk control of the Group, the Group will adopt a more prudent credit assessment and procedures when accepting customers for money lending business in the future.

Investment holding

The Group will continue to hold some trading securities and will monitor and make appropriate changes on the investment portfolio from time to time to adapt to the economic environment. In addition, the Group will explore different short-term investment plans to improve its investment return by using the cash reserves on hand in different currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value measurement of the Group's trading securities and unrealised gains or losses on the revaluation of foreign currency cash deposits.

On behalf of the Board of Directors, I would like to thank all customers, business partners, Shareholders, management and staff for their continued support of the Group.

Wang Huabing
Chairman
22 August 2020

Financial Statistics Summary

Consolidated Statement of Profit or Loss

	The Group				
	2019 HK$'000	2018 HK$'000 (restated)	2017 HK$'000 (restated)	2016 HK$'000 (restated)	2015 HK$'000 (restated)
Continuing operations					
Revenue	**70,548**	59,669	79,948	14,323	17,593
(Loss)/Profit before taxation	**(189,805)**	(15,987)	30,825	(44,907)	(43,845)
Income tax (expense)/credit	**(219)**	(375)	(2,326)	(10,556)	(13,638)
(Loss)/Profit for the year	**(190,024)**	(16,362)	28,499	(55,463)	(57,483)
Attributable to:					
Equity shareholders of the Company	**(195,096)**	(14,448)	32,640	(54,927)	(53,281)
Non-controlling interests	**5,072**	(1,914)	(4,141)	(536)	(4,202)
(Loss)/Profit for the year	**(190,024)**	(16,362)	28,499	(55,463)	(57,483)
Earnings per share					
Basic (loss)/earnings per share (HK cents)	**(42.65)**	(6.92)	3.83	(15.05)	(14.40)
Continuing operations					
Basic (loss)/earnings per share (HK cents)	**(48.89)**	(3.62)	8.41	(14.40)	(13.93)

Financial Statistics Summary

Consolidated Statement of financial position

	The Group				
	2019	**2018**	**2017**	**2016**	**2015**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Property, plant and equipment	**4,631**	53,845	55,383	41,058	43,351
Intangible assets	**117,396**	142,653	161,311	7,064	8,167
Goodwill	**35,401**	95,016	94,837	8,941	8,934
Available-for-sale financial assets	**–**	–	18,321	18,179	32,985
Long term bank deposits	**–**	–	–	–	3,797
Interest in associates	**6,122**	8,367	6,682	8,491	8,322
Deferred tax assets	**–**	–	–	–	10,183
Trade and other receivables	**20,156**	23,779	28,567	–	–
Other financial assets	**–**	538	13,120	–	–
Current assets	**303,068**	381,074	340,895	446,436	494,141
Total assets	**486,774**	705,272	719,116	530,169	609,880
Current liabilities	**(70,167)**	(62,956)	(37,100)	(28,827)	(30,382)
Total assets less current liabilities	**416,607**	642,316	682,016	501,342	579,498
Deferred consideration	**–**	–	(1,719)	–	–
Dividends received in excess of earnings from equity-method accounted joint venture	**(227)**	(227)	(227)	(209)	(19,487)
Interest-bearing borrowings	**–**	(28,041)	(28,946)	(28,982)	(29,591)
Lease liabilities	**(1,374)**	–	–	–	–
Loan from non-controlling interests	**–**	(11,940)	(42,787)	(2,908)	–
Deferred rental expenses	**–**	(1,897)	(586)	–	–
Deferred tax liabilities	**(15,852)**	(15,938)	(15,908)	–	–
Other financial liabilities	**–**	(8,272)	(16,787)	–	–
Net assets	**399,154**	576,001	575,056	469,243	530,420
Capital and reserves					
Share capital	**398,980**	398,980	398,980	382,450	382,450
Share premium	**20,663**	20,663	20,663	–	–
(Deficit)/reserves	**(105,347)**	66,305	68,134	52,205	109,653
Total equity attributable to equity shareholders of the Company	**314,296**	485,948	487,777	434,655	492,103
Non-controlling interests	**84,858**	90,053	87,279	34,588	38,317
Total equity	**399,154**	576,001	575,056	469,243	530,420

Business Review

Group Performance

The Group recorded a net loss of approximately HK$166.2 million for FY2019 as compared with a net loss of approximately HK$40.0 million for the year ended 31 December 2018 ("FY2018"). The higher net loss was mainly attributable to the expected credit losses incurred on the Group's Money Lending and Related Business segment, impairment loss on goodwill on the Group's Healthcare segment and loss on change in fair value of other financial liabilities, which is partially offset by the net gain on disposal of a subsidiary for FY2019.

The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$170.2 million for FY2019 as compared with a net loss attributable to the equity shareholders of the Company of approximately HK$27.6 million in FY2018.

The analysis of the Group's revenue and profit and loss from operations by business segments are set out in the notes to the financial statements.

Investment Holding segment

The Group's Investment Holding segment recorded net loss on fair value of other financial assets/liabilities of approximately HK$46.0 million and the net realised and unrealised valuation loss on financial assets at FVTPL of approximately HK$4.2 million. Overall, total net realised and unrealised loss of approximately HK$50.2 million was recorded for FY2019 as compared with the total net realised and unrealised gain of approximately HK$6.9 million in FY2018. Consequently, the Group's Investment Holding segment reported a loss before tax of approximately HK$95.0 million for FY2019 as compared with a loss before tax of approximately HK$36.8 million in FY2018.

Hospitality segment

Regarding the Group's Hospitality segment, the Group's U.S. hotel management arm, Richfield Hospitality, Inc. has ceased the hotel management service in order to reduce loss in the hospitality segment and therefore no management fee income was recorded for FY2019. On the other hand, management fee income of approximately HK$4.4 million was recorded in FY2018. The loss before tax is approximately HK$11.3 million for FY2019 as compared with a loss before tax of approximately HK$9.8 million in FY2018.

On 2 April 2019, SWAN Carolina Investor, LLC, an indirect subsidiary of the Company, and Whiteboard Investments LLC, the joint operation partner of the joint operation, Sheraton Chapel Hill Hotel (collectively, the "Sellers") entered into the Hotel Purchase and Sale Agreement (the "Hotel PSA") with Atma Hotel Group Inc (the "Purchaser Atma"), pursuant to which the Sellers have agreed to sell and the Purchaser Atma has agreed to purchase certain assets of Sheraton Chapel Hill Hotel (the "Disposal of Assets"). The total consideration receivable by Group under the Hotel PSA is approximately USD4,625,000. The Disposal of Assets was completed on 2 August 2019.

The Sheraton Chapel Hill Hotel, North Carolina, U.S. contributed total revenue of approximately HK$9.6 million for seven months as compared with approximately HK$20.8 million from FY2018. The Hotel recorded a loss before tax of approximately HK$5.1 million for FY2019 as compared with a loss before tax of approximately HK$2.2 million in FY2018.

On 26 June 2019, SWAN USA Inc., an indirect subsidiary of the Company (the "Seller"), entered into a Purchase and Sale agreement (the "PSA") with the Whiteboard Labs, LLC (the "Purchaser"), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase 51% of the equity interest in Sceptre Hospitality Resources, LLC (the "SHR") with consideration of approximately USD3,277,354 (the "Disposal of SHR"). The Disposal of SHR was completed on 6 July 2019.

The Group's 51% equity interest in SHR together with its subsidiaries, Sceptre Hospitality Resources Pte. Ltd, Sceptre Hospitality Resources Europe S.L., Cross-Tinental S.L. and Kootae SLU (collectively, the "SHR Group"), the hospitality industry's leading expert for reservations connectivity, online channel marketing and revenue/channel-management services, recorded revenue of HK$56.3 million for six months as compared with approximately HK$90.4 million in the previous corresponding year, SHR Group recorded an operating loss of approximately HK$2.3 million as compared with an operating loss of approximately HK$21.5 million in FY2018.

Business Review

The Group also recognised share of losses from its associates, S-R Burlington Partners, LLC. of approximately HK$4.3 million for FY2019, as compared to a share of loss of HK$2.3 million in FY2018.

Consequently, excluding the net gain on disposal of a subsidiary/assets of HK$28.5 million and gain on joint operation written off of HK$0.3 million, the Group's Hospitality segment reported a loss before tax of approximately HK$16.4 million for FY2019 as compared with a loss before tax of approximately HK$35.8 million in FY2018.

Healthcare segment

The Group's healthcare business has been carried out under PRIP Communications Limited ("PRIP") and DIAM Holdings Co., Ltd ("DIAM"). PRIP contributed royalty income of approximately HK$20.3 million for FY2019 as compared with royalty income of approximately HK$8.1 million in FY2018, and PRIP and DIAM contributed service income of approximately HK$14.0 million for FY2019 as compared with service income of approximately HK$18.4 million in FY2018.

Money Lending and Related Business segment

Regarding the Group's Money Lending and Related Business segment, the Company recognised handling income of HK$3.1 million and interest income from third parties loans of HK$32.9 million for FY2019, as compared with handling income of HK$3.1 million and interest income from third parties loans of HK$25.5 million in FY2018.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Venture

On 2 April 2019, SWAN Carolina Investor, LLC, an indirect subsidiary of the Company, and Whiteboard Investments LLC, the joint operation partner of the joint operation, Sheraton Chapel Hill Hotel (collectively, the "Sellers") entered into the Hotel Purchase and Sale Agreement (the "Hotel PSA") with Atma Hotel Group Inc (the "Purchaser Atma"), pursuant to which the Sellers have agreed to sell and the Purchaser Atma has agreed to purchase certain assets of Sheraton Chapel Hill Hotel (the "Disposal of Assets"). The Hotel PSA was amended and supplemented by the First Amendment to Hotel PSA and the Second Amendment to Hotel PSA on 14 May 2019 and 31 May 2019, respectively (collectively, the "Amended Hotel PSA"). Pursuant to the Amended Hotel PSA, the total consideration receivable by Group under the Hotel PSA is approximately USD4,625,000. The Disposal of Assets was completed on 2 August 2019.

On 26 June 2019, SWAN USA Inc., an indirect subsidiary of the Company (the "Seller"), entered into a purchase and sale agreement (the "PSA") with the Whiteboard Labs, LLC (the "Purchaser"), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase 51% of the equity interest in SHR with consideration of approximately USD3,277,354 (the "Disposal of SHR"). The Disposal of SHR was completed on 6 July 2019.

On 31 December 2019, the Group has entered into a sale and purchase agreement ("SPA") to acquire a target group (comprising of a hospital in Shanghai ("Shanghai Hospital")) for a consideration of RMB30,000,000 (equivalent to approximately HK$33,600,000) (the "Acquisition of Shanghai Hospital"). Shanghai Hospital is principally engaged in the plastic surgery operation in People's Republic of China. The completion of the acquisition is conditional upon the fulfilment the conditions precedent set out in the SPA. The Acquisition of Shanghai Hospital has been completed on 29 May 2020. Details of the acquisition of the Shanghai Hospital are set out in the announcement of the Company dated 31 December 2019 and 29 May 2020.

Other than disclosed herein, the Group had no material acquisitions and disposals of subsidiaries, associates and joint venture during the year under review.

Financial Position

As at 31 December 2019, the Group's total assets stood at HK$486.8 million, decreased from HK$705.3 million as at 31 December 2018. The Group's net tangible asset per share moved to HK$0.40 as at 31 December 2019, down from HK$0.62 as at 31 December 2018.

As at 31 December 2019, the Group's working capital ratio was 4.3 (2018: 6.1).

The Group reports its results in Hong Kong Dollar and it is the objective of the Group to preserve its value in terms of Hong Kong Dollar. It is the Group's policy to continue to pursue strategies that would enhance the Group's long-term value and bring reasonable returns to the Shareholders with a cautious attitude.

Business Review

Cash Flow and Borrowings

During FY2019, cash used in operations amounted to HK$135.4 million. It was partially offset by the interest income of HK$20.8 million and tax payment amounted to HK$2.2 million during the year, these result in net cash used in operating activities amounted to HK$116.8 million.

In FY2019, the Group recorded net cash inflow for disposal of a subsidiary and assets amounted to HK$25.6 million and 32.6 million respectively, the cash inflow was partially offset by acquisition of associates amounted to HK$3.2 million, written off of joint operation amounted to HK$4.9 million and payment for intangible asset amounted HK$4.0 million, as a result, the net cash generated from investing activities amounted to HK$45 million. During FY2019, the Group repaid bank borrowing amounted to HK$28.8 million and paid the interest amounted to HK$0.8 million.

Overall, HK$88.5 million net cash was used which, together with exchange translation loss of HK$0.4 million, resulted in a total Group's cash and cash equivalents of HK$22.4 million as at 31 December 2019, down from HK$111.3 million as at 31 December 2018.

The Group did not have any bank borrowings as at 31 December 2019, the Group was in a net cash position amounting to HK$22.4 million as at 31 December 2019. Hence, the Group's gearing is zero, which is expressed as a percentage of current and non-current loans and borrowings less cash and cash equivalents over total equity attributable to equity shareholders of the Company.

Treasury Activities

Majority of the Group's cash is held in Hong Kong and United States Dollar cash deposits. We will closely monitor the Group's exposure to currency movement and take the appropriate action when necessary.

Directors and Employees

As at 31 December 2019, the Group had a total of 41 employees, including directors (2018: 84). There was no (2018: 64) full-time employees from the Hotel as at 31 December 2019 due to Disposal of Assets.

The total Group's staff costs comprising salaries, wages and other benefits was HK$71.9 million as compared with HK$113.0 million in FY2018. The decrease in payroll costs was mainly resulted from the Disposal of SHR and Disposal of Assets.

The Group has a competitive wage and benefits package which are critical to maintaining a level of consistent and quality services.

The Group has conducted a range of training programmes to strengthen employees' all round skills and knowledge, aiming to well-equip them to cope with its development in the ever-changing economy.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including business risks, operational risks and financial management risks.

The Company's Money Lending and Related Business is susceptible to credit risk. The Group refers to the money lending policy and guidelines for credit assessment on the borrowers, including evaluating a prospective borrowers' financial condition and assessing possible loan collateral. The related agreements are monitored continuously to ensure that the terms are being followed.

The financial risk management policies and practices of the Group are shown in note 38 to the financial statements.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Review

Compliance with the Relevant Laws and Regulations

As far as the Board of Directors and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group, except for the failure to comply with Rule 14.34 of the Listing Rules in a timely manner in relation to the disposal of certain assets of Chapel Hill Hotel on 2 April 2019 and the failure to comply with the disclosure requirements under Chapter 14A of the Listing Rules, in particular the aggregation requirements under Rule 14A.81 of the Listing Rules for not having aggregated the actual transaction amounts in respect of (i) the loan amount under the facility agreement dated 1 June 2019 entered into between Zhuhai Hengqin Tianyi Healthcare Management Limited ("Zhuhai Hengqin") (as the lender) and Beijing Yuyue Healthcare Beauty Hospital Limited ("Beijing Yuyue") (as the borrower"); (ii) royalty income under the service agreement dated 1 January 2019 entered into between PRIP Communications Limited ("PRIP") and Beijing Yuyue in relation to the grant of exclusive rights to use the DA Trademark in Beijing in connection with the business of Beijing Yuyue; and (iii) actual marketing expenses charged by Beijing Yuyue on PRIP (collectively, the "Aggregated Connected Transactions") for the year ended 31 December 2019 for calculating applicable percentage ratios (as defined under the Listing Rules) for connected transactions of the Company. Further details in relation to the Aggregated Connected Transactions were set out in the announcement of the Company dated 29 May 2020.

The Company will strengthen its internal control and compliance system to reduce the risk of reoccurrence of such breaches.

Relationship with Suppliers, Customers and other Stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The hotel management arm has implemented corporate citizenship programs to enhance relationships with customers during the year under review. It enjoys good relationships with suppliers and customers and strives to take an active part in the communities where they operate. Staff are encouraged to devote time to help non-profit organisations like food banks or to participate in local fund raising activities. During FY2019, there were no material and significant dispute between the Group and its suppliers and/or customers.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group's own hotels and Group's managed hotels during the year under review. Such initiatives include recycling of used papers, energy saving measures and water saving practices. A report containing the prescribed information of environmental, social and governance matters will be available on the website of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") and the Company's third party hosted website at http://toppanmerrill.asia/IR/company.php?ref=13 no later than three months after publication of this report.

PROSPECTS

Hospitality segment

During 2019, the Group has completed the disposal of certain businesses in hospitality segment including the 51% equity interest in SHR Group and the assets in the Sheraton Chapel Hill Hotel (the "Disposal"), the details of which are disclosed in the announcements of the Company dated 6 July 2019 and 6 August 2019, respectively.

Business Review

The operating activities under hospitality segment of the Group include the operation by its associate, S-R Burlington Partners, LLC. in which the Group has 27% effective interest. The Group will continue to run the hotel in Burlington operated by S-R Burlington Partners, LLC.. The Group will also develop other hospitality business and grasp the opportunity to enter into merger and acquisition in order to bring in growth other than organic growth as well as establish possible regional presences when it arises.

Healthcare business

Following the completion of the Disposal of Assets and the Disposal of SHR, the Group will continue to further develop and expand its existing core business, including but not limited to the plastic surgery and medical beauty services and assisted reproductive IVF services hospitals in China and other Asia Markets. The Group has been continuously exploring the healthcare and plastic surgery sector in the PRC.

At 31 December 2019, the Group entered into a sale and purchase agreement to acquire a plastic surgery hospital in Shanghai Province of the People's Republic of China which is in line with the Company's expansion strategy in the healthcare business sector and an opportunity to strengthen its existing principal business in the healthcare business segment. It is believed that plastic surgery business will bring synergy to the Group and is beneficial to the future development of the Group.

Money lending and related business

In 2019, the Group will continue its money lending and related business, which include lender or borrower referral business, fund matching, fund arrangement and/or fund participation but exclude any regulatory activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Group will continue to develop the money lending and related business by leveraging and making good use of the resource and network of the executive Directors in banking and finance industries. Delightful Aesthetics Investment Limited, a wholly-owned subsidiary of the Company obtained a money lending licence under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). Given that the global outbreak of the novel coronavirus (COVID-19) pandemic has caused disruptions to the business activities globally and the trade friction and negotiation between the People's Republic of China and the United States is expected to continue and adversely affect the global economic environment, the Group has been and will be more cautious with the credit assessment and acceptance of customers from money lending and related business. In order to strike a balance between expansion of the money lending and related business segment and the risk control of the Group, the Group will adopt a more prudent credit assessment and procedures when accepting customers for money lending business in the future.

Investment holding

The Group will continue to hold some trading securities and will monitor and make appropriate changes on the investment portfolio from time to time to adapt to the economic environment. In addition, the Group will explore different short-term investment plans to improve its investment return by using the cash reserves on hand in different currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value measurement of the Group's trading securities and unrealised gains or losses on the revaluation of foreign currency cash deposits.

Events After the Reporting Period

In relation to the provision of facility in an aggregate principal amount of US$7,766,266 by the Company (being the lender) to Shining Treasure Limited ("Shining Treasure") (being the borrower) under the facility agreement (the "Shining Treasure Facility"), on 15 January 2020, the Company, the Shining Treasure and Ms. Cao Qin (the sole shareholder of Shining Treasure and the guarantor of Shining Treasure Facility) have entered into a second supplemental deed to extend the repayment date and amend certain terms and conditions under the Shining Treasure Facility, the details of which are set out in the announcement of the Company dated 15 January 2020.

Business Review

In relation to the facility in an aggregate principal amount of USD13,000,000 granted by the Company (being the lender) to Lead Dragon Limited (the "Borrower") pursuant to the facility agreement (the "Lead Dragon Facility"), the said principal amount was fallen due on 12 February 2020. However, the Borrower was unable to repay the principal as well as the accrued interest which constituted a default in repayment.

In March 2020, the Group has received RMB16,000,000 ("1st Partial Repayment") and HK$33,000,000 ("2nd Partial Repayment") as partial repayments to the Lead Dragon Facility. Taking into account of the 2nd Partial Repayment is not lower than the estimated market value of the residential property of Mr. Li Ming (the "1st Guarantor") in Hong Kong as secured under the second legal charge dated 29 March 2018 in favour of the Company (the "Property") as at 4 March 2020 (after deduction of approximately HK$11,076,000 of the liability secured under the existing first mortgage on the Property as at 6 December 2019), on 15 March 2020, instead of exercising the second legal charge, the Company entered into a deed of partial release to release the second legal charge over the residential property in Hong Kong charged by the 1st Guarantor under the second legal charge in favour of the Company.

As at 16 March 2020, after deducting the 1st Partial Repayment and the 2nd Partial Repayment, the outstanding amount of the Lead Dragon Facility (including principal, interests and default interests if any) is approximately USD8,661,000 (equivalent to approximately HK$67,292,000). The Group has commenced on the procedures of calling back the remaining outstanding balances. Further announcement(s) in relation to updates on the Lead Dragon Facility will be made as and when appropriate.

In relation to the Acquisition of Shanghai Hospital, since all the conditions precedent under the relevant sale and purchase agreement have been fulfilled, the Acquisition of Shanghai Hospital has been completed on 29 May 2020. Upon completion, Bright Zone Holdings Limited, the target company, will become an indirect wholly owned subsidiary of the Company and the financial results of Bright Zone Holdings Limited and its subsidiaries will be consolidated into the financial statements of the Company.

Subsequent to the end of the reporting period, the global outbreak of the novel coronavirus (COVID-19) pandemic has posed big threats to the world economy and caused disruptions to business activities globally and across the countries where the Group operates. Due to travel restrictions and other precaution measures imposed in the PRC and across the world to combat the COVID-19 pandemic, it is foreseeable that the number of patients from the PRC to South Korea for undergoing plastic surgeries will decrease significantly in the first half of 2020. Such decrement will have negative impact on the service income for the healthcare sector of the Group. It is expected that the pandemic may cause negative impact to the Group's business in general in the coming year.

Nonetheless, the financial effect of the impact cannot be reliably estimated as of the date of the annual report and depends highly on the development of the pandemic. The Group will closely monitor and evaluate the impact the pandemic has on its operations, and proactively manages and reacts to its impacts on the Group's business and operations as appropriate.

Save as the above, the Group did not have any significant events since the end of the financial year.

Corporate Governance Report

for the year ended 31 December 2019

(a) Corporate governance practices

The Directors and management of the Company (the "Management") are committed to maintaining high standards of corporate governance, in line with the principles stated in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

In the opinion of the Directors, the Company has complied with CG Code throughout the year under review, save as the deviation which is explained as follows:

Under the CG Code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 28 June 2019 (the "2018 AGM"), the chairman of the board of the Company was unable to attend the 2018 AGM as he had to attend to other commitments. Mr. Yuen Kwok Kuen, the independent non-executive Director and chairman of the audit committee of the Company chaired the 2018 AGM and answered the Shareholders' questions.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

(b) Directors' securities transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have complied with the Model Code throughout the year under review.

(c) Board of Directors

During the year under review and up to the date of this annual report, the Board comprises eight Directors, of which two are executive Directors, three are non-executive Directors and three are independent non-executive Directors. The members of the Board are as follows:

Executive Directors
Mr. Wang Huabing (Chairman) (appointed on 16 March 2020)
Mr. Jiang Yulin (Chairman) (resigned on 16 March 2020)
Ms. Zhang Xian

Non-executive Directors
Ms. He Mei (appointed on 19 July 2019)
Mr. Zhang Yupeng (appointed on 19 July 2019)
Mr. Zhou Yuan (appointed on 19 July 2019)

Independent Non-executive Directors
Mr. Hu Baihe
Mr. Yuen Kwok Kuen
Mr. Guo Jingbin

The biographical details of the Directors and senior management of the Company (the "Senior Management") as at the date of this annual report are set out in the Profile on Directors and Senior Management section of the Directors' Report.

There is no relationship (including financial, business, family or other material/relevant relationship) between the Board members and in particular, between the Chairman of the Board and the chief executive officer ("CEO") of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considered such independent non-executive Directors to be independent.

Corporate Governance Report
for the year ended 31 December 2019

(c) Board of Directors (cont'd)

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of Senior Management. These functions are either carried out directly by the Board or through committees established by the Board. The Management is responsible for the day-to-day management and operations of the Company's business including the implementation of internal control, business strategies and plans approved by the Board. The Directors, individually or as a group, are entitled to take independent professional advice, at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant it.

The Company conducts regular scheduled Board meetings. Additional meetings are convened as and when circumstances warrant. The attendance of individual Directors at Board, Audit Committee, Remuneration Committee, Nomination Committee and general meetings of the Company in 2019, as well as the frequency of such meetings, is set out below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Attended 2019 AGM**
Executive Directors					
Mr. Jiang Yulin	12/12	N/A	N/A	1/1	
Ms. Zhang Xian	12/12	N/A	1/1	N/A	
Non-executive Directors					
Ms. He Mei	2/12	N/A	N/A	N/A	
Mr. Zhang Yupeng	2/12	N/A	N/A	N/A	
Mr. Zhou Yuan	2/12	N/A	N/A	N/A	
Independent Non-executive Directors					
Mr. Hu Baihe	7/12	2/2	1/1	1/1	
Mr. Yuen Kwok Kuen	7/12	2/2	1/1	1/1	√
Mr. Guo Jingbin	7/12	2/2	1/1	1/1	

N/A – Not Applicable

(d) Directors' Training and Professional Development

All Directors should keep abreast of the responsibilities as a Director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable training for its Directors. The Directors' training records for the year had been provided to the Company.

On appointment to the Board, the newly appointed Director would be provided a comprehensive induction package covering business operations and obligations of being a director to ensure that the Director would be sufficiently aware of the responsibilities under the Listing Rules and other relevant regulatory requirements.

From time to time, the Company updates and provides written materials to the Directors on the latest development of the Listing Rules, applicable laws, rules and regulations relating to directors' duties and responsibilities. All Directors confirmed that they have complied with the CG code provision A.6.5.

Corporate Governance Report
for the year ended 31 December 2019

(e) Chairman and Chief Executive

Mr. Jiang Yulin was the Chairman of the Board during the year under review. Currently, Mr. Wang Huabing is the Chairman of the Board. Ms. Zhang Xian is the CEO. There is a clear division of responsibilities between the Chairman of the Board and the CEO. The Chairman bears primary responsibility for the workings of the Board, by ensuring its effective function, while the CEO bears executive responsibility for the Company's business, including management of the Company's day-to-day operations and implementation of key policies, procedures and business strategies approved by the Board.

(f) Non-executive Directors and Independent Non-executive Directors

The non-executive Directors and independent non-executive Directors were appointed for a specific term of 2 years, subject to retirement by rotation at annual general meeting and being eligible, to offer themselves for re-election.

(g) Remuneration Committee ("RC")

The RC was established in May 2005 and comprises 3 independent non-executive Directors and 1 executive Director as at the date of this annual report. The members of the RC as at the date of this annual report are as follows:

Mr. Guo Jingbin	Chairman (Independent non-executive Director)
Mr. Yuen Kwok Kuen	Member (Independent non-executive Director)
Mr. Hu Baihe	Member (Independent non-executive Director)
Ms. Zhang Xian	Member (Executive Director)

The primary objective of the RC is to consider Senior Management's remuneration recommendation, and determine the framework or broad policy for remuneration for the Directors and the senior key executives, including the CEO. No Director or any of his associates may be involved in any decisions as to his own remuneration.

The duties of the RC also include:

(a) To review and approve Senior Management's remuneration recommendation and the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and

(b) To consider Senior Management's recommendation on the payment of annual and/or variable performance bonus to employees of the Company, and review and approve the annual and/or variable performance bonus payable to the executive Directors and Senior Management, having regard to their achievements against the performance criteria and by reference to market norms.

The Group's remuneration policy for the staffs, including Directors, comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes bonus and share award grants), taking into account other factors such as the individual performance, the performance of the Company and industry practices.

The RC met once during the year to discuss remuneration related matters (including the remuneration of Directors and Senior Management) and review the remuneration policy of the Group. It has been decided that the RC would determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management.

Corporate Governance Report
for the year ended 31 December 2019

(g) Remuneration Committee ("RC") (cont'd)

The remuneration payable by band to Senior Management during the year is as follows:

	Number of Individuals
HK$Nil – HK$1,000,000	1
HK$1,000,001 – HK$1,500,000	–
HK$1,500,001 – HK$2,000,000	–
HK$2,000,001 – HK$2,500,000	–
HK$2,500,001 – HK$3,000,000	–
HK$4,000,001 – HK$4,500,000	–

Further details of Directors' and CEO's emoluments and the 5 top-paid employees of the Group during the year are set out in notes 10 and 11 to the Financial Statements.

On 9 December 2016, the Company adopted a share award scheme (the "Share Award Scheme"), pursuant to which the Board may propose or determine the grant of the Company's shares to any Directors, employees or third party service providers of the Group as their incentives and rewards so as (i) to provide them with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain such individuals to work with the Company; and (iii) to provide additional incentive for them to achieve performance goals, subject to such conditions as the Board may deem appropriate at its discretion. Further details of the Share Award Scheme are set out in note 34(d) to the Financial Statements.

At the Extraordinary General Meeting held on 29 March 2018, the shareholders of the Company approved a specific mandate for the allotment and issuance of 37,862,500 new shares ("Connected Award Shares") to Mr. Jiang Yulin, the Chairman of the Board and executive Director of the Company.

Due to resignation by Mr. Jiang Yulin on 16 March 2020, the Connected Award Shares granted to Mr. Jiang have been lapsed and all outstanding and unvested Connected Award Shares are waived accordingly.

(h) Nomination Committee ("NC")

The NC was established in August 2005 and comprises 3 independent non-executive Directors and 1 executive Director as at the date of this annual report. The members of the NC as at the date of this annual report are as follows:

Mr. Hu Baihe	Chairman (Independent non-executive Director)
Mr. Yuen Kwok Kuen	Member (Independent non-executive Director)
Mr. Guo Jingbin	Member (Independent non-executive Director)
Mr. Wang Huabing (appointed on 16 March 2020)	Member (Executive director)
Mr. Jiang Yulin (duties ceased with effect from 16 March 2020)	Member (Executive director)

The principal responsibilities of the NC are to review regularly the Board composition, to identify and nominate suitable candidates as Board members, to assess the independence of the independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular, the Chairman of the Board and the CEO.

Corporate Governance Report
for the year ended 31 December 2019

(h) Nomination Committee ("NC") (cont'd)

The Company has adopted a "Board Diversity Policy" on 1 September 2013 which sets out the Company's approach and the basic principles to be followed in order to achieve diversity on the Board. The Company believes diversity is important to enhance board effectiveness by encouraging a diversity of perspectives and to maintain high standards of corporate governance. The range of diversity perspectives may include a consideration of various factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and other factors based on the specific needs of the Company. The Company agrees with the general philosophy of diversity for the Board, and will pursue this philosophy whenever the opportunity arises, and when it is appropriate.

During the year under review, the NC met once to assess the independence of independent non-executive Directors and the balance and composition of the Board and Board committees. The NC also reviewed and recommended the re-election of the retiring Directors at the 2019 AGM.

(i) Audit Committee ("AC")

The AC was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The AC comprises 3 independent non-executive Directors as at the date of this annual report. The members of the AC as at the date of this annual report are as follows:

Mr. Yuen Kwok Kuen	Chairman (Independent non-executive Director)
Mr. Hu Baihe	Member (Independent non-executive Director)
Mr. Guo Jingbin	Member (Independent non-executive Director)

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Company's financial reporting process and material internal controls, including financial, operational, compliance and risk management controls. Other duties within its written terms of reference include:

(a) To monitor the integrity of the half-year, quarterly or other periodic and annual financial statements and review them before submission to the Board for approval for publication;

(b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) To review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness; and

(d) To review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the year under review, the AC held (2) meetings in March and August. In the meeting held in March 2019, the Annual Report and Audited Financial Statements for the year ended 31 December 2018 were reviewed together with the external auditors. In the August 2019 meeting, the Interim Financial Report for the 6 months ended 30 June 2019 was reviewed. Other financial, internal control, corporate governance and risk management matters of the Group were also discussed in these meetings.

The AC has reviewed the independence of the external auditors, Moore Stephens CPA Limited as well as objectivity and effectiveness of the audit process. The AC also made recommendations to the Board on the appointment and retention of the external auditors. The AC meets with the external auditors separately without the presence of Management, annually.

Corporate Governance Report
for the year ended 31 December 2019

(j) Corporate governance functions

The Board is responsible for the corporate governance functions, which include the following duties:

(a) To develop and review the Company's policies and practices on corporate governance;
(b) To review and monitor the training and continuous professional development of Directors and Senior Management;
(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) To develop, review and monitor the code of conduct applicable to employees and Directors; and
(e) To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board has discharged the above functions during the year.

(k) Auditor and Auditors' remuneration

During the year under review, KPMG LLP ("KPMG"), former auditor of the Company, resigned as the auditor of the Company with effect from 19 December 2019 due to the Company and KPMG were unable to reach a consensus on the audit fee for the financial year ended 31 December 2019. Moore Stephens CPA Limited ("Moore Stephens") has been appointed as the auditor of the Company with effect from 13 January 2020 and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

The Company's external auditor is Moore Stephens. The remuneration paid/payable to Moore Stephens in respect of audit services and permissible audit related services for the year ended 31 December 2019 amounted to approximately HK$1,300,000.

(l) Accountability

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

To the best knowledge of the Directors, there is no uncertainty relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(m) Risk management and internal controls

Responsibilities

The Board is responsible for confirming and supervising the management's responsibilities in designing, implementing and monitoring the risk management and internal control systems, and the management is responsible for providing confirmation to the Board on the effectiveness of such system.

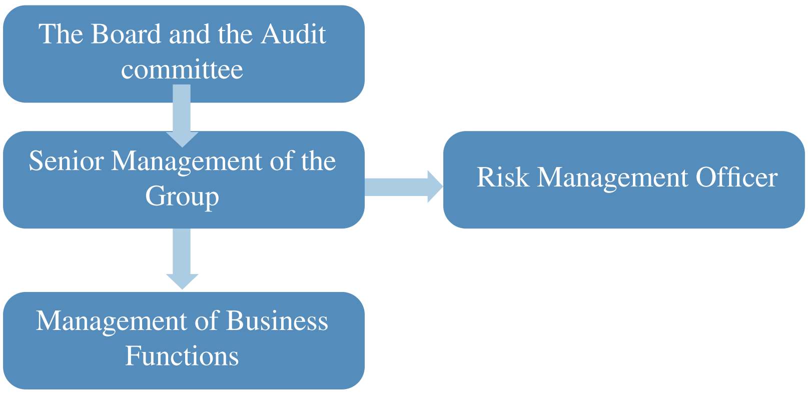
The establishment of a set of robust and efficient risk management and internal control systems is aimed at achieving the Group's strategic objectives and protecting Shareholders' investment and the Group's assets. Such system is designed for managing rather than eliminating the risks of failure in achieving the strategic objectives and only provides reasonable rather than absolute guarantee for not having material false statement or loss.

Risk management and internal control systems

The Group's risk management organisational structure is a 3-tier framework, comprising of the Board and the Audit Committee, senior management of the Group and management of business functions. This structure aims at facilitating the risk management in each aspect of the Group's businesses and constantly improving its internal control system. Details of the structure are set out as follows:

Corporate Governance Report
for the year ended 31 December 2019

Risk Management Structure



Roles performed by parties at all levels within the risk management structure are set out below:

Role	Major Responsibilities
The Board and the Audit Committee	• Reviewing plans for the establishment and responsibilities of the risk management structure and reviewing the basic policies for risk management • Reviewing the *Risk Management Operation Manual* and its amendment • Reviewing material risk assessment report and various risk management reports • Responsible for the assessment of various material risks faced by the Group and its current risk management status • Reviewing risk management measures, and rectifying and dealing with decisions or actions made or taken by relevant organisations or individuals beyond the risk management system • Dealing with other important matters involving risk management
Senior Management of the Group	• Reporting to the Audit Committee on the effectiveness of risk assessment work • Organising and promoting the establishment of the risk management system at the intragroup level • Organising and coordinating the subsidiaries to engage in identifying and assessing material risks at the intragroup level along with overview analyses over information collected from the above engagement to prepare assessment reports on material intragroup risks and various risk management reports, and reporting such information to the Audit Committee • Managing risks at the intragroup level, and studying and proposing relevant measures and proposals for the management of material risks at the intragroup level • Overseeing the cultivation of the Group's general risk management culture

Corporate Governance Report

for the year ended 31 December 2019

Roles performed by parties at all levels within the risk management structure are set out below: (cont'd)

Role	**Major Responsibilities**
Risk Management Officer	• Coordinating and arranging matters related to risk assessment and countermeasures • Promoting risk management and risk assessment • Overseeing the establishment and implementation of risk mitigation plans and countermeasures of each business department
Management of Business Functions	• Taking ultimate responsibility for risk assessment of their own business function • Ensuring that the business function engages in risk assessment in compliance with the risk assessment manual prepared by the Group • Reviewing and approving risk assessment results • Reviewing countermeasures for risk exposure, and ensuring effective risk management of the Company • Monitoring the major risks faced by the Company and the effectiveness of relevant risk management measures • Allocating resources to risk assessment projects (including fund and personnel)

The Group has prepared the *Risk Management Operation Manual*, which defines its risk management structure, respective responsibilities and processes. In each financial year, the Group organises the management of each business function to implement their respective risk management processes to identify and analyze major risks faced by it and rank relevant risks in terms of their level of impact and chance of occurrence for the purpose of assessing existing risk management measures and determining whether further measures are required to control risks within acceptable level.

The Audit Committee reviews the effectiveness and adequacy of the system on an annual basis. The Group conducts internal reviews on the design and implementation effectiveness of business processes or controls on a systematic rotation basis and submits reports on significant findings in internal control to the Audit Committee on an annual basis. For the identified defects in internal control, the Group conducts further discussion and rectification within the management or reports to the Board for further discussion and rectification based on their significance and level of impact.

The Group has an independent internal audit function, which reports to the Audit Committee regularly. The internal audit function is responsible for reviewing the Group's risk management and internal control measures, and overseeing the management and control of each of the Group's businesses and processes independently, through which the internal audit function assists the Board in promoting the continuous improvement of the Group's risk management and internal control systems. Furthermore, overseas subsidiaries also conduct self-assessment on their internal control on key business processes on an annual basis to assess the effectiveness of their respective internal control system and report to the internal audit function.

The Group has clarified the definition of insider information and specified the procedures for the handling and dissemination of insider information. The Group discloses information to the public generally and non-exclusively through channels including financial reports, announcements and its website, with a view to achieving fair and timely disclosure of information. The Group strictly prohibits unauthorised use of confidential or insider information.

Corporate Governance Report

for the year ended 31 December 2019

Review on the risk management and internal control systems in 2019

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems for the year. The review covers all material aspects of control, including financial, operational and compliance control. During the year under review, the Board has finished reviewing the Group's risk management and internal control systems through the Audit Committee. The review also covers the adequacy of resources, staff qualifications and experiences, training programmes for staff and relevant budgets for the Group's accounting, internal audit and financial reporting functions. The Board is satisfied with the results of the review and believes that the current risk management and internal controls are effective and adequate.

(n) Company secretary

Mr. Chow Wai Hung ("Mr. Chow") is a company secretary of the Company, who is a full time employee of the Company.

Mr. Chow confirmed that he has taken no less than 15 hours of relevant professional training during the year under review.

(o) Shareholders' rights

The Company encourages two-way communications with both institutional and private investors. Extensive information about the Company's activities is provided in its annual reports and interim reports, which are sent to Shareholders. Shareholders should direct their questions about their shareholdings to the Company's Share Registrar and may at any time make enquiry to the Board or make request for the Company's information to the extent such information is publicly available at the Company's principal office and/or branch office in Hong Kong.

(i) Procedure for shareholders to convene an extraordinary general meeting

In accordance with Article 72 of the Company's Articles of Association, general meetings may be convened on the written requisition of any two members of the Company deposited at the registered office specifying the objects of the meeting and signed by the requisitionists and such meeting shall be held two (2) months after the deposit of such requisition, and if the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

(ii) Procedure for shareholders to put forward proposals at shareholders' meetings

There are no provisions in the Company's Articles of Association or the Companies Law of the Cayman Islands for Shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph heading "Procedures for Shareholders to Convene an Extraordinary General Meeting".

(iii) Procedure for shareholders to nominate a person to stand for election as a Director

If a Shareholder wishes to nominate a person to stand for election as a Director at a general meeting, the relevant documents must be validly served on the principal office of the Company within the requisite period of time. The full details of the procedures for Shareholders to propose a person for election as a Director were posted on 30 March 2012 on the website of the Hong Kong Stock Exchange and the Company's third-party hosted website at http://www.merrillifn.com/IR/company.php?ref=13.

Corporate Governance Report
for the year ended 31 December 2019

(p) Investor relations

There is no change to the Company's constitutional documents during the year under review.

(q) Dividend policy

The proposal of payment and the amount of the dividends will be made at the discretion of the Board and will depend on the Group's general business condition and strategies, cash flows, financial results and capital requirements, the market situation from time to time, taxation conditions, the interests of the shareholders of the Company, statutory and regulatory restrictions and other factors that the Board deems relevant. Any declaration of dividends will be subject to the approval of the shareholders of the Company.

The Dividend Policy will be reviewed from time to time which should not form a commitment on distribution of dividends to the shareholders of the Company and there is no assurance that dividends will be paid in any particular amount for any given period.

Directors' Report
for the year ended 31 December 2019

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2019.

PRINCIPAL PLACE OF BUSINESS

China Tian Yuan Healthcare Group Limited (the "Company") is a company incorporated in the Cayman Islands and domiciled in Hong Kong. Its registered office is at P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies and the principal place of business in Hong Kong is at Room Nos. 1120-1126, 11/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company comprise those of investment holding.

The principal activities and other particulars of the subsidiaries are set out in note 36 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 14 to the financial statements.

Further discussions and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Business Review section set out on pages 7 to 12 of the annual report. The discussion forms part of this directors' report.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales of goods/rendering of services and purchases/service rendered attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales of goods/ Rendering of services	**Purchases/ Service rendered**
The largest customer	29%	
Five largest customers in aggregate	81%	
The largest supplier		9%
Five largest suppliers in aggregate		34%

Saved as disclosed herein, at no time during the year under review have the Directors, their associates or any Shareholder of the Company (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

RECOMMENDED DIVIDEND

The Directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: nil). No interim dividend was paid for the year ended 31 December 2019 (2018: nil).

Directors' Report
for the year ended 31 December 2019

CHARITABLE DONATIONS

The Group did not make any charitable donations during the year (2018: nil).

SHARE CAPITAL

The Company did not issue any shares during the year.

DEBENTURE

The Company did not issue any debenture during the year.

RESERVES

Details of the movements in the reserves of the Group during the year are shown in the consolidated statement of changes in equity on pages 54 to 55.

DISTRIBUTABLE RESERVES

Details of the movements in the distributable reserves of the Group during the year are shown in the consolidated statement of changes in equity on pages 54 to 55.

SHARE AWARD SCHEME

On 9 December 2016, the Company adopted a share award scheme (the "Share Award Scheme"), pursuant to which the Board may propose or determine the grant of the Company's shares (the "Award Shares") to any Directors, employees or third party service providers of the Group (the "Beneficiary" or "Beneficiaries") as incentives and rewards so as (i) to provide the Beneficiaries with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain the Beneficiaries to work with the Group; and (iii) to provide additional incentive for the Beneficiaries to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Beneficiaries directly to the shareholders of the Company through ownership of shares subject to such conditions as the Board may deem appropriate at its discretion. Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on its adoption date.

DETERMINATION OF PROPOSED BENEFICIARIES

The grant of Award Shares under the Share Award Scheme to any eligible person will be proposed by the Remuneration Committee and approved by the Board. The Board shall:

(i) consider whether to accept the proposal from the Remuneration Committee (with or without amendments); and

(ii) if the proposal is accepted (with or without amendments), select from among the proposed eligible person those persons who will be entitled to receive Award Shares under the Share Award Scheme and determine the number of Award Shares that each proposed beneficiary will be entitled to be granted.

The selection of proposed beneficiaries and determination of the number of Award Shares to which each proposed Beneficiary will be entitled will be made pursuant to a resolution of the Remuneration Committee.

Directors' Report
for the year ended 31 December 2019

GRANT OF AWARD SHARES

The Company will notify each relevant proposed Beneficiary of his entitlement to Award Shares by way of a notice of award. The notice of award will specify the terms and conditions of the award and the Share Award Scheme such as the number of Award Shares entitled, the vesting criteria and conditions, the vesting date and such other details as the Board may consider necessary.

Each grant of Award Shares under the Share Award Scheme to any connected person shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed Beneficiary). If any proposed grant of Award Shares to any connected person in relation to the Company or any of its subsidiaries under the Share Award Scheme would result in the total number of Award Shares being issued to such connected person during the 12-month period immediately preceding the date of such proposed grant exceeding 1% of the total issued share capital of the Company as at the date of such proposed grant, then such proposed grant must be approved by the Shareholders of the Company in a general meeting at which such connected person and his associates shall abstain from voting. The Company will comply with the relevant requirements under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for any grant and issue of shares to connected persons of the Company.

MAXIMUM NUMBER OF AWARD SHARES GRANT

The aggregate number of Award Shares, whether they are new shares to be allotted and issued by the Company or existing shares to be purchased on-market by the Trustee, underlying all grants made pursuant to the Share Award Scheme shall not exceed in total 10% of the Company's issued share capital as at the adoption date.

RIGHTS ATTACHED TO THE AWARD SHARES

Any Award Shares transferred to a Beneficiary pursuant to the Share Award Scheme will be subject to all the provisions of the Articles of Association of the Company and will form a single class with the fully paid shares in issue on the relevant date.

SHARES AWARDED

The Board has resolved to award an aggregate of 37,862,500 shares ("Connected Award Shares") to Mr. Jiang Yulin ("Mr. Jiang"), the previous Chairman of the Board and the previous executive Director, on 9 December 2016. The issue and allotment of new shares to Mr. Jiang has been approved by the independent Shareholders of the Company at its extraordinary general meeting ("EGM") on 29 March 2018.

37,862,500 shares will be issued and allotted by the Company to Mr. Jiang by six batches (subject to fulfilment of the vesting conditions):

Batch	Date	Number of shares to be vested
1	30 September 2018	3,786,250
2	31 March 2019	3,786,250
3	31 March 2020	7,572,500
4	31 March 2021	7,572,500
5	31 March 2022	7,572,500
6	31 March 2023	7,572,500

Directors' Report

for the year ended 31 December 2019

VESTING CONDITIONS

(i) the approval by the independent Shareholders at the EGM in respect of the issue and allotment of the Connected Award Shares pursuant to the specific mandate obtained at the EGM;

(ii) the granting of the listing and dealing approval by the Hong Kong Stock Exchange in respect of the Connected Award Shares;

(iii) the achievement of (i) a growth rate of not less than 10% on the average closing market capitalisation of the Company (the "Average Market Capitalisation") throughout the first half of year 2018 based on the 30 days average closing market capitalisation of the Company immediately preceding the date of adoption of the Share Award Scheme (the "Benchmark Market Capitalisation"); (ii) a growth rate of not less than 15% on the average closing market capitalisation of the Company throughout the second half of year 2018 based on the Benchmark Market Capitalisation; and (iii) expected return on equity (the "Expected ROE") by the Company in each of the second to fifth year as recommended by the Remuneration Committee and approved by the Board from time to time, taking into account the economic environment and other appropriate factors as it thinks fit. The Remuneration Committee may also make recommendations on any adjustments for the forthcoming year for the Board's approval, taking into account the above factors. In any event, the Expected ROE will not be less than 12% (the "Minimum Expected ROE").

In determining whether the growth rate of the average closing market capitalisation of the Company (the "Average Cap. Growth") is met, the Company will calculate the Average Cap. Growth for each of the first half and second half of year 2018 based on the following formula:

For the first half of year 2018:

$$\text{Increase in market capitalisation of the Company} = \frac{\text{Average Market Capitalisation}}{\text{Benchmark Market Capitalisation}} - 1 \times 100\%$$

Where,

(a) Average Market Capitalisation shall be calculated by dividing the sum of market capitalisation of the Company for the period commencing on 1 January 2018 and ending on 30 June 2018 (both dates inclusive) (the "2018 First Six-Month Period") over the total number of trading days for that period; and

(b) Benchmark Market Capitalisation shall be calculated by the sum of market capitalisation of the Company for the thirty (30) trading days immediately prior to the date on which the Share Award Scheme is adopted by the Board over the total number of trading days for that period.

The first batch of the Connected Award Shares was not vested to Mr. Jiang on 30 September 2018 since the increase in market capitalisation of the Company for the 2018 First Six-Month Period was less than 10%.

Directors' Report
for the year ended 31 December 2019

VESTING CONDITIONS (cont'd)

For the second half of year 2018:

$$\text{Increase in market capitalisation of the Company} = \frac{\text{Average Market Capitalisation}}{\text{Benchmark Market Capitalisation}} - 1 \times 100\%$$

Where,

(a) Average Market Capitalisation shall be calculated by dividing the sum of market capitalisation of the Company for the period commencing on 1 July 2018 and ending on 31 December 2018 (both dates inclusive) (the "2018 Second Six-Month Period") over the total number of trading days for that period; and

(b) Benchmark Market Capitalisation shall be calculated by the sum of market capitalisation of the Company for the thirty (30) trading days immediately prior to the date on which the Share Award Scheme is adopted by the Board over the total number of trading days for that period.

The second batch of the Connected Award Shares was not vested to Mr. Jiang on 31 March 2019 since the increase in market capitalisation of the Company for the 2018 Second Six-Month Period was less than 15%.

In determining whether the Expected ROE is met, the Company will calculate the ROE of each year based on the following formula:

$$\text{Expected ROE} = \frac{\text{Net Income}}{\text{Shareholders' Equity}}$$

Where,

(a) Net Income shall be the net profit before taxation, interest, amortisation and extraordinary item(s) of non-recurring in nature as shown in the latest published audited consolidated financial results of the Group before the relevant vesting date; and

(b) Shareholders' Equity shall be the total equity attributable to equity shareholders of the Company as shown in the audited consolidated financial results of the Group published in the year preceding the relevant vesting date.

The remaining batches of the Connected Award Shares with the vesting dates on 31 March 2020, 2021, 2022 and 2023 respectively shall vest if the ROE for the respective year is not less than 12%.

Any change in the above vesting conditions (including the Minimum Expected ROE) will be subject to the approval by the independent Shareholders.

Due to resignation by Mr. Jiang Yulin on 16 March 2020, the Connected Award Shares granted to Mr. Jiang have been lapsed and all outstanding and unvested Connected Award Shares are waived accordingly.

SHARE OPTION SCHEME

The Company does not have any share option scheme.

Directors' Report
for the year ended 31 December 2019

DIRECTORS

The Directors of the Company during the financial year and up to the date of this annual report were as follows:

Executive Directors
Mr. Jiang Yulin, Chairman (resigned on 16 March 2020)
Mr. Wang Huabing, Chairman (appointed on 16 March 2020)
Ms. Zhang Xian

Non-executive Directors
Ms. He Mei (appointed on 19 July 2019)
Mr. Zhang Yupeng (appointed on 19 July 2019)
Mr. Zhou Yuan (appointed on 19 July 2019)

Independent non-executive Directors
Mr. Hu Baihe
Mr. Yuen Kwok Kuen
Mr. Guo Jingbin

In accordance with Article 116 of the Articles of Association of the Company, one third of the present Directors will retire from office by rotation at the forthcoming Annual General Meeting. Mr. Wang Huabing, Ms. He Mei, Mr. Zhang Yupeng and Mr. Zhou Yuan shall retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-election.

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. Jiang Yulin, *aged 61*
Former Chairman and Executive Director (resigned on 16 March 2020)

Mr. Jiang Yulin ("Mr. Jiang") was appointed as an executive Director of the Company with effect from 19 August 2016 and was appointed as the Chairman of the Board and the member of the Nomination Committee of the Company on 9 September 2016. Mr. Jiang resigned as executive Director of the Company and ceased to be the Chairman of the Board and the member of the Nomination Committee of the Company with effect from 16 March 2020.

Mr. Jiang holds a doctorate degree in Economics from Wuhan University and is a senior economist and registered accountant. Mr. Jiang has published several journals and certain books in relation to the banking industry and risk prevention. Mr. Jiang has over 30 years of banking experience and has extensive experience in financing, investment and management.

Directors' Report
for the year ended 31 December 2019

Mr. Jiang had worked in Industrial and Commercial Bank of China (Asia) Limited ("ICBC") for more than 30 years. From 1985 to 1997, Mr. Jiang had been appointed as Deputy President of ICBC's bank branches of county-level cities and prefecture-level cities. In September 1997, Mr. Jiang had been appointed as President of ICBC's prefecture-level cities bank branch in Wuhu. In 2000, Mr. Jiang had been appointed as Deputy President of ICBC's provincial bank branch in Anhui. Since 2000, Mr. Jiang had been appointed as Deputy President of ICBC's provincial bank branches. At the same time, he also served as an independent supervisor of Maanshan Iron & Steel Company Limited, one of the largest iron and steel producers and marketers in the People's Republic of China, which is listed on the Shanghai Stock Exchange (Stock Code: 600808) and the Hong Kong Stock Exchange (Stock Code: 323), from 2002 until 2005. In 2006, Mr. Jiang was promoted to President of ICBC's provincial bank branch in Yunnan. Since 2011, Mr. Jiang had been an editorial committee member of ICBC's monthly financial magazine "China Urban Finance", he is responsible for the content review and publication, the magazine targeted to bankers, securities professionals, executives in commerce and industrial sectors as well as research team of financial institutions, content of which include China and overseas government policy report in economics and finance, economy and financial, progress of hot industries, latest moves of global banks and challenges they faced etc. In 2010, Mr. Jiang was appointed as the General Manager of the credit business department of ICBC and subsequently, assumed the role as General Manager of the information management department of the ICBC in 2014. Since 2015, Mr. Jiang had been the board chairman of ICBC Financial Leasing Co., Ltd.; a wholly-owned subsidiary of ICBC, and held concurrent posts as the board chairman of ICBC (Moscow) Limited; a wholly-owned subsidiary of ICBC, and a non-executive director, chairman of risk management committee and a member of the audit committee of ICBC. In 2016, Mr. Jiang resigned from ICBC and joined the Company.

Mr. Jiang did not hold any other directorships in listed public companies in the last three years.

Mr. Wang Huabing, *aged 51*
Chairman and Executive Director

Mr. Wang Huabing ("Mr. Wang") was appointed as executive Director, Chairman of the Board and the member of Nomination Committee of the Company with effect from 16 March 2020.

Mr. Wang, aged 51, obtained a bachelor's degree from Chongqing Jiaotong University, a Doctor of Management, applied researcher from Wuhan University of Technology. Mr. Wang served as a general manager of Shandong Hi-Speed Road & Bridge Maintenance Co., Ltd (a subsidiary of Shandong Hi-Speed Road and Bridge Co., Ltd., Shenzhen Stock Exchange Stock Code: 000498) from years of 2003 to 2006. Mr. Wang served as a general manager at Shandong Hi-Speed Company Limited ("SDHSCL, Shanghai Stock Exchange Stock Code: 600350) from years of 2006 to 2013; Mr. Wang served as vice general manager at Shandong Hi-speed Group Co. Ltd. ("SDHSG" the controlling shareholder of SDHSCL) from 2013 to 2017 and served as an executive vice general manager of SDHSG since 2017. Mr. Wang has extensive experience in the management.

Save as disclosed herein, Mr. Wang did not hold any other directorships in listed public companies in the last three years.

Directors' Report
for the year ended 31 December 2019

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT (cont'd)

Directors (cont'd)

Ms. Zhang Xian, *aged 35*
Executive Director and Chief Executive Officer

Ms. Zhang Xian ("Ms. Zhang") was appointed as an executive Director of the Company with effect from 19 August 2016. On 9 September 2016, Ms. Zhang was appointed as the member of the Remuneration Committee of the Company.

Ms. Zhang holds a Master's degree in Economics from Beijing University. Ms. Zhang worked in the investment banking and private equity investment industries for 8 years with a wealth of experience in domestic and overseas transaction execution. She has worked for China International Capital Corporation for more than 4 years, mainly responsible for mergers and acquisitions.

Ms. Zhang did not hold any other directorships in listed public companies in the last three years.

Ms. He Mei, *aged 34*
Non-executive Director

Ms. He Mei ("Ms. He") was appointed as a non-executive Director of the Company with effect from 19 July 2019.

Ms. He obtained a bachelor's degree in finance from the University of International Business and Economics (China) in 2007 and completed a postgraduate study in economic law at China University of Political Science and Law in 2013. She is a certified public accountant in China. Ms. He has 13 years of experience in auditing, asset management, investment project risk management and financing institution operation and management services.

Ms. He did not hold any other directorships in listed public companies in the last three years.

Mr. Zhang Yupeng, *aged 39*
Non-executive Director

Mr. Zhang Yupeng ("Mr. Zhang") was appointed as a non-executive Director of the Company with effect from 19 July 2019.

Mr. Zhang obtained a bachelor's degree in civil engineering from China University of Petroleum (East China) in 2003 and a master's degree in engineering from the International School of Software of Wuhan University in the PRC in 2006. Mr. Zhang worked at various government departments, financial institutions and state-owned enterprises in the PRC. He is familiar with Chinese government operation procedures as well as the procedures and operations of capital operation projects. He is also well versed in the operation of investment and financing business, and is good at market analysis and modern enterprise management.

Mr. Zhang did not hold any other directorships in listed public companies in the last three years.

Directors' Report
for the year ended 31 December 2019

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT (cont'd)

Directors (cont'd)

Mr. Zhou Yuan, *aged 30*
Non-executive Director

Mr. Zhou Yuan ("Mr. Zhou") was appointed as a non-executive Director of the Company with effect from 19 July 2019.

Mr. Zhou obtained a bachelor's degree in civil engineering from the University of Toronto in Canada in 2013, and a master's degree of engineering in civil engineering and environmental engineering from the University of Western Ontario in Canada in 2014. Mr. Zhou served as a department manager of the investment and legal department China State Construction Engrg. Corp. Ltd ("CSCEC", Shanghai Stock Exchange Stock Code: 601668), mainly responsible for the feasibility study, approval and estimation of the investment projects from 2015 to 2017. Mr. Zhou also served as a vice general manager at Jinan Branch of China Construction Port Group Co., Ltd. (an indirect subsidiary of CSCEC), mainly responsible for the planning of investment and financing and the marketing from 2017 to 2018. Mr. Zhou has extensive experience in the planning of corporate investment and financing projects and the marketing.

Mr. Zhou did not hold any other directorships in listed public companies in the last three years.

Mr. Hu Baihe, *aged 57*
Independent non-executive Director

Mr. Hu Baihe ("Mr. Hu") was appointed as an independent non-executive Director of the Company with effect from 19 August 2016. On 9 September 2016, Mr. Hu was appointed as the Chairman of the Nomination Committee and members of the Audit Committee and Remuneration Committee of the Company.

Mr. Hu graduated from Jiangxi University of Finance and Economics. He is a senior accountant, certified public accountant, certified public valuer and certified tax agent in the PRC. He has extensive experience in the finance field. Mr. Hu is currently the general manager of Peking Certified Public Accountants. Before he joined Peking Certified Public Accountants in 1993, he had over 7 years of working experience with the Ministry of Finance of the PRC. Mr. Hu is an independent non-executive director of China Ocean Industry Group Limited, which is listed on the Hong Kong Stock Exchange (Stock Code: 651).

Saved as disclosed herein, Mr. Hu did not hold any other directorships in listed public companies in the last three years.

Mr. Yuen Kwok Kuen, *aged 46*
Independent non-executive Director

Mr. Yuen Kwok Kuen ("Mr. Yuen") was appointed as an independent non-executive Director of the Company with effect from 19 August 2016. On 9 September 2016, Mr. Yuen was appointed as the Chairman of the Audit Committee and members of the Nomination Committee and Remuneration Committee of the Company.

Mr. Yuen obtained the Bachelor of Business from Monash University (Australia) in 1998 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia respectively. Mr. Yuen has 18 years of experience in audit, tax, initial public offering, mergers and acquisitions and corporate services. Mr. Yuen was the company secretary of Shenzhou Space Park Group Limited (formerly known as China Household Holdings Limited), which was listed on the Hong Kong Stock Exchange (Stock Code: 692) and delisted on 10 December 2019.

Saved as disclosed herein, Mr. Yuen did not hold any other directorships in listed public companies in the last three years.

Directors' Report
for the year ended 31 December 2019

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT (cont'd)

Directors (cont'd)

Mr. Guo Jingbin, *aged 62*
Independent non-executive Director

Mr. Guo Jiangbin ("Mr. Guo") was appointed as an independent non-executive Director of the Company with effect from 19 August 2016. On 9 September 2016, Mr. Guo was appointed as the Chairman of the Remuneration Committee and members of the Nomination Committee and Audit Committee of the Company.

Mr. Guo graduated from Shanghai Construction Materials College in 1980. In 1998, Mr. Guo received a Master of Business Administration degree from the Post-graduate College of the Social Science Institute of China.

Mr. Guo is a director of Anhui Conch Group Company Limited. Mr. Guo has been an executive director of Anhui Conch Cement Company Limited, which is listed on the Shanghai Stock Exchange (Stock Code: 600585) and the Hong Kong Stock Exchange (Stock Code: 914), from September 1997 to June 2014 and was re-designated as a non-executive director of Anhui Conch Cement Company Limited until June 2016. Mr. Guo has been a non-executive director and chairman of China Conch Venture Holdings Limited, which is listed on the Hong Kong Stock Exchange (Stock Code: 586), from June 2013 to June 2014. Since then, Mr. Guo has been the executive director and the chairman of China Conch Venture Holdings Limited. He is primarily responsible for overall strategic development of China Conch Venture Holdings Limited. Mr. Guo is also an independent non-executive director of China Logistics Property Holdings Co., Ltd., which is listed on the Hong Kong Stock Exchange (Stock Code: 1589). Mr. Guo has over 30 years' experience in the building materials industry and in capital markets, particularly specializing in corporate strategic planning, marketing planning and general and administration management.

Saved as disclosed herein, Mr. Guo did not hold any other directorships in listed public companies in the last three years.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2019, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares Award	Percentage Holding in the Company
Jiang Yulin (Note)	Beneficial owner/Beneficial interest	30,290,000	7.59%

The Board has resolved to award an aggregate of 37,862,500 shares to Mr. Jiang Yulin, the Chairman of the Board and an executive Director, on 9 December 2016. The aforesaid award to Mr. Jiang Yulin was approved at the Extraordinary General Meeting held on 29 March 2018. The shares will be issued and allotted to Mr. Jiang Yulin by six batches (subject to the fulfilment of the vesting conditions as discussed on pages 26 to 27 of the annual report), with the first vesting date being 30 September 2018 and second vesting date being 31 March 2019. Given the vesting conditions of the first and second batch of the Connected Award Shares are not met, the first and second batch of the Connected Award Shares were not issued and allotted to Mr. Jiang Yulin and were forfeited and lapsed. As such, the number of shares of the Company that Mr. Jiang Yulin is interested in since 31 March 2019 is reduced from 34,076,250 to 30,290,000. These 30,290,000 Connected Award Shares granted by the Company pursuant to the Share Award Scheme were held by a trustee and shall be vested to Mr. Jiang Yulin upon fulfillment of the vesting conditions.

Directors' Report
for the year ended 31 December 2019

Save as disclosed herein, as at 31 December 2019, none of the Directors and the chief executives of the Company or their associates were interested or had any short position in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Note: Due to resignation by Mr. Jiang Yulin on 16 March 2020, the Connected Award Shares granted to Mr. Jiang Yulin have been lapsed and all outstanding and unvested Connected Award Shares are waived accordingly.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2019, so far as is known to any Directors or the chief executives of the Company, the following persons (excluding the Directors and the chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held	Approximate Percentage Holding of issued share capital of the Company
Prudential Brokerage Limited	Person having security interest in shares	249,539,294	62.54%
Dong Jufeng (Note)	Interest of spouse/ Family interest	266,069,294	66.69%
Jia Tianjiang (Note)	Interest of controlled corporation/ Corporate interest	266,069,294	66.69%
Tian Yuan Manganese Limited (Note)	Beneficial owner/ Beneficial interest	249,539,294	62.54%
	Person having security interest in shares	16,530,000	4.14%
Ningxia Tianyuan Manganese Industry Co., Ltd. (Note)	Interest of controlled corporation/ Corporate interest	266,069,294	66.69%

Note: Tian Yuan Manganese Limited is a wholly owned subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd., a corporation controlled by Mr. Jia Tianjiang. By virtue of the SFO, Ningxia Tianyuan Manganese Industry Co., Ltd., Mr. Jia Tianjiang and his spouse, Ms. Dong Jufeng, are deemed to be interested in the 266,069,294 shares of the Company of which Tian Yuan Manganese Limited is interested in.

Save as stated above, no person (excluding the Directors and the chief executives of the Company) was interested in or had a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2019.

INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his/her office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

Directors' Report

for the year ended 31 December 2019

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed herein, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, fellow subsidiaries or holding company a party to any arrangements to enable any Director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed herein, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Connected Transactions

Disposal of Sheraton Chapel Hill Hotel

On 2 April 2019, SWAN Carolina Investor, LLC, an indirect subsidiary of the Company, and Whiteboard Investments LLC, the joint operation partner of the joint operation, Sheraton Chapel Hill Hotel (collectively, the "Sellers") entered into the Hotel Purchase and Sale Agreement (as amended by the First Amendment to Hotel PSA and Second Amendment to Hotel PSA on 14 May 2019 and 31 May 2019, respectively) (the "Hotel PSA") with Atma Hotel Group Inc (the "Purchaser Atma"), pursuant to which the Sellers have agreed to sell and the Purchaser Atma has agreed to purchase certain assets of Sheraton Chapel Hill Hotel (the "Disposal of Assets"). The total consideration receivable by the Group under the Hotel PSA was approximately USD4,625,000. The Disposal of Assets was completed on 2 August 2019.

As one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) were more than 5% but all were less than 25%, the Disposal of Assets constituted a disclosable transaction of the Company under Chapter 14 of the Listing Rules. As Whiteboard Investments LLC was interested in 50% of Sheraton Chapel Hill Hotel, Whiteboard Investments LLC is considered as a connected person of the Company at the subsidiary level, and thus the Disposal of Assets constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details of the Disposal of Assets were set out in the Company's announcements dated 18 June 2019, 9 July 2019 and 6 August 2019.

Provision of financial assistance to Beijing Yuyue Healthcare Beauty Hospital Limited ("Beijing Yuyue")

On 1 June 2019, Zhuhai Hengqin Tianyi Healthcare Management Limited ("Zhuhai Hengqin"), an indirect wholly-owned subsidiary of the Company, as the lender, and Beijing Yuyue, as the borrower, entered into a facility agreement, pursuant to which Zhuhai Hengqin agreed to grant a facility of RMB2,500,000 to Beijing Yuyue for a term of 12 months at an interest rate of 10% per annum (the "2019 Facility Agreement"). The actual loan amount taken out by Beijing Yuyue under the 2019 Facility Agreement was RMB2,400,000. Zhuhai Hengqin has received the repayment of the loan principal and interest from Beijing Yuyue under the 2019 Facility Agreement on 19 May 2020.

Directors' Report

for the year ended 31 December 2019

Since Beijing Yuyue is an indirect non-wholly owned subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd*, which is the ultimate controlling shareholder of the Company, Beijing Yuyue is an associate of Ningxia Tianyuan and therefore a connected person of the Company. Thus, the 2019 Facility Agreement constituted a connected transaction under Chapter 14A of the Listing Rules. Further details of the 2019 Facility Agreement were set out in the Company's announcement dated 29 May 2020.

Disposal of Sceptre Hospitality Resources (the "SHR")

On 26 June 2019, SWAN USA Inc. an indirect subsidiary of the Company (the "Seller"), entered into a purchase and sale agreement (the "PSA") with the Whiteboard Labs, LLC (the "Purchaser"), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase 51% of the equity interest in the SHR for a total consideration of approximately USD3,277,354 (the "Disposal of SHR"). The Disposal of SHR was completed on 6 July 2019.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal of SHR exceeded 25% but below 75%, the Disposal of SHR constituted a major transaction of the Company under Chapter 14 of the Listing Rules. As the Purchaser was interested in 49% of the equity interest in SHR, the Purchaser was considered as a connected person of the Company at the subsidiary level, and thus the Disposal of SHR constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details of the Disposal of SHR were set out in the Company's announcements dated 26 June 2019, 28 June 2019, 6 July 2019 and the circular dated 20 December 2019.

Continuing Connected Transactions

Provision of Procurement, Marketing and Management Services and Trademark Licensing

PRIP Communications Limited ("PRIP") is owned as to approximately 51% and 45.82% by the Company and Dr. Sang Woo Lee ("Dr. Lee"), respectively. Thus, PRIP is a subsidiary of the Company and DIAM Holdings CO., Ltd ("DIAM"), the Korean subsidiary of PRIP, is an indirect subsidiary of the Company. As such, Dr. Lee is a connected person at the subsidiary level of the Company. Accordingly, the transactions contemplated under the service agreement between Dr. Lee and DIAM (the "Service Agreement") and the Trademark Transfer and License Agreement entered between Dr. Lee and PRIP (the "Trademark Licenses Agreement") on 29 May 2017 (collectively, the "Agreements") constituted continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

Certain procurement, marketing and management services are provided by DIAM to Dr. Lee and DA Plastic Surgery (a Korean clinic owned by Dr. Lee) in return for certain services fees ("Service Fees") under the Service Agreement. Pursuant to the Trademark License Agreement, PRIP agreed to grant to Dr. Lee the exclusive license to use certain trademarks in Korea in connection with the business of DA Plastic Surgery Clinic in consideration of monthly royalty (the "Monthly Royalty"). The terms of the Agreements were determined after taking various factors into account and after arm's length negotiation between the parties. Details of the Agreements were set out in the announcement of the Company dated 4 September 2017. The cap amount for the Service Fees and Monthly Royalty are set out below:

	Service Fees US$'000	Aggregate Monthly Royalty US$'000	Total US$'000
1 September to 31 December 2017	1,034	382	1,416
Year ended 31 December 2018	3,649	1,249	4,898
Year ended 31 December 2019	4,382	1,249	5,631
1 January to 28 May 2020	2,198	624	2,822

Directors' Report

for the year ended 31 December 2019

The total revenue generated from the provision of procurement, marketing and management services and trademark licensing for the year ended 31 December 2019 (amounted to US$1,630,669 (2018: US$1,993,624) and US$1,040,580 (2018: US$1,040,580) respectively.

Provision of trademark licensing and marketing services to Beijing Yuyue

On 1 January 2019, PRIP, a non-wholly owned subsidiary of the Company, entered into a trademark license agreement with Beijing Yuyue, pursuant to which Beijing Yuyue was granted an exclusive rights to use the DA Trademarks in Beijing in connection with the business of Beijing Yuyue for a term of one year in return for annual royalties paid to PRIP (the "2019 Trademark License Agreement"). The actual royalty income received by PRIP pursuant to the terms of the 2019 Trademark License Agreement for the year 2019 was RMB2,460,000. In addition, marketing expense of RMB1,780,000 was charged by Beijing Yuyue on PRIP for the promotion and marketing of DA brand and customer procurement in Beijing for PRIP during the financial year of 2019 (the "Marketing Expense"). As mentioned above, Beijing Yuyue is an associate of Ningxia Tianyuan, thus the 2019 Trademark License Agreement and the Marketing Expense constituted continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

As disclosed in the Company's announcement dated 29 May 2020, since the finance team of PRIP misunderstood that the continuing connected transaction amount should be calculated on a net basis and as a result wrongly interpreted as annual royalty income under 2019 Trademark License Agreement minus the Marketing Expense charged by Beijing Yuyue on PRIP, the finance team of PRIP thus failed to raise any alarms regarding the abovementioned continuing connected transactions which were not fully-exempt to the Company. As such, the Company has failed to prepare and provide the annual cap amount for the 2019 Trademark License Agreement and the Marketing Expense. Further details of the 2019 Trademark License Agreement and the Marketing Expense were set out in the Company's announcement dated 29 May 2020.

All the independent non-executive Directors have reviewed the Continuing Connected Transactions in the 2019 financial year and confirmed that those transactions had been entered into:

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

(ii) either on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

A letter from the auditors of the Company, Moore Stephens CPA Limited, was provided to the Board that because of the significance of the matter described in the basis for disclaimer of conclusion section, the auditors have not been able to perform those procedures they have planned to provide a basis to express a conclusion on the Disclosed Continuing Connected Transactions. Accordingly, the auditors do not express a conclusion on whether the Disclosed Continuing Connected Transactions were taken place in compliance with Chapter 14A of the Main Board Listing Rules.

Basis for disclaimer of conclusion

(i) Disclosed Continuing Connected Transactions with DA Plastic Surgery Clinic

- Scope limitations on inability to obtain sufficient appropriate evidence to audit the royalty income received from DA

- Scope limitations on inability to obtain sufficient appropriate audit evidence to audit the marketing income and introduction income received from DA

(ii) Disclosed Continuing Connected Transactions with Beijing Yuyue Healthcare Beauty Hospital Limited

- Scope limitations on performing procedures of royalty income received from and marketing expenses paid to Beijing Yuyue

Directors' Report

for the year ended 31 December 2019

Other Related Party Transactions

During the year under review, save as disclosed in the section headed "Continuing Connected Transactions" on Page 34 to 37 of this annual report, other material related party transactions are set out in note 39 to the financial statements, which either fall under the definition of "Continuing Connected Transactions" in Chapter 14A of the Listing Rules and are exempted under the Listing Rules or does not fall into the definition of "connected transaction" or "continuing connected transaction". Save as disclosed in the section headed "Compliance with the Relevant Laws and Regulations" on Page 10 of this annual report, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions or continuing connected transactions.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Group had granted facilities to independent third parties and remained outstanding as at 31 December 2019, which is required to be included in this annual report in accordance with Rule 13.20 of the Listing Rules. The summarized information on the facilities as at 31 December 2019 is set out as below:

	Facility Agreement A	**Facility Agreement B**
Date of facility agreement	12 November 2018 (as supplemented by the supplemental deed dated 12 November 2019) (the "**Amended Facility Agreement A**")	16 January 2018 (as supplemented by the first supplemental deed dated 15 January 2019) (the "**Amended Facility Agreement B**")
Borrower	Lead Dragon Limited	Shining Treasure Limited
Guarantor(s)	Mr. Li Ming & Mr. Zhang Shihong	Ms. Cao Qin
Principal	US$13,000,000	US$7,766,266 (equivalent to RMB50,000,000)
Interest rate	(a) 12% per annum starting from and including 12 November 2018 up to and including 11 November 2019; and (b) 18.5% per annum starting from and including 12 November 2019 up to and including 12 February 2020.	(a) 12% per annum for the first 12 months of the term of the facility agreement, payable semi-annually; and (b) 13% per annum for the last 12 months of the term of the facility agreement, payable semi-annually *(note 2)*
Term	24 months from the date of facility agreement (i.e. 12 February 2020)	24 months from the date of facility agreement (i.e. 15 January 2020) *(note 2)*
Default interest	20% per annum	40% per annum
Guarantee	Personal guarantees provided by the Guarantors in favor of the Company to secure the obligations of the Borrower (as regards Mr. Zhang Shihong's obligations, subject to certain limitations as disclosed in the announcement of the Company dated 4 April 2018)	Personal guarantee to be provided by the Guarantor in favor of the Company to secure the obligations of the Borrower
Security	The second legal charge over a residential property in Hong Kong charged by Mr. Li Ming in favour of the Company, subject to the existing first mortgage over the said residential property and the second legal charge over a residential property in Hong Kong charged by the Mr. Zhang Shihong in favour of the Company, subject to the existing first mortgage over the said residential property and subject however to certain limitations *(note 1)*	Nil

Directors' Report

for the year ended 31 December 2019

Note 1: On 17 January 2020, Mr. Li Ming, as chargor, and Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天醫醫療管理有限公司) (the "**PRC Subsidiary**"), a wholly-owned subsidiary of the Company, as chargee, entered into an agreement of legal charge (the "**PRC Legal Charge**"), pursuant to which Mr. Li Ling charged five properties located in Beijing, the PRC, owned by him in favour of the PRC Subsidiary as security for the due payment of all obligations and liabilities due, owing or incurred by the Borrower to the Company under the Amended Facility Agreement A. On 5 March 2020, Lead Dragon Limited, through its PRC agent, paid a sum of RMB16,000,000 (equivalent to approximately HK$17,800,000) to Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天元醫療管理有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC, as partial repayment of the facility under the Amended Facility Agreement A. On 6 March 2020, Mr. Li Ming paid a sum of HK$33,000,000 to the Company as partial repayment of the facility under the Amended Facility Agreement A (the "**Partial Repayment**"). Since the sum of Partial Repayment is not lower than the estimated market value of Mr. Li Ming's residential property in Hong Kong (the "**Property**") as secured under the second legal charge as at 4 March 2020 (after deduction of approximately HK$11,076,000 of the liability secured under the existing first mortgage on the Property as at 6 December 2019), the Company entered into a deed of partial release to release the second legal charge over the Property charged by Mr. Li Ming in favour of the Company (the "**Partial Release**"). Further details in relation to the PRC Legal Charge, the Partial Repayment and the Partial Release are set out in the announcements of the Company dated 17 February 2020, 21, February 2020 and 16 March 2020.

Note 2: Pursuant to the second supplemental deed to the Facility Agreement B dated 15 January 2020 (the "**Second Amended Facility Agreement B**"), among other things, the repayment date of the Amended Facility Agreement B was further extended to 15 January 2021 and the interest rate of the last 12 months of the term of the Second Amended Facility Agreement B shall be 14% per annum, payable semi-annually. Further details in relation to the Second Amended Facility Agreement B are set out in the announcement of the Company dated 15 January 2020.

Directors' Report
for the year ended 31 December 2019

SERVICE CONTRACTS OF DIRECTORS

Each executive Director has entered into a service agreement with the Company for a specific term of 2 years, subject to retirement by rotation according to the Articles of Association of the Company.

Each non-executive Director and independent non-executive Director has entered into an appointment letter with the Company for a specific term of 2 years, subject to retirement by rotation according to the Articles of Association of the Company.

None of the Directors has a service contract with the Company or its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

Under present Cayman Islands laws and the Articles of Association of the Company, no pre-emptive rights are imposed which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the date of this annual report, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, none of the Directors or their respective close associates had interests in businesses which compete or are likely to compete either directly or indirectly with the businesses of the Group as are required to be disclosed pursuant to the Listing Rules.

TAX RELIEF AND EXEMPTION

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

PLEDGE OF ASSETS

At 31 December 2019, property, plant and equipment of the Group with a carrying amount of HK$nil (2018: HK$35,551,000) were pledged as security to secure bank loans.

Directors' Report
for the year ended 31 December 2019

EXCHANGE RATES AND RELATED HEDGES

A discussion on the Company's exposure to fluctuations in exchange rates and any related hedges is set out in note 38(d) to the financial statements.

CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 December 2019.

EQUITY-LINKED AGREEMENT

Apart from the Share Award Scheme adopted by the Company as set forth in note 34(d) to the financial statements, the Company has not entered into any equity-linked agreement during the year or there was not any subsisting equity-linked agreement entered into by the Company at the end of the reporting year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

AUDITORS

During the year under review, KPMG LLP ("KPMG"), former auditor of the Company, resigned as the auditor of the Company with effect from 19 December 2019 due to the Company and KPMG were unable to reach a consensus on the audit fee for the financial year ended 31 December 2019. Moore Stephens CPA Limited has been appointed as the auditor of the Company with effect from 13 January 2020 and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

The consolidated financial statements for the year ended 31 December 2019 have been audited by Moore Stephens CPA Limited. Moore Stephens CPA Limited will retire and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting of the Company. A resolution for the re-appointment of Moore Stephens CPA Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

WANG HUABING
Chairman

22 August 2020

MOORE

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditors' Report

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Tian Yuan Healthcare Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 143, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

1. ***Scope limitations on inability to obtain sufficient appropriate audit evidence to audit assets, liabilities, revenue and expenses of DIAM Holdings Co. Ltd. ("DIAM")***

We were provided by the management of the Group with an agreement for the acquisition of 51% of the equity interests of PRIP Communications Limited ("PRIP") and its wholly-owned subsidiary, DIAM dated 29 May 2017. The acquisition was completed on 31 August 2017 (the "Acquisition").

During the course of our audit for the year ended 31 December 2019, we had requested the management of the Group to provide us with certain information and materials relating to DIAM for our audit purposes, including vouchers and invoices for selected transactions and walkthrough documents. However, up to the date when the consolidated financial statements were authorised for issue, we were not provided with sufficient requested information and materials. Although we were provided with certain information of DIAM, we were unable to access to complete books and accounting records of DIAM which the Board explained to us that the primary reason was due to the outbreak of COVID-19.

Below is certain financial information provided by the Group about the revenue and results of DIAM for the years ended 31 December 2019 and 31 December 2018, and assets and liabilities of DIAM as at 31 December 2019 and 31 December 2018. We understand from the management of the Group that the below information was before elimination of intragroup transactions between DIAM and other group entities.

	2019 **HK$'000**	**2018** **HK$'000**
Revenue	12,726	15,592
Profit for the year	1,953	2,351
Total assets	5,888	4,661
Total liabilities	856	1,325

MOORE

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditors' Report

Due to the inability to access to the complete books and accounting records of DIAM, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the accuracy, existence, completeness, measurement, presentation and disclosures of all assets and liabilities of DIAM as at 31 December 2019 and as at 31 December 2018, profit or loss and other comprehensive items and cash flow items of DIAM for the years ended 31 December 2019 and the consequential effect on profit or loss and other comprehensive items and cash flow items of DIAM for the year ended 31 December 2018. We were also unable to satisfy ourselves about the completeness, measurement and presentation and disclosures of DIAM's and the Group's contingencies and commitments as at 31 December 2019 and 31 December 2018, as disclosed in notes 39 and 40 to the consolidated financial statements. There were no alternative audit procedures we could perform on these aspects.

Furthermore, as disclosed in note 17 and note 16 to the consolidated financial statements, there were goodwill with carrying amount of HK$35,401,000 (net of impairment loss of HK$51,819,000) (2018: HK$87,695,000) and intangible assets (trademarks and customer contracts) with the carrying amount of HK$117,396,000 (2018:HK$136,275,000) respectively included in the consolidated financial statements as at 31 December 2019 arising from the Acquisition. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the measurement (including impairment assessment) and presentation and disclosures about the abovementioned goodwill and intangible assets and the related deferred taxation as at 31 December 2019 and 31 December 2018.

Any adjustments found to be necessary in respect of the above issues, had we obtained sufficient appropriate audit evidence, might have had a consequential effect on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018, on its loss and cash flows for the years ended 31 December 2019 and 31 December 2018 and the presentation and disclosures in the consolidated financial statements.

2. Scope limitation on inability to obtain sufficient appropriate evidence to audit the Group's royalty income and related receivables

We were provided by the management of the Group with an agreement entered into by PRIP for granting a clinic (the "Clinic") an exclusive right to use certain trademarks in the Republic of Korea which specified the royalty income would be amounted to HK$8,124,000 and HK$8,142,000 for the years ended 31 December 2019 and 31 December 2018 respectively. The trade receivables in relation to the royalty income amounted to HK$3,785,000 and HK$3,807,000 as at 31 December 2019 and 31 December 2018 respectively. We were also provided by the management of the Group with an agreement entered into by PRIP for providing marketing service to the Clinic which specified the marketing service income would be amounted to HK$2,815,000 for the year ended 31 December 2018. We have sent confirmation to confirm the abovementioned transactions and balances and have not obtained any reply from the Clinic up to the date when the consolidated financial statements were authorised for issue.

Due to the lack of sufficient appropriate audit evidence, we were unable to satisfy ourselves as to whether the amount recognised for trade receivables as at 31 December 2019 and 31 December 2018 and the amount recognised for revenue for the years ended 31 December 2019 and 31 December 2018 were appropriate.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018, on its loss and cash flow for the years then ended and the presentation and disclosures in the notes to the consolidated financial statements for the years then ended.

MOORE

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditors' Report

3. Scope limitation on inability to obtain sufficient appropriate evidence to audit various derivatives associated with the Acquisition

Pursuant to note 1 to the Basis for disclaimer of opinion and Shareholders Agreement of the Acquisition dated 29 May 2017 (the "Agreement") provided by the management of the Group:

(i) the vendors, who were also the non-controlling shareholders of PRIP, agreed to waive and forfeit their rights to receive dividends from PRIP for financial years ended 31 December 2017, 2018 and 2019 ("Dividend Right Forgone");

(ii) the vendors undertook to the Company that they shall procure PRIP and DIAM to achieve specified revenue targets for PRIP and specified profit targets for DIAM for financial years ended 31 December 2017, 2018 and 2019. In the event that the revenue and profit targets were not met, the vendors would pay a compensation to the Company according to the predetermined formula as agreed in the Agreement (the "Guarantee"); and

(iii) the vendors had a put option or right to require the Company to purchase their 29% equity interest in PRIP at US$12,285,458 upon fulfillment of all of the revenue and profit guarantee targets for financial years ended 31 December 2017, 2018 and 2019 and the Company had a call option or right to purchase vendors' 29% equity interest in PRIP at US$12,285,458. The rights were exercisable during the three months after the issue of the audited financial statements of PRIP for the financial year ended 31 December 2019 ("Put and Call Options").

Included in the consolidated statement of financial position of the Group, as disclosed in note 20 and note 33 to the consolidated financial statements, were:

(i) an asset (included in "other financial assets") that represented the Dividend Right Forgone with carrying amount amounting to HK$nil and HK$7,813,000 as at 31 December 2019 and 31 December 2018 respectively;

(ii) an asset (included in "other financial assets") that represented the Guarantee with carrying amount amounting to HK$nil as at 31 December 2019 and 31 December 2018 respectively; and

(iii) a liability (included in "other financial liabilities") that represented the Put and Call Options amounting to HK$53,891,000 and HK$8,272,000 as at 31 December 2019 and 31 December 2018 respectively.

Since we were not provided with sufficient appropriate audit evidence about the abovementioned Dividend Right Forgone, Guarantee and Put and Call Options as at 31 December 2019 and 31 December 2018, we were unable to satisfy ourselves about the classification, presentation and measurement of the related assets and liabilities. For example, we were unable to satisfy ourselves about whether the assumptions and inputs adopted by the management of the Group in determining the value of the Dividend Right Forgone, Guarantee and Put and Call Option were appropriate. We were unable to satisfy ourselves as to the measurement of the fair values of these assets and liabilities as at 31 December 2019 and 31 December 2018 and fair value changes amounting to HK$45,960,000 and HK$7,804,000, as disclosed in note 6 to the consolidated financial statements, for the years ended 31 December 2019 and 31 December 2018 respectively.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018, on its loss and cash flows for the years then ended and the presentation and disclosures in the notes to the consolidated financial statements for the years then ended.

MOORE

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditors' Report

4. Scope limitation on inability to obtain sufficient appropriate evidence to audit the Group's loans receivables and loan interest income

On 14 July 2017, the Company entered into a loan agreement with a company ("Borrower A") pursuant to which the Company granted a loan of US$13,000,000 (equivalent to HK$101,509,000) to Borrower A ("Loan A"), bearing interest at 12% per annum and repayable on 13 July 2018. Borrower A failed to make repayment upon maturity. The maturity date was extended to 11 November 2019 and further extended to 12 February 2020. As at 31 December 2019, the carrying amounts of the loan receivables and interest receivables (before impairment) were amounted to HK$101,233,000 and HK$12,345,000 respectively. The management of the Group considered the recovery of the loan principal of HK$62,778,000 was remote and hence recognised impairment loss of HK$62,778,000 for the year ended 31 December 2019. As at 31 December 2019, the loan receivables and interest receivables (net of impairment) were amounted to HK$38,455,000 and HK$12,345,000 respectively. In March 2020, the Group received payment of HK$33,000,000 from the sole shareholder of Borrower A and payment of RMB16,000,000 (equivalent to HK$17,800,000) from a party which is not Borrower A.

On 11 September 2017 the Company entered into a loan agreement ("Loan Agreement B") with a company ("Borrower B") pursuant to which the Company granted a loan of RMB10,000,000 (equivalent to HK$11,899,000) to Borrower B ("Loan B"), bearing interest at 10% per annum and repayable on 16 May 2018. Borrower B failed to make repayment upon maturity. The maturity date was extended to 15 May 2019 and further extended to 15 May 2020. We were provided by the management of the Company with a document dated 23 March 2018 which stated that 北京天元錳業有限公司 ("北京天元錳業"), a fellow subsidiary of the Group, would guarantee full repayment of Loan B to the Company in case the loan was defaulted. This guarantee was not mentioned in Loan Agreement B. On 29 June 2018, 北京天元錳業 repaid RMB2,000,000 to the Group on behalf of Borrower B. As at 31 December 2019, the carrying amounts of the loan receivables and interest receivables (before impairment) were amounted to HK$9,806,000 and HK$618,000 respectively. An impairment loss of HK$762,000 was recognised for the year ended 31 December 2019. As at 31 December 2019, the loan receivables and interest receivables (net of impairment) were amounted to HK$9,090,000 and HK$573,000 respectively.

On 16 January 2018, the Company entered into a loan agreement ("Loan Agreement C") with a company ("Borrower C") pursuant to which the Company granted a loan of RMB50,000,000 (equivalent to HK$60,807,000) to Borrower C ("Loan C"), bearing interest at 12% per annum and repayable on 15 January 2019. Borrower C failed to make repayment upon maturity. The maturity date was extended to 15 January 2020 and further extended to 15 January 2021. We were provided by the management of the Company with a document dated 27 March 2019 which stated that 北京天元錳業 and Beijing Yuyue Healthcare Beauty Hospital Limited ("Beijing Yuyue"), an indirect non-wholly owned subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd., the ultimate controlling shareholder of the Company, would guarantee full repayment of Loan C to the Company in case the loan was defaulted. This guarantee was not mentioned in Loan Agreement C. As at 31 December 2019, the carrying amounts of the loan receivables and interest receivables (before impairment) were amounted to HK$60,477,000 and HK$7,560,000 respectively. An impairment loss of HK$4,973,000 was recognised for the year ended 31 December 2019. As at 31 December 2019, the loan receivables and interest receivables (net of impairment) were amounted to HK$55,504,000 and HK$7,560,000 respectively. In July 2020, the Group received payment of RMB29,205,000 (equivalent to HK$32,346,000) from a party which is not Borrower C, 北京天元錳業 and Beijing Yuyue.

MOORE

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditors' Report

No impairment loss was recognised for all the abovementioned loans in the Group's consolidated financial statements for the year ended 31 December 2018 despite the facts that all borrowers failed to repay the loans principals on the agreed maturity dates. An impairment loss amounting to HK$68,513,000 was provided to the above loans receivables and interest receivables in the Group's consolidated financial statements for the year ended 31 December 2019. The management of the Group was not able to provide us with sufficient appropriate audit evidence in relation to the credit assessments that were in place regarding the granting, execution and extension of the abovementioned loans. No sufficient appropriate evidence was available to us to satisfy ourselves about whether the Group had proper internal control process associated with credit assessment of the borrowers.

We were unable to obtain sufficient appropriate audit evidence about (i) whether all relationships between the Group and the abovementioned borrowers were provided to us, (ii) the commercial substance of the so-called "loans" as represented by the management of the Group; (iii) whether the Group had proper credit assessment regarding the granting, execution and extension of the abovementioned loans; and (iv) the validity of the documents which stated that 北京天元錳業 would guarantee the full repayment of Loan B and 北京天元錳業 and Beijing Yuyue would guarantee the full repayment of Loan C in case the loans were in default. We were also unable to obtain sufficient appropriate audit evidence about whether the amounts of impairment losses recognised for the years ended 31 December 2019 and 31 December 2018 were appropriate and whether loan receivables and repayments to/from these so-called "borrowers" were properly presented in the consolidated financial statements for the years ended 31 December 2019 and 31 December 2018.

In 2019, the Group advanced 5 loans to 5 companies (the "2019 Borrowers"). We were provided with 2 sets of agreements in respect of each of the 2019 Borrowers. The 2 sets of agreements mentioned different interest rates. We inquired with the management of the Group about the inconsistencies and the management explained the set of agreements with interest rates at 4.55% are replaced by the other set of agreements with interest rates at 12.73%. In July 2020, the Five Loans have been fully settled by the 2019 Borrowers, no impairment loss was recognised for the year ended 31 December 2019.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the abovementioned inconsistencies, the commercial substance of the loans and why loans were advanced to the 2019 Borrowers and whether the Group had proper credit assessment regarding the granting, execution and extension of the abovementioned loans. We were also unable to obtain sufficient appropriate audit evidence about whether the loans to these so-called "borrowers" were properly presented in the consolidated financial statements for the year ended 31 December 2019.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018, on its loss and cash flows for the years then ended and the presentation and disclosures in the consolidated financial statements for the years then ended. Any adjustments found to be necessary might also have consequential effect on the net assets of the Company as at 31 December 2019 and 31 December 2018 as disclosed in note 41 to the consolidated financial statements.

MOORE

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditors' Report

5. Scope limitation on inability to obtain sufficient appropriate evidence to audit "other receivables" from the 2019 Borrowers

During the year ended 31 December 2019, the Group paid a total of HK$3,802,000 to 3 borrowers of the 2019 Borrowers. An impairment loss amounting to HK$1,127,000 was recognised for the year ended 31 December 2019. The carrying amount net of impairment of HK$2,675,000 was included in "trade and other receivables" as at 31 December 2019.

During the course of our audit, we had enquired the management of the Group about the nature of the payments and requested the management of the Group to provide us with the relevant agreements for these payments. However, up to the date when the consolidated financial statements were authorised for issue, the management of the Group still failed to provide us with the requested information.

Due to the lack of sufficient appropriate audit evidence, we were unable to ascertain the nature of these "other receivables". We were also unable to obtain sufficient appropriate audit evidence about the measurement, presentation and disclosures about these "other receivables" in the consolidated financial statements were appropriate.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019, on its loss and cash flows for the year then ended and the presentation and disclosures in the consolidated financial statements for the years then ended. Any adjustments found to be necessary might also have consequential effect on the net assets of the Company as at 31 December 2019 as disclosed in note 41 to the consolidated financial statements.

6. Scope limitation on inability to obtain sufficient appropriate evidence to ascertain whether the Company has the ability to lend without money lending license

During the course of our audit, we noted that the Company granted Loan A, Loan B and Loan C, amounting to HK$171,699,000 and HK$113,408,000 in aggregate, to the so-called "borrowers" during the years ended 31 December 2018 and 31 December 2017 respectively. The carrying amounts of these so-called "loans" before impairment amounted to HK$171,516,000, HK$171,699,000 and HK$113,408,000 as at 31 December 2019, 31 December 2018 and 1 January 2018 respectively. We had requested the management of the Group to provide us with the related money lending license. However, we were told that the Company did not obtain money lending licence as of the dates of grant. We were told that the Group had obtained legal opinions to support that the loans were qualified as "exempted loans with no need to obtain money lending licence" for the purposes of audit for the consolidated financial statements for the year ended 31 December 2018.

The Company further granted 2 loans amounting to US$3,500,000 to 2 of the 2019 Borrowers. During the course of our audit, we had requested the management of the Group to provide us with external legal opinion to explain why the Company did not need to have the money lending license for the so-called "loans" to be advanced. Up to the date when the consolidated financial statements were authorised for issue, we had not obtained the requested information. We were also unable to ascertain whether the Company has the legal validity to lend money.

MOORE

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditors' Report

7. Scope limitation on inability to obtain sufficient appropriate evidence to audit the Group's prepayments, other receivables, amount due from fellow subsidiary and royalty income and related trade receivables

During the year ended 31 December 2019, the Group made prepayments and advances amounting to HK$5,795,000 and HK$3,120,000 respectively to Beijing Yuyue and advances amounting to HK$2,128,000 to 北京天元錳業. No impairment was recognised for the abovementioned prepayments and advances for the year ended 31 December 2019. We had requested the management of the Group to provide us with any agreements or other documentary evidence to support the nature and business rationale of these prepayments and advances. However, we were unable to obtain sufficient explanations regarding the underlying commercial reasons for these prepayments and advances to Beijing Yuyue and 北京天元錳業. On 22 May 2020, the management of the Group provided us with a loan agreement which management of the Group told us that it was signed in June 2019. The Group then reclassified the abovementioned balances from prepayments and other receivables to amount due from fellow subsidiary as at 31 December 2019. We had requested but not provided with sufficient explanations about the validity of the loan agreement and the reason for the reclassification which could satisfy ourselves for the purpose of our audit.

Prepayment and other receivables amounting to HK$1,130,000 and HK$6,250,000 respectively were paid to Shanghai Yuyue Meilianchen Healthcare Beauty Hospital Limited ("Shanghai Yuyue") as at 31 December 2018, no impairment was recognised during the year ended 31 December 2018. Prepayment and other receivables paid to Shanghai Yuyue had further increased to HK$4,560,000 and HK$13,180,000 respectively as at 31 December 2019. During the year ended 31 December 2019, prepayment of HK$2,230,000 was also paid to Shanghai Rifu Industrial Limited ("Shanghai Rifu"), the immediate holding company of Shanghai Yuyue. An impairment loss of HK$3,909,000 was recognised for the abovementioned balances for the year ended 31 December 2019. The carrying amounts of these prepayments and advances amounted to HK$16,061,000 (net of impairment) as at 31 December 2019.

On 3 June 2020, the management of the Group provided us with a supplemental agreement dated 29 May 2020 to explain that the abovementioned advances to Shanghai Yuyue and Shanghai Rifu were for the purpose of acquisition of Shanghai Yuyue and Shanghai Rifu. However, the related announcement of the Company dated 31 December 2019 did not mention anything about the abovementioned advances to Shanghai Yuyue and Shanghai Rifu in 2018 and 2019.

We were told by the management of the Group that PRIP granted Shanghai Yuyue an exclusive right to use certain trademarks in Shanghai in 2019. The management of the Group recognised the royalty income amounting to HK$9,480,000 for the year ended 31 December 2019 and related trade receivables amounting to HK$9,480,000 as at 31 December 2019 which had not been settled up to the date when the consolidated financial statements were authorised for issue. We had requested but not provided with sufficient appropriate audit evidence to substantiate the existence, accuracy and completeness of the royalty income and its related trade receivables.

Due to the lack of sufficient audit evidence, we were unable to satisfy ourselves as to:

(i) Whether the management's representation about the prepayments and advances that were paid to Shanghai Yuyue and Shanghai Rifu in 2018 and 2019 were for the acquisition of Shanghai Yuyue and Shanghai Rifu;

(ii) The commercial substance, occurrence, accuracy, completeness of the prepayments and advances to Beijing Yuyue, Shanghai Yuyue and Shanghai Rifu; and

(iii) Whether the effects of the abovementioned advances, prepayments, royalty income and related receivables and acquisition had been properly accounted for, presented and disclosed in the consolidated financial statements.

MOORE

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditors' Report

In addition, the management of the Group provided an agreement dated 29 May 2017 ("Advisory Services Agreement") stating a total of US$3,980,000 would be paid to 2 advisors (the "Advisors") to provide advisory services to the Group in developing or acquiring new businesses for a period of 10 years (the "Advisory Services"). Prepayments amounting to HK$21,700,000 and HK$24,900,000 was recognised in the consolidated financial statements as at 31 December 2019 and 31 December 2018 respectively. Management of the Group told us the Advisors were experts in healthcare industry and had provided a few proposals to the Group. We have sent confirmations to the Advisors for the abovementioned Advisory Services. We had received signed confirmation but the address on the confirmation was different from the one being shown on the Advisory Services Agreement. We had asked the management of the Group the reasons for the difference but had not been provided with sufficient appropriate audit evidence to substantiate the background of the Advisors and the nature of the prepayments.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018, on its loss and cash flows for the years then ended and the presentation and disclosures in the consolidated financial statements for the years then ended. Any adjustments found to be necessary might also have consequential effect on the net assets of the Company as at 31 December 2019 and 31 December 2018 as disclosed in note 41 to the consolidated financial statements.

8. Unable to obtain directors' fee confirmations

We were unable to obtain original confirmations from some of the directors of the Company regarding the directors' fees and benefits amounting to HK$19,253,000 during the year ended 31 December 2019, including director's fee of HK$19,027,000 and amount due to Mr. Jiang Yulin of HK$7,000,000 as shown in note 10 and note 26 to the consolidated financial statements, respectively.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, might have a consequential effect on the assets and liabilities of the Group as at 31 December 2019, on its loss and cash flows for the year then ended and the presentation and disclosures in the consolidated financial statements for the years then ended. Any adjustments found to be necessary might also have consequential effect on the net assets of the Company as at 31 December 2019 as disclosed in note 41 to the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 26 April 2019.

MOORE

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditors' Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company 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 assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Moore Stephens CPA Limited
Certified Public Accountants
Pak Chi Yan
Practising Certificate Number: P06923

Hong Kong, 22 August 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Revenue	5	**70,548**	59,669
Other (losses) and gains, net	6	**(106,571)**	7,641
Allowance for expected credit loss	7	**(76,188)**	–
Administrative expenses		**(72,508)**	(80,951)
Share of loss of associates (net of tax)		**(4,897)**	(2,346)
Finance costs	8	**(189)**	–
Loss before taxation	8	**(189,805)**	(15,987)
Income tax expense	9(a)	**(219)**	(375)
Loss for the year from continuing operations		**(190,024)**	(16,362)
Discontinued operations			
Gain/(loss) for the year from discontinued operations	12	**23,777**	(23,685)
Loss for the year		**(166,247)**	(40,047)
Loss for the year attributable to:			
Equity shareholders of the Company	13		
– from continuing operations		**(195,096)**	(14,448)
– from discontinued operations		**24,893**	(13,174)
		(170,203)	(27,622)
Non-controlling interests			
– from continuing operations		**5,072**	(1,914)
– from discontinued operations		**(1,116)**	(10,511)
		3,956	(12,425)
Loss for the year		**(166,247)**	(40,047)
		HK cents	**HK cents**
Loss per share	13		
Basic loss per share			
– for the year		**(42.65)**	(6.92)
– from continuing operations		**(48.89)**	(3.62)
Diluted loss per share			
– for the year		**(42.65)**	(6.92)
– from continuing operations		**(48.89)**	(3.62)

Consolidated Statement of Profit or loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000 (Restated)
Loss for the year	**(166,247)**	(40,047)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserves (non-recycling)	**–**	(3,027)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(2,146)**	42
Exchange differences on monetary item forming net investment in a foreign operation	**181**	(63)
Total other comprehensive expense for the year	**(1,965)**	(3,048)
Total comprehensive expense for the year	**(168,212)**	(43,095)
Total comprehensive expense attributable to:		
Equity shareholders of the Company	**(171,652)**	(30,858)
Non-controlling interests	**3,440**	(12,237)
Total comprehensive expense for the year	**(168,212)**	(43,095)

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**4,631**	53,845
Intangible assets	16	**117,396**	142,653
Goodwill	17	**35,401**	95,016
Interests in associates	18	**6,122**	8,367
Financial assets at fair value through other comprehensive income	20	**–**	538
Trade and other receivables	21	**20,156**	23,779
		183,706	324,198
Current assets			
Trade and other receivables	21	**70,545**	68,863
Other financial assets	20	**–**	7,813
Financial assets at fair value through profit or loss	22	**12,547**	16,730
Loan receivables	23	**186,014**	171,699
Amounts due from fellow subsidiaries	24	**11,043**	1,138
Current tax recoverable	9(c)	**491**	485
Cash and cash equivalents	25	**22,428**	114,346
		303,068	381,074
Current liabilities			
Trade and other payables	26	**(13,659)**	(35,312)
Lease liabilities	27	**(2,049)**	–
Deferred consideration	28	**–**	(1,728)
Interest-bearing borrowings	29	**–**	(960)
Loans from non-controlling interests	30	**–**	(21,961)
Other financial liabilities	33	**(53,891)**	–
Provision for taxation		**(568)**	(2,995)
		(70,167)	(62,956)
Net current assets		**232,901**	318,118
Total assets less current liabilities		**416,607**	642,316
Non-current liabilities			
Interest-bearing borrowings	29	**–**	(28,041)
Loans from non-controlling interests	30	**–**	(11,940)
Obligations in excess of earnings from equity-method accounted joint venture	31	**(227)**	(227)
Lease liabilities	27	**(1,374)**	–
Deferred rental expense		**–**	(1,897)
Deferred tax liabilities	32	**(15,852)**	(15,938)
Other financial liabilities	33	**–**	(8,272)
		(17,453)	(66,315)
NET ASSETS		**399,154**	576,001

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves	34		
Share capital		**398,980**	398,980
Share premium		**20,663**	20,663
(Deficit)/reserves		**(105,347)**	66,305
Equity attributable to equity shareholders of the Company		**314,296**	485,948
Non-controlling interests	35	**84,858**	90,053
TOTAL EQUITY		**399,154**	576,001

The consolidated financial statements on pages 50 to 143 were approved and authorised for issue on behalf of the board of directors on 22 August 2020.

WANG Huabing
Chairman

Zhang Xian
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018	398,980	20,663	676	561	–	66,897	487,777	87,279	575,056
Impact on initial application of HKFRS 9	–	–	–	–	29,029	–	29,029	(1,297)	27,732
Adjusted balance at 1 January 2018	398,980	20,663	676	561	29,029	66,897	516,806	85,982	602,788
Changes in equity for 2018:									
Loss for the year	–	–	–	–	–	(27,622)	(27,622)	(12,425)	(40,047)
Other comprehensive income									
Items that will not be reclassified subsequently to profit or loss:									
Financial assets at FVOCI – net movement in fair value reserves (non-recycling) (Note 20 (i))	–	–	–	–	(3,027)	–	(3,027)	–	(3,027)
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translation of financial statements of foreign operations	–	–	–	(146)	–	–	(146)	188	42
Exchange differences on monetary item forming net investment in a foreign operation	–	–	–	(63)	–	–	(63)	–	(63)
	–	–	–	(209)	–	–	(209)	188	(21)
Total other comprehensive income	–	–	–	(209)	(3,027)	–	(3,236)	188	(3,048)
Total comprehensive income for the year	–	–	–	(209)	(3,027)	(27,622)	(30,858)	(12,237)	(43,095)
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Dividend forgone by non-controlling interests	–	–	–	–	–	–	–	(4,599)	(4,599)
Capital contribution from non-controlling interests by way of capitalisation (Note 30)	–	–	–	–	–	–	–	20,907	20,907
Total contributions by and distributions to owners of the Company	–	–	–	–	–	–	–	16,308	16,308
Balance at 31 December 2018	398,980	20,663	676	352	26,002	39,275	485,948	90,053	576,001

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2019	398,980	20,663	676	352	26,002	39,275	485,948	90,053	576,001
Changes in equity for 2019:									
Loss for the year	–	–	–	–	–	(170,203)	(170,203)	3,956	(166,247)
Other comprehensive income									
Items that will not be reclassified subsequently to profit or loss:									
Financial assets at FVOCI – net movement in fair value reserves (non-recycling) (Note 20(i))	–	–	–	–	(26,002)	26,002	–	–	–
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translation of financial statements of foreign operations	–	–	–	(1,630)	–	–	(1,630)	(516)	(2,146)
Exchange differences on monetary item forming net investment in a foreign operation	–	–	–	181	–	–	181	–	181
Total other comprehensive income	–	–	–	(1,449)	(26,002)	26,002	(1,449)	(516)	(1,965)
Total comprehensive income for the year	–	–	–	(1,449)	(26,002)	(144,201)	(171,652)	3,440	(168,212)
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Dividend forgone by non-controlling interests	–	–	–	–	–	–	–	(7,519)	(7,519)
Disposal of non-controlling interest at subsidiary level (Note 12)	–	–	–	–	–	–	–	(1,116)	(1,116)
Total contributions by and distributions to owners of the Company	–	–	–	–	–	–	–	(8,635)	(8,635)
Balance at 31 December 2019	398,980	20,663	676	(1,097)	–	(104,926)	314,296	84,858	399,154

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
Loss before taxation			
From continuing operations		**(189,805)**	(15,998)
From discontinued operation		**23,777**	(23,674)
Adjustments for:			
Amortisation of intangible assets	5	**17,755**	20,045
Depreciation of property, plant and equipment	5	**4,899**	4,003
Dividend income	3	**–**	(218)
Finance costs	5	**1,032**	1,283
Gain on disposal of a subsidiary		**(30,862)**	–
Plant and equipment written off	4	**–**	94
Interest income	3	**(32,919)**	(26,198)
Impairment loss on investment in an associate	4	**2,208**	–
Impairment loss on goodwill	4	**51,819**	–
Impairment loss on loan and trade and other receivables		**76,188**	–
Loss on disposal of assets		**2,358**	–
Net realised and unrealised foreign exchange gain	4	**(1,046)**	(137)
Net realised and unrealised valuation loss on financial assets at fair value through profit or loss	4	**4,194**	936
Net realised and unrealised loss/(gain) on financial assets/liabilities	4	**45,960**	(7,804)
Payment for lease liabilities		**(1,963)**	–
Share of loss of associates		**4,897**	2,346
Gain on written off of joint operations		**(333)**	–
Loss on extinguishment of bank borrowings		**3,487**	–
Reversal of impairment loss on trade and other receivables	5	**–**	(145)
		(147,674)	(5,795)
Operating loss before changes in working capital		**(18,354)**	(45,467)
Changes in working capital			
Due from fellow subsidiaries		**(9,905)**	
Loan receivables		**(83,057)**	(58,291)
Trade and other receivables		**(9,905)**	(11,300)
Trade and other payables		**(1,104)**	3,046
Cash used in operations		**(135,397)**	(112,012)
Interest received		**20,772**	14,007
Dividend received		**–**	218
Tax (paid)/refund		**(2,159)**	2,225
Net cash used in operating activities		**(116,784)**	(95,562)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Investing activities			
Acquisition of interest in associate		**(3,271)**	(4,022)
Payment for web development costs		**(4,030)**	(1,877)
Purchase of property, plant and equipment		**(1,414)**	(2,410)
Proceeds from disposal of a subsidiary		**25,577**	–
Proceeds from disposal of assets		**32,608**	–
Net cash outflow from written off of joint operations		**(4,887)**	–
Proceeds from sale of financial assets at fair value through profit or loss		**–**	29,341
Return of capital from financial assets		**538**	43,800
Net cash from/(used in) investing activities		**45,121**	64,832
Financing activities			
Decrease/(Increase) in cash pledged		**3,061**	(498)
Interest paid on bank borrowing	25(b)	**(843)**	(1,327)
Interest paid on lease liabilities	25(b)	**(189)**	–
Increase in loan from non-controlling interests	25(b)	**10,368**	11,927
Repayment of interest-bearing borrowings	25(b)	**(28,844)**	(1,298)
Net cash from financing activities		**(16,788)**	8,804
Net decrease in cash and cash equivalents		**(88,451)**	(21,926)
Cash and cash equivalents at 1 January		**111,285**	132,294
Effect of foreign exchange rate changes		**(406)**	917
Cash and cash equivalents at 31 December	25	**22,428**	111,285

Notes to the Financial Statements

For the year ended 31 December 2019

1. GENERAL

China Tian Yuan Healthcare Group Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. Its immediate holding company is Tianyuan Manganese (HK) Co., Limited (incorporated in the Cayman Islands) and its ultimate holding company is Ningxia Tianyuan Manganese Industry Co., Ltd (incorporated in the People's Republic of China (the "PRC")). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are investment holding, provision of procurement, marketing and management services to the medical industry, provision of procurement services relating to hospitality industry, licensing of trademarks and money lending and related business. The Group also engaged in the provision of hotel management services which was discontinued in current year (see note 12).

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

The Group has applied the following new and amendments to HKFRSs issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

Notes to the Financial Statements

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(cont'd)*

New and Amendments to HKFRSs that are mandatorily effective for the current year (cont'd)

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

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 HK(IFRIC)-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 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 by applying HKFRS 16.C8(b)(ii) transition.

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;

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

Notes to the Financial Statements

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(cont'd)*

New and Amendments to HKFRSs that are mandatorily effective for the current year (cont'd)

HKFRS 16 Leases (cont'd)

As a lessee (cont'd)

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 lessee's incremental borrowing rate applied is 4.21%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	38,467
Less: Operating lease commitments under hospitality segments (discontinued operations)	(32,763)
	5,704
Lease liabilities discounted at relevant incremental borrowing rates as at 1 January 2019	5,386
Analysed as	
Current	1,963
Non-current	3,423
	5,386

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

	Carrying amounts previously reported at 31 December 2018 HK$'000	**Adjustments HK$'000**	**Carrying amount under HKFRS 16 at 1 January 2019 HK$'000**
Non-current assets			
Right-of-use assets	–	5,386	5,386
Current liabilities			
Lease liabilities	–	(1,963)	(1,963)
Non-current liabilities			
Lease liabilities	–	(3,423)	(3,423)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Notes to the Financial Statements

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(cont'd)*

New and Amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
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 1 January 2021.

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

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

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

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 HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company 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.

Notes to the Financial Statements

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(cont'd)*

Amendments to HKFRS 3 Definition of a Business

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not excepted to have a significant impact to the Group.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are stated at their fair value as explained in the accounting policies set out below.

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

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 *Share-based Payment*, leasing transactions that are accounted for in accordance with 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 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

The principal accounting policies are set out below.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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 item 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 in 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Basis of consolidation (cont'd)

Changes in the Group's interests in existing subsidiaries (cont'd)

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

Business combinations

Acquisitions of businesses, other than business combination under common control 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 arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Business combinations (cont'd)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes 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. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, 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 fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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 retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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 ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU(or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

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

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments in associates and joint ventures (cont'd)

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments in associates and joint ventures (cont'd)

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

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

Interests in joint operations

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

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue from contracts with customers

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

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

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Revenue from contracts with customers (cont'd)

Except for granting of a licence that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Notes to the Financial Statements

For the year ended 31 December 2019

3. **SIGNIFICANT ACCOUNTING POLICIES *(cont'd)***

Leases

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

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

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

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

Allocation of consideration to components of a contract

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

The Group presents right-of-use in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Leases (cont'd)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (cont'd)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("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.

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.

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

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non- controlling interests as appropriate).

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Foreign currencies (cont'd)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (capital redemption reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital reserve.

When shares granted are vested, the amount previously recognised in capital redemption reserve will be transferred to retained earnings.

Taxation

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Taxation (cont'd)

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 tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than freehold land, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

– Building	– 2.6%
– Plant, machinery and equipment (comprising principally furniture and fixtures and office equipment)	– 6% to 33.33%
– Leased properties lease	– over the term of the lease
– Motor vehicles	– 20%

No depreciation is provided on freehold land.

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

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives as follows:

– Trademarks	10 to 15 years
– Franchise application	10 years
– Technology	5 to 11 years
– Customer relations	7 to 11 years
– Customer contracts	2 to 10 years
– Web development	3 to 5 years

Both the useful life and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 and dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

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

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

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments (cont'd)

Financial assets (cont'd)

Classification and subsequent measurement of financial assets *(cont'd)*

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 FVPL, except that at the date of initial application of HKFRS 9/ 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 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 FVOCI as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments (cont'd)

Financial assets (cont'd)

Classification and subsequent measurement of financial assets *(cont'd)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments. 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.

(ii) Equity instruments designated as at FVTOCI

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

(iii) Financial assets at FVPL

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

Financial assets at FVPL 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 gains and losses" line item.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables and loan receivables) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

(i) Significant increase in credit risk

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets *(cont'd)*

(i) Significant increase in credit risk (cont'd)

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.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets *(cont'd)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. 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.

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group. Loan receivables 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.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments (cont'd)

Financial assets (cont'd)

Derecognition of financial assets

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

On derecognition of a financial asset 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.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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.

Financial liabilities

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

a) Financial liabilities at FVPL

   Financial liabilities are classified as at FVPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVPL.

Notes to the Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments (cont'd)

Financial liabilities and equity (cont'd)

Financial liabilities *(cont'd)*

a) Financial liabilities at FVPL (cont'd)

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVPL

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2019

3. **SIGNIFICANT ACCOUNTING POLICIES *(cont'd)***

Financial instruments (cont'd)

Financial liabilities and equity (cont'd)

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables (excluding deferred income), interest-bearing borrowings, loans from non-controlling interest and lease liabilities) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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 profit or loss.

Restatements due to discontinued operations

The presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 has been restated in order to disclose the discontinued operations separately from continuing operations.

As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2018.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished form the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier, it also occurs if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operations; and
- the post-tax gain or loss realised on the measurement to fair value less cost to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Notes to the Financial Statements

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or a group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill is HK$35,401,000 (2018: HK$95,016,000) (net of accumulated impairment loss of HK$51,819,000 (2018: HK$1,710,000)). Details of the recoverable amount calculation are disclosed in note 17.

Fair value measurement of financial instruments

As at 31 December 2019, certain of the Group's financial assets, unquoted non-equity investment amounting to HK$12,222,000 (2018: HK$16,434,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 20 and 22 for further disclosures.

Provision of ECL for trade and other receivables

Loss allowance for trade receivables and lease receivables is assessed and estimated by management based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and assessment of both current and forecast general economic conditions at the reporting date. Any increase or decrease in such estimation of credit loss allowance would affect the Group's profit or loss. See note 38 for further disclosures.

Notes to the Financial Statements

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(cont'd)*

Impairment allowance on loans receivables

The Group measures the loss allowance based on an ECL model. The allowance for ECL on the loans receivables are probability weighted average of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the loans receivables. Specifically, a credit loss is the present value of the difference between (i) the contractual cash flows that are due to an entity under the contract and (ii) the cash flows that the entity expects to receive. Such assessment involves a high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, a material ECLs or material reversal of ECLs may arise, accordingly. See note 38 for further disclosures.

Estimated impairment of an associate and a joint operation

In determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate and joint operation which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the associate and joint venture and the proceeds from the ultimate disposal of the investment taking into account. In cases where the actual cash flows are less or more than expected, or change in facts and circumstances which result in revision of future cash flows estimation, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

As at 31 December 2019, the carrying amount of the associate amounted to HK$6,122,000 (2018: HK$8,367,000), after taking into consideration the impairment of HK$nil (2018: HK$nil) recognised in profit or loss during the year. For details of the impairment, please refer to note 18.

As at 31 December 2019, the carrying amount of a joint operation amounted to HK$nil. (2018: HK$9,427,000), after taking into consideration the impairment of HK$nil (2018: HK$nil) recognised in profit or loss during the year. For details of the impairment, please refer to note 19.

Notes to the Financial Statements

For the year ended 31 December 2019

5. REVENUE

Revenue of the Group comprises revenue from the provision of hospitality related services, healthcare related services and money lending and related business activities and dividend income. Disaggregation of revenue recognised during the year by category is as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
Revenue from contracts within the scope of HKFRS 15		
Healthcare related services		
Royalty fees	**20,338**	8,142
Management fees	**13,958**	18,410
Hospitality related services	**272**	4,365
	34,568	30,917

	2019 HK$'000	2018 HK$'000 (Restated)
Revenue from contracts not within the scope of HKFRS 15		
Money lending and related business activities		
Interest income on third party loans	**32,919**	25,484
Loan handling fees	**3,061**	3,050
Dividend income	**–**	218
	35,980	28,752

	2019 HK$'000	2018 HK$'000 (Restated)
Timing of revenue recognition within the scope of HKFRS 15		
A point in time		
Healthcare related services	**13,958**	18,410
Hospitality related services	**272**	4,365
Overtime		
Healthcare related services	**20,338**	8,142
	34,568	30,917

Notes to the Financial Statements

For the year ended 31 December 2019

5. REVENUE *(cont'd)*

Healthcare related services – management fees

The Group provides marketing and referral services to a plastic surgery clinic (the "clinic") in Korea. The performance obligation is satisfied when the customers accepted to received plastic surgery services from the clinic.

Healthcare related services – royalty fees

Royalty fees represent the guaranteed minimum royalties received for the use of a trademark and recognised over a period agreed under contracts. The royalty fees are recognised over the contract terms.

Revenue that is expected to be recognised in the future arising from contracts in existence at the reporting date is insignificant.

6. OTHER (LOSSES) AND GAINS, NET

	2019	2018
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Impairment loss on interest in an associate	**(2,208)**	–
Impairment loss on goodwill	**(51,819)**	–
Net realised and unrealised foreign exchange (loss)/gain	**(2,572)**	206
Net realised and unrealised valuation loss on financial assets at fair value through profit or loss	**(4,194)**	(936)
Net realised and unrealised (losses)/gain on other financial assets/liabilities	**(45,960)**	7,804
Interest income	**86**	714
Property, plant and equipment written off	**–**	(94)
Miscellaneous income/(loss)	**96**	(53)
	(106,571)	7,641
Discontinued operations		
Loss on disposal of assets	**(2,358)**	–
Net realised and unrealised foreign exchange losses	**(19)**	(69)
Miscellaneous (loss)/income	**(236)**	75
	(2,613)	6

Notes to the Financial Statements

For the year ended 31 December 2019

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
– Loan receivables	**68,468**	–
– Trade and other receivables	**7,720**	–
	76,188	–

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Finance cost		
Interest expenses on lease payment	**189**	–
Staff costs		
Salaries, wages and other benefits	**11,712**	14,860
Directors emoluments	**23,636**	24,540
Retirement benefit scheme (excluding those of Directors)	**50**	77
	35,398	39,477
Other items		
Amortisation of intangible assets	**15,347**	15,376
Auditors' remuneration		
– audit services	**1,395**	3,088
– tax related services	**–**	1,406
Depreciation of property, plant and equipment	**2,526**	416
Operating lease charges – rental of properties	**1,432**	3,528
Discontinued operations		
Staff costs		
Salaries, wages and other benefits	**36,301**	72,560
Retirement benefit scheme (excluding those of Directors)	**215**	955
	36,516	73,515
Other items		
Amortisation of intangible assets	**2,408**	4,669
Auditors' remuneration		
– audit services	**–**	–
Depreciation of property, plant and equipment	**2,373**	3,587
Operating lease charges – rental of properties	**3,273**	5,493

Notes to the Financial Statements

For the year ended 31 December 2019

9. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2019 **HK$'000**	2018 HK$'000 (Restated)
Continuing operations		
Current tax:		
Other jurisdictions	**219**	375
Discontinued operations		
Current tax:		
Other jurisdictions	**–**	–

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands. The tax concession was renewed for a further period of twenty years from 2 June 2009.

Notes to the Financial Statements

For the year ended 31 December 2019

9. INCOME TAX *(cont'd)*

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2019 HK$'000	2018 HK$'000 (Restated)
Loss before taxation		
– from continuing operations	**(189,805)**	(15,987)
– from discontinued operations	**23,777**	(23,685)
	(166,028)	(39,672)
Tax at Hong Kong tax rate of 16.5% (2018:16.5%)	**(27,395)**	(6,546)
Tax effect of non-taxable income	**(1,802)**	(5,899)
Tax effect of non-deductible expenses	**32,321**	6,909
Effect of different tax rates of subsidiaries operating in others jurisdictions	**1,007**	735
Tax effect of tax losses not recognised	**1,254**	6,133
Utilisation of previously unrecognised tax losses	**(5,399)**	(2,687)
Others	**233**	1,730
Income tax expense for the year	**219**	375

(c) Current tax recoverable in the consolidated statement of financial position represents:

	2019 HK$'000	2018 HK$'000 (Restated)
Recoverable for overseas tax for the year	**6**	75
Recoverable for overseas tax relating to prior years	**485**	410
	491	485

Notes to the Financial Statements

For the year ended 31 December 2019

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
2019				
Executive Directors				
Jiang Yulin (Note (i))	**19,027**	**–**	**–**	**19,027**
Zhang Xian (Chief Executive Officer)	**4,000**	**–**	**–**	**4,000**
Non-Executive Directors				
He Mei	**23**	**–**	**–**	**23**
Zhang Yupeng	**23**	**–**	**–**	**23**
Zhou Yuan	**23**	**–**	**–**	**23**
Independent Non-Executive Directors				
Guo Jingbin	**180**	**–**	**–**	**180**
Hu Baihe	**180**	**–**	**–**	**180**
Yuen Kwok Kuen	**180**	**–**	**–**	**180**
	23,636	**–**	**–**	**23,636**
2018				
Executive Directors				
Jiang Yulin	20,000	–	–	20,000
Zhang Xian (Chief Executive Officer)	4,000	–	–	4,000
Independent Non-Executive Directors				
Guo Jingbin	180	–	–	180
Hu Baihe	180	–	–	180
Yuen Kwok Kuen	180	–	–	180
	24,540	–	–	24,540

(i) Jiang Yulin resigned as director on 16 March 2020. The directors' remuneration as shown in the note did not include the share award granted to Jiang Yulin as set out in note 34.

(ii) During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: nil). None of the Chief Executive and Directors waived or agreed to waive any emoluments during the year (2018: nil).

Notes to the Financial Statements

For the year ended 31 December 2019

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: two) of them are directors whose emolument is disclosed in note 10. The aggregate of the emoluments in respect of the other three (2018: three) individuals are as follows:

	2019	2018
	HK$'000	HK$'000
		(Restated)
Salaries and other emoluments	**2,190**	3,585

The emoluments of the three (2018: three) individuals with the highest emoluments are within the following bands:

	2019	2018
	Number of individuals	Number of individuals
		(Restated)
HK$Nil – HK$1,000,000	**3**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**–**	3
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$3,500,000	**–**	–
HK$3,500,001 – HK$4,000,000	**–**	–
HK$4,000,001 – HK$4,500,000	**–**	–

12. DISCONTINUED OPERATIONS

On 2 April 2019, SWAN Carolina Investor, LLC, an indirect subsidiary of the Company and Whiteboard Investments LLC, the joint operation partner of Sheraton Chapel Hill Hotel, (the "Joint Operation", collectively, the"Sellers") entered into the Hotel Purchase and Sale Agreement (the "Hotel PSA") with Atma Hotel Group Inc (the "Purchaser Atma"), pursuant to which the Sellers have agreed to sell and the Purchaser Atma has agreed to purchase certain assets of the Joint Operation (the "Disposal of Assets").The total consideration receivable by the Group under the Hotel PSA is approximately USD4,625,000 (before net of transaction costs) which has been received in full. The Disposal of Assets had been completed on 2 August 2019.

On 26 June 2019, SWAN USA Inc, an indirect subsidiary of the Company, (the "Seller"), entered into a Purchase and Sales Agreement (the "PSA") with the Whiteboard Labs, LLC, (the "Purchaser"), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase 51% of the equity interest in Sceptre Hospitality Resources, LLC ("SHR"), an indirect subsidiary of the Company with consideration of approximately USD3,277,354 (the "Disposal of SHR") which has been received in full. The Disposal of SHR was completed on 6 July 2019.

The Disposal of Assets and Disposal of SHR, together referred as the "hospitality discontinued operation", represents the "Discontinued Operations" in 2019.

Notes to the Financial Statements

For the year ended 31 December 2019

12. DISCONTINUED OPERATIONS *(cont'd)*

The loss for the period/year for the year from the Discontinued Operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the hospitality segment as a Discontinued Operations.

	Period ended 2/8/2019 HK$'000	Year ended 31/12/2018 HK$'000
Loss for the period/year	**(7,418)**	(23,685)
Gain on Disposal of SHR	**30,862**	–
Gain on joint operation written off	**333**	–
	23,777	(23,685)

The results of Discontinued Operations for the period from 1 January 2019 to 6 July 2019 and 1 January 2019 to 2 August 2019, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Note	**Period ended 6/7/2019 and 2/8/2019 HK$'000**	Year ended 31/12/2018 HK$'000
Revenue		**65,894**	111,173
Cost of sales		**(12,541)**	(22,033)
Gross profit		**53,353**	89,140
Other net (losses)/gains, net	6	**(2,613)**	6
Administrative expenses		**(57,315)**	(111,548)
Loss from operating activities		**(6,575)**	(22,402)
Finance costs		**(843)**	(1,283)
Loss before taxation		**(7,418)**	(23,685)
Income tax expense		**–**	–
Loss for the period/year		**(7,418)**	(23,685)

Loss for the period/year from discontinued operations includes the following:	**Period ended 6/7/2019 and 2/8/2019 HK$'000**	Year ended 31/12/2018 HK$'000
Depreciation of property, plant and equipment	**2,373**	3,587
Amortisation of intangible assets	**2,408**	4,669
Auditor's remuneration	**–**	–

During the year ended 31 December 2019, the Discontinued Operations contributed HK$5.5 million (2018: HK$23.2 million) to the Group's net operating cash outflows, generated HK$28.2 million (2018: used in HK$3.4 million) in respect of investing activities and paid HK$22.1 million (2018: received HK$23.5 million) in respect of financing activities.

Notes to the Financial Statements

For the year ended 31 December 2019

12. DISCONTINUED OPERATIONS *(cont'd)*

The carrying amounts of the assets and liabilities of Discontinued Operations at the dates of disposal are as below:

The net assets of SHR at the date of disposal, i.e. 6 July 2019 were as follows:

	HK$'000
Consideration received:	
Cash received	25,577

	As at 6 July 2019 HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	15,808
Intangible assets	15,216
Goodwill	7,294
Trade and other receivables	27,097
Cash and cash equivalents	625
Trade and other payables	(22,667)
Deferred rent	(1,984)
Deferred consideration	(1,633)
Loans from non-controlling interests	(44,085)
Net liabilities disposed of	(4,329)
Gain on disposal of a subsidiary:	
Consideration received	25,577
Net liabilities disposed of	4,329
Non-controlling interests	1,116
Cumulative exchange differences in respect of net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(160)
Gain on disposal	30,862

The details of the Disposal of Assets at the date of disposal, i.e. 2 August 2019, were as follows:

	HK$'000
Consideration received:	
Cash consideration (net of transaction costs)	65,216
Carrying amount of assets sold as at 2 August 2019	69,932
Loss on disposal of assets	(4,716)
Group's share, 50% (note 6)	(2,358)

Notes to the Financial Statements

For the year ended 31 December 2019

13. LOSS PER SHARE

For continuing operations

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

	Year ended 31/12/2019 HK$'000	Year ended 31/12/2018 HK$'000 (Restated)
Loss for the year attributable to owners of the Company	**(170,203)**	(27,622)
Less:		
Profit/(loss) for the year from discontinued operations	**24,893**	(13,174)
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**(195,096)**	(14,448)

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	**398,980**	398,980

The calculation of the basic and diluted loss per share from continuing operations attributable to ordinary shareholders of the Company is based on loss for the year attributable to owners of the Company amounted to HK$195,096,000 (2018: HK$14,448,000).

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic earnings per share for discontinued operations is HK$6.24 cents per share (2018: loss per share of HK$3.30 cents), based on the profit for the year from the discontinued operations of HK$24,893,000 (2018: loss for the year of HK$13,174,000).

Diluted earnings per share are not applicable as there are no dilutive potential ordinary shares for both 2019 and 2018.

Notes to the Financial Statements

For the year ended 31 December 2019

14. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by products and services. The Group has identified the following five reportable segments based on the information that is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. No operating segments have been aggregated to form the following reportable segments.

Continuing operations

– Investment holding:	This segment relates to investments in listed equity investments and unlisted marketable equitable equity mutual funds held as financial assets at fair value through profit or loss ("FVTPL"). Currently, the Group's equity investment portfolio includes equity securities listed on The Philippines Stock Exchange, Inc. and an unlisted investment in Hong Kong.
– Healthcare:	This segment primarily derives the revenue from the provision of procurement, marketing and management services to the medical industry as well as royalty fees from the licensing of trademarks. Currently, the Group's activities in this segment are carried out in PRC, Hong Kong and Korea.
– Money lending and related business:	This segment primarily derives the revenue from the interests earned from the provision of loans to third parties, as well as referral and handling fees receivable for the provision of loan related services and the introduction of prospective lenders and borrowers. Currently, the Group's activities in this segment are carried out in PRC and Hong Kong.
– Hospitality continuing operations:	This segment primarily derives the revenue from provision of procurement services relating to hospitality industry.

Discontinued operations

– Hospitality discontinued operations:	This segment primarily derives the revenue from provision of hotel reservation as well as owning and managing hotel which are carried out in the United States of America and Europe.

(a) Segment results, assets and liabilities from continuing operations

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of current tax recoverable. Segment liabilities include all current and non-current liabilities with the exception of current and deferred tax liabilities and provision for taxation.

Revenue and expenses are allocated to the reportable segments with reference to income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's joint operation and associates.

The measure used for reporting segment profit is "profit from operations". In addition to receiving segment information concerning profit from operations, management is provided with segment information concerning revenue, interest income, depreciation and amortisation, impairment losses, foreign exchange gain/loss, gain/loss on FVTPL and additions to non-current segment assets used by the segments in their operations.

Notes to the Financial Statements

For the year ended 31 December 2019

14. SEGMENT REPORTING *(cont'd)*

(b) *Information about reportable segments*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below:

	Continuing operations								Discontinued operations			
	Investment holding		Hospitality		Healthcare		Money lending and related business		Hospitality		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Disaggregated by timing of revenue recognition												
Point in time	**–**	218	**272**	4,365	**13,958**	18,410	**3,061**	3,050	**65,894**	111,173	**83,185**	137,216
Over time	**–**	–	**–**	–	**20,338**	8,142	**–**	–	**–**	–	**20,338**	8,142
Revenue from external customers	**–**	218	**272**	4,365	**34,296**	26,552	**3,061**	3,050	**65,894**	111,173	**103,523**	145,358
Interest income	**–**	–	**–**	–	**–**	–	**32,919**	25,484	**–**	–	**32,919**	25,484
Reportable segment revenue	**–**	218	**272**	4,365	**34,296**	26,552	**35,980**	28,534	**65,894**	111,173	**136,442**	170,842
Reportable segment (loss)/profit before taxation	**(94,987)**	(36,837)	**(11,298)**	(12,112)	**(44,436)**	4,417	**(39,084)**	28,534	**23,777**	(23,674)	**(166,028)**	(39,672)
Depreciation and amortisation	**(2,421)**	(311)	**(15)**	(58)	**(15,437)**	(15,423)	**–**	–	**(4,781)**	(8,256)	**(22,654)**	(24,048)
Impairment loss on												
- goodwill	**–**	–	**–**	–	**(51,819)**	–	**–**	–	**–**	–	**(51,819)**	–
- investment in an associate	**(2,208)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(2,208)**	–
Net realised and unrealised valuation loss on financial assets at FVTPL	**(4,194)**	(936)	**–**	–	**–**	–	**–**	–	**–**	–	**(4,194)**	(936)
Net realised and unrealised foreign exchange (loss)/gain	**(2,706)**	20	**(4)**	6	**23**	180	**115**	–	**(19)**	(69)	**(2,591)**	137
Net (loss)/gain on other financial assets and liabilities	**(45,960)**	7,804	**–**	–	**–**	–	**–**	–	**–**	–	**(45,960)**	7,804
Plant and equipment written off	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(94)	**–**	(94)
Additions to non-current assets	**–**	9	**–**	–	**988**	–	**–**	–	**9,101**	4,700	**10,089**	4,709
Reportable segment assets	**86,512**	193,081	**12,343**	1,247	**174,256**	239,156	**213,172**	171,699	**–**	99,604	**486,283**	704,787
Reportable segment liabilities	**15,210**	5,559	**1,263**	3,341	**54,727**	8,717	**–**	–	**–**	92,721	**71,200**	110,338

Notes to the Financial Statements

For the year ended 31 December 2019

14. SEGMENT REPORTING ***(cont'd)***

(c) Reconciliations of reportable segment assets and liabilities

	2019 HK$'000	2018 HK$'000
Assets		
Reportable segment assets	**486,283**	704,787
Current tax recoverable	**491**	485
Consolidated total assets	**486,774**	705,272
Liabilities		
Reportable segment liabilities	**71,200**	110,338
Deferred tax liabilities	**15,852**	15,938
Provision for taxation	**568**	2,995
Consolidated total liabilities	**87,620**	129,271

(d) Geographical segments

The Group's investing activities and money lending and related business activities are mainly carried out in PRC and Hong Kong. Healthcare activities are carried out by subsidiaries based in PRC, Hong Kong and Korea. Hospitality continuing operations are carried out by the subsidiaries based in the United States of America.

In presenting information about the Group's revenue from continuing operations, segment revenue in relation to investment holding is based on the geographical location of investments and segment revenue in relation to healthcare and money lending and related business are based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Notes to the Financial Statements

For the year ended 31 December 2019

14. SEGMENT REPORTING *(cont'd)*

(e) Geographical information

2019	**Revenue HK$'000**	**Non-current assets HK$'000**
Hong Kong	**4,102**	23,753
United States of America	**66,166**	47
British Virgin Islands	**30,034**	–
PRC	**14,061**	6,106
Korea	**22,079**	153,800
	136,442	183,706

2018	Revenue HK$'000 (restated)	Non-current assets HK$'000 (restated)
Hong Kong	**218**	23,930
United States of America	**111,440**	67,025
British Virgin Islands	**27,499**	–
Cayman Islands	**–**	538
PRC	**1,035**	–
Singapore	**376**	74
Korea	**26,552**	230,625
Spain	**3,722**	2,006
	170,842	324,198

Major customer

Revenue from the largest customer of the Group's healthcare segment (2018: Group healthcare segment) amounted to HK$23,585,000 (2018: HK$26,552,000) represents approximately 17% (2018: 16%) of the Group's total revenue.

Notes to the Financial Statements

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Building HK$'000	Leased properties HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2018	5,103	36,121	–	31,786	704	73,714
Additions	70	391	–	1,949	–	2,410
Written off	–	–	–	(180)	–	(180)
Exchange adjustments	15	83	–	72	–	170
At 31 December 2018	5,188	36,595	–	33,627	704	76,114
Adjustments upon application of HKFRS 16	–	–	5,386	–	–	5,386
At 1 January 2019	5,188	36,595	5,386	33,627	704	81,500
Additions	–	–	–	579	835	1,414
Disposal (note 12)	(5,166)	(36,462)	–	(27,605)	–	(69,233)
Exchange adjustments	(22)	(133)	–	(88)	(152)	(395)
At 31 December 2019	–	–	5,386	6,513	1,387	13,286

Notes to the Financial Statements

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

	Freehold land HK$'000	Building HK$'000	Leased properties HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Depreciation and impairment						
At 1 January 2018	31	6,260	–	11,887	153	18,331
Charge for the year	–	996	–	2,866	141	4,003
Written off	–	–	–	(86)	–	(86)
Exchange adjustments	–	5	–	16	–	21
At 31 December 2018	31	7,261	–	14,683	294	22,269
Adjustments upon application of HKFRS 16	–	–	–	–	–	–
At 1 January 2019	31	7,261	–	14,683	294	22,269
Charge for the year	–	671	2,036	1,920	272	4,899
Disposal (note 12)	(31)	(7,923)	–	(10,505)	–	(18,459)
Exchange adjustments	–	(9)	–	(44)	(1)	(54)
At 31 December 2019	–	–	2,036	6,054	565	8,655
Net book value						
At 31 December 2018	5,157	29,334	–	18,944	410	53,845
At 31 December 2019	–	–	3,350	459	822	4,631

Freehold land is situated outside Hong Kong and is being held for own use.

As at 31 December 2019, property, plant and equipment of the Group with a carrying amount of HK$nil (2018: HK$35,551,000) were pledged as security to secure bank loans (note 29).

The Group as lessee (included in the property, plant and equipment)

	Leased properties HK$'000
As at 1 January 2019 (upon the application of HKFRS 16)	
Carrying amount	**5,386**
As at 31 December 2019	
Carrying amount	**3,350**
For the year ended 31 December 2019	
Depreciation charge	**2,036**

	2019 HK$'000
Total cash outflow for leases	**1,963**

For both years, the Group leases office premises for its operations. Lease contracts are entered into for fixed terms of 15 months to 5 years. Lease terms are negotiated on an individual basis and contained a wide range of different terms and conditions. In determining the lease terms 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.

Notes to the Financial Statements

For the year ended 31 December 2019

16. INTANGIBLE ASSETS

	Trademarks HK$'000	Franchise application HK$'000	Technology HK$'000	Customer relations HK$'000	Customer contracts HK$'000	Web development HK$'000	Web development in progress HK$'000	Total HK$'000
Cost								
At 1 January 2018	129,207	336	15,044	1,688	32,762	4,791	2,344	186,172
Reclassification	–	–	–	–	–	2,284	(2,284)	–
Additions	–	78	–	–	–	1,228	571	1,877
Exchange adjustments	244	1	28	3	(108)	12	3	183
At 31 December 2018	129,451	415	15,072	1,691	32,654	8,315	634	188,232
At 1 January 2019	129,451	415	15,072	1,691	32,654	8,315	634	188,232
Disposal (note 12)	(1,612)	(411)	(20,536)	(1,682)	(5,424)	(10,325)	(1,040)	(41,030)
Additions	–	–	6,211	–	–	2,059	405	8,675
Exchange adjustments	(700)	(4)	(747)	(9)	(251)	(49)	1	(1,759)
At 31 December 2019	**127,139**	**–**	**–**	**–**	**26,979**	**–**	**–**	**154,118**
Amortisation and impairment								
At 1 January 2018	5,887	117	12,449	1,227	1,961	3,220	–	24,861
Charge for the year	12,771	16	626	211	4,575	1,846	–	20,045
Exchange adjustments	24	–	25	3	612	9	–	673
At 31 December 2018	18,682	133	13,100	1,441	7,148	5,075	–	45,579
At 1 January 2019	18,682	133	13,100	1,441	7,148	5,075	–	45,579
Charge for the year	12,671	8	313	106	3,663	994	–	17,755
Disposal (note 12)	(795)	(140)	(13,348)	(1,539)	(3,682)	(6,039)	–	(25,543)
Exchange adjustments	(120)	(1)	(65)	(8)	(845)	(30)	–	(1,069)
At 31 December 2019	**30,438**	**–**	**–**	**–**	**6,284**	**–**	**–**	**36,722**
Net book value								
At 31 December 2018	110,769	282	1,972	250	25,506	3,240	634	142,653
At 31 December 2019	**96,701**	**–**	**–**	**–**	**20,695**	**–**	**–**	**117,396**

The amortisation charge for the Group's trademarks, technology, customer relations, customer contracts and web development and the Group's share of the joint operation's franchise application are included in "administrative expenses" in the consolidated statement of profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2019

17. GOODWILL

	HK$'000
Cost	
At 1 January 2018	96,547
Exchange adjustments	182
At 31 December 2018	96,729
Disposal (note 12)	(9,007)
Exchange adjustments	(502)
At 31 December 2019	**87,220**
Impairment	
At 1 January 2018	1,710
Exchange adjustments	3
At 31 December 2018	1,713
Disposal (note 12)	(1,713)
Impairment loss	(51,819)
At 31 December 2019	**(51,819)**
Carrying amount	
At 31 December 2018	95,016
At 31 December 2019	**35,401**

Impairment testing for CGU containing goodwill

For the purpose of impairment testing, goodwill is allocated to CGU as follows:

	2019 HK$'000	2018 HK$'000
Hotel reservation business	**–**	7,321
Healthcare business	**35,401**	87,695
	35,401	95,016

Recoverable amounts are determined by management based on the following:

The Group determined the recoverable amount of the healthcare business based on its value in use calculation. The value in use calculation is a discounted cash flow model using cash flows projections based on the licensing of DA trademark in markets identified covering a period of 10 years (2018: 10 years) using a discount rate of 13.6% (2018: 13.5%). The terminal value is calculated by applying a capitalisation rate of 10.6% (2018: 10.5%) on the pre-tax royalty income.

For the year ended 2019, the goodwill for hotel reservation system has decreased to HK$nil due to the disposal of hospitality segment (note 12).

There is no impairment loss recognised on the goodwill relating to the hotel reservation business and the healthcare business based on the above impairment testing undertaken by the management in 2018.

Notes to the Financial Statements

For the year ended 31 December 2019

18. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investment in associates	**13,669**	11,005
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(7,593)**	(2,696)
Share of exchange reserve	**46**	58
	6,122	8,367

Details of the Group's interests in the associates are as follows:

Name of associate/principal activities	Form of business structure	Place of incorporation and operation	Issued and paid up capital	Proportion of ownership interest and voting rights 2019 Group's effective interest %	2019 Held by subsidiary %	2018 Group's effective interest %	2018 Held by subsidiary %
S-R Burlington Partners, LLC (Provision of hospitality related services)	Incorporated	USA	US$2,970,281	**27**	**32**	27	32
Star Time Limited (Dormant)	Incorporated	Hong Kong	HK$18,180	**45**	**45**	45	45
TM Thai IVF Co., Ltd. (Dormant) (note (i))	Incorporated	Thailand	THB5,000,000	**–**	**–**	49	49
北京玖英特療科技有限公司 (Provision of healthcare business) (note (ii))	Incorporated	PRC	RMB12,500,000	**20**	**20**	20	20

All of the above associates are accounted for using the equity method in the consolidated financial statements. None of the associates are individually material to the Group. Aggregate information of the associates that are not individually material, is as follows:

	2019 HK$'000	2018 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**6,122**	8,367
Aggregate amounts of the Group's share of the results of those associates:		
Loss from continuing operations	**(4,897)**	(2,346)

Notes:

i. In 2018, the Group acquired 49% interests in TM Thai IVF Co., Ltd at a cash consideration of THB2,450,000. On 3 July 2019, TM Thai IVF CO., Ltd is dissolved and the investment in TM Thai IVF CO., Ltd is accordingly written off.

ii. In 2018, the Group acquired 20% interests in 北京玖英特療科技有限公司 at a cash consideration of RMB6,000,000, RMB3,000,000 was paid in 2018 and RMB3,000,000 was paid in 2019.

Notes to the Financial Statements

For the year ended 31 December 2019

19. INTEREST IN A JOINT OPERATION

	2019 **HK$'000**	2018 HK$'000
Line-by-line interest in net assets of joint operation that are combined into the consolidated financial statements, including line-by-line interest in goodwill as below	–	9,427

Details of the Group's net interest in the joint operation, which is accounted for in the consolidated financial statements using the accounting policy in note 3, are as follows:

			Proportion of ownership interest			
			2019		2018	
Name of joint operation/ Principal activities	**Form of business structure**	**Place of operation**	**Group's effective interest %**	**Held by subsidiary %**	Group's effective interest %	Held by subsidiary %
Sheraton Chapel Hill Hotel (Provision of hospitality related services)	Tenant-in-common agreement	USA	**43**	**50**	43	50

The Group, through an indirect subsidiary, SWAN Carolina Investor, LLC ("SCI"), entered into a tenant-in-common agreement with Whiteboard Investments, LLC ("WBL"), to own an equal 50% tenant-in-common interest in Sheraton Chapel Hill Hotel (the"Property") for the purpose of owning and operating the hotel and as an investment.

The table below summarised the Group's line-by-line interest in the results, assets and liabilities of the joint operation that had been combined into the consolidated statement of financial position and consolidated statement of profit or loss.

	2019 **HK$'000**	2018 HK$'000
Non-current assets	–	35,833
Current assets	–	8,425
Non-current liabilities	–	(29,896)
Current liabilities	–	(4,935)
Net assets	–	9,427

	Period ended 2/8/2019	Year ended 31/12/2018
Revenue	**9,639**	20,774
Expenses	**(14,766)**	(22,939)
Loss for the year	**(5,127)**	(2,165)

During the year ended 31 December 2019, the Property has been disposed (note 12) on 2 August 2019. The management of the Group expects no future cash flows would be generated from the joint operation and has written off the remaining net assets of the joint operation.

Notes to the Financial Statements

For the year ended 31 December 2019

20. OTHER FINANCIAL ASSETS

	Notes	**2019 HK$'000**	2018 HK$'000
Financial assets designated at FVOCI (non-recycling)			
– Unquoted investment	(i)	–	538
Financial assets measured at FVTPL			
– Dividend right forgone by non-controlling shareholders	(ii)	–	7,813
		–	8,351

Note:

(i) Reconciliation of movements in unquoted investment

	HK$'000
At 1 January 2018	18,321
Adjustment upon application of HKFRS 9 – Fair value gain	29,029
Fair value loss	(3,027)
Return of capital	(43,800)
Translation differences	15
At 31 December 2018	538
Return of capital	(525)
Translation differences	(13)
At 31 December 2019	–

The details of the unquoted investment held by the Group is as follows:

	2019 Percentage contribution %	2018 Percentage contribution %
BEA Blue Sky Real Estate Fund LP (the "Fund")	–	49.5

The Fund is a closed-ended private equity fund structured as a Cayman Islands exempted limited partnership, organised for the sole purpose of subscribing for a limited partnership interest in a China Fund. The China Fund is a real estate private equity fund established for the purpose of making investments in real estate assets and real estate-related assets in PRC.

The Fund has been liquidated during the year ended 31 December 2019. Upon disposal of the Fund, the net gain of HK$26,002,000 accumulated in fair value reserve is transferred directly to retained earnings.

(ii) The dividend right forgone by non-controlling shareholders arose from the acquisition of a subsidiary in 2017, for which the non-controlling shareholders have forgone the expected entitled dividends from the fiscal years 2017 to 2019.

Notes to the Financial Statements

For the year ended 31 December 2019

21. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Trade receivables (note (i))	**17,872**	28,903
Interest receivables (note (i))	**27,114**	15,091
Less: Allowance for expected credit loss	**(1,169)**	(62)
	43,817	43,932
Due from an associate	**–**	1,254
Other receivables and deposits	**22,090**	19,074
Less: Allowance for expected credit loss	**(6,551)**	–
	59,356	64,260
Prepayments (note (ii))	**31,345**	28,382
Trade and other receivables	**90,701**	92,642
Non-current	**20,156**	23,779
Current	**70,545**	68,863
	90,701	92,642

(i) Ageing analysis

Trade receivables are due within 30 days from the date of invoice. Further details on the Group's credit policy and credit risk arising from trade receivables is set out in note 38.

As of the end of the reporting period, the ageing analysis of trade receivables and interest receivables (net of allowance for credit loss) based on invoice date is as follows:

	2019	2018
	HK$'000	HK$'000
Less than 1 month	**25,611**	15,948
1 to 3 months	**6,173**	16,864
3 to 12 months	**12,033**	11,120
	43,817	43,932

HK$3,872,000 (2018: HK$4,065,000) of trade receivables represents an amount due from a business venture in which a non-controlling shareholder of a subsidiary of the Group is the sole owner.

(ii) Prepayments

Prepayments consist mainly of professional fees of HK$21.7 million (2018: HK$24.9 million) paid in advance to business consultants who provide advisory services on the businesses of the Group.

Details of impairment assessment of trade and other receivables are set out in note 38(a).

Notes to the Financial Statements

For the year ended 31 December 2019

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Financial assets mandatorily measured at FVTPL		
– Equity securities listed outside Hong Kong	**325**	296
Financial assets designated at FVTPL		
– Unquoted investment	**12,222**	16,434
	12,547	16,730

23. LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loan to third parties	**254,482**	171,699
Less: Allowance for expected credit loss	**(68,468)**	–
	186,014	171,699

One of the loans to third parties of approximately HK$101.2 million (2018: approximately HK$101.8 million) which is secured by a pledge of properties owned by two individuals who have also extended personal guarantees in favour of the borrower. On 12 February 2020, the aforesaid outstanding amount has fallen due. However, the borrower informed the Company that it was unable to repay the said principal amount and the accrued interest at the repayment date, which constituted a default in repayment of the principal amount and accrued interest. On 5 March 2020, the borrower, through its PRC agent, paid a sum of RMB16,000,000 (equivalent to approximately HK$17,800,000) to a wholly-owned subsidiary of the Company incorporated in the PRC as partial repayment ("Repayment 1"). On 6 March 2020, one of the personal guarantor ("1st Guarantor") paid a sum of HK$33,000,000 to the Company as partial repayment ("Repayment 2"). Taking into account of Repayment 2 is not lower than the estimated market value of 1st Guarantor's residential property in Hong Kong as secured under the second legal charge, on 15 March 2020, instead of exercising the second legal charge, the Company entered into a deed of partial release to release the second legal charge over the residential property in Hong Kong charged by the 1st Guarantor under the second legal charge in favour of the Company. The remaining amount after the settlement of Repayment 1 and Repayment 2 is classified as expected credit losses. Another loan of approximately HK$60.5 million (2018: approximately HK$60.8 million) which is secured by personal guarantee from a shareholder of a borrower.

The loans bear interest at rates ranging from 10% to 18.5% (2018: 10% to 12%) per annum, and are repayable within one year.

24. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 December 2019

25. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2019 HK$'000	2018 HK$'000
Deposits with banks	**9,205**	51,175
Cash at bank and on hand	**13,223**	63,171
Cash and cash equivalents in the consolidated statement of financial position	**22,428**	114,346
Less: Cash pledged for interest-bearing borrowings (note 29)	**–**	(3,061)
Cash and cash equivalents in the consolidated statement of cash flows	**22,428**	111,285

The weighted average effective interest rates per annum relating to cash and cash equivalents at the end of the reporting period for the Group is 2.06% (2018: 1.326%). Interest rates re-price within twelve months.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	Interest payable (included in trade and other payables) HK$'000	**Interest-bearing borrowings HK$'000** (note 29)	**Loans from non-controlling interests HK$'000** (note 30)	**Total HK$'000**
At 1 January 2018	44	29,868	42,787	72,699
Changes from financing cash flows:				
Increase in loans from non-controlling interests	–	–	11,927	11,927
Repayment of interest-bearing borrowings	–	(1,298)	–	(1,298)
Interest paid	(1,327)	–	–	(1,327)
Total changes from financing cash flows	(1,327)	(1,298)	11,927	9,302
Exchange adjustments	–	431	94	525
Other changes:				
Interest expenses on borrowings	1,283	–	–	1,283
Capitalisation of loan from non-controlling interest (note 30)	–	–	(20,907)	(20,907)
At 31 December 2018	–	29,001	33,901	62,902

Notes to the Financial Statements

For the year ended 31 December 2019

25. CASH AND CASH EQUIVALENTS *(cont'd)*

(b) Reconciliation of liabilities arising from financing activities (cont'd)

	Interest payable on lease liabilities HK$'000	Lease liabilities HK$'000	Interest payable HK$'000	Interest-bearing borrowings HK$'000 (note 29)	Loans from non-controlling interests HK$'000 (note 30)	Total HK$'000
At 1 January 2019	–	–	–	29,001	33,901	62,902
Adjustment upon application of HKFRS 16	–	5,386	–	–	–	5,386
Changes from financing cash flows:						
Increase in loans from non-controlling interests	–	–	–	–	10,368	10,368
Repayment of interest-bearing borrowings	–	–	(843)	(28,844)	–	(29,687)
Payment for lease liabilities	(189)	(1,963)	–	–	–	(2,152)
Total changes from financing cash flows	(189)	(1,963)	(843)	(28,844)	10,368	(21,471)
Exchange adjustments	–	–	–	(157)	(184)	(341)
Other Changes:						
Interest expenses on borrowings	–	–	843	–	–	843
Interest expenses on lease liabilities	189	–	–	–	–	189
Disposal (note 12)	–	–	–	–	(44,085)	(44,085)
At 31 December 2019	–	3,423	–	–	–	3,423

26. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**–**	9,576
Other payables and accrued charges (note (iv))	**13,659**	20,733
	13,659	30,309
Deferred income (note (ii))	**–**	5,003
	13,659	35,312

(i) All of the trade and other payables are expected to be settled within one year.

(ii) Deferred income relates to revenue billed but performance obligations have not been satisfied.

Notes to the Financial Statements

For the year ended 31 December 2019

26. TRADE AND OTHER PAYABLES *(cont'd)*

(iii) Trade and other payables, excluding deferred income, have the following ageing analysis based on due date:

	2019	2018
	HK$'000	HK$'000
Due within 1 month or on demand	**–**	5,497
Due 1 to 3 months	**–**	3,786
Due 3 to 12 months	**–**	293
	–	9,576

(iv) Other payables and accrued charges included amounts due to a former director, Mr. Jiang Yulin of HK$7,000,000 (2018:HK$74,000), who tendered his resignation on 16 March 2020.

27. LEASE LIABILITIES

	2019
	HK$'000
Leased liabilities payable:	
Within one year	**2,049**
Within a period of more than one year but not more than two years	**1,374**
Within a period of more than two years but not more than five years	**–**
Less: Amount due from settlement within 12 months shown under current liabilities	**2,049**
Amount due for settlement after 12 months shown under non-current liabilities	**1,374**

28. DEFERRED CONSIDERATION

The deferred consideration pertains to the variable consideration payable to the vendor of Cross-Tinental S.L., a wholly owned subsidiary of SHR, on 17 August 2017. The variable consideration is dependent on the level of revenue to be generated from the existing customers at the date of acquisition for the next 2 years from the date of acquisition.

For the year ended 2019, Cross-Tinental S.L. has been disposed with SHR (note 12), the obligation to the deferred consideration has also been transferred to the Purchaser.

Notes to the Financial Statements

For the year ended 31 December 2019

29. INTEREST-BEARING BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans – secured	–	29,001
Repayable:		
– Within 1 year	–	960
– After 1 year but within 2 years	–	995
– After 2 years but within 5 years	–	27,046
– After 5 years	–	–
	–	28,041
	–	29,001

All of the non-current interest-bearing borrowings are carried at amortised cost.

Security

The Group's term loan as at 31 December 2018 is secured by:

- a first priority mortgage of Sheraton Chapel Hill Hotel, its improvements, equipment and fixtures with a carrying amount of HK$35.6 million as at 31 December 2018 (note 15);
- assignments of all rights and benefits to sale, lease agreements, trademarks and insurance proceeds in respect of Sheraton Chapel Hill Hotel;
- pledge of monies held in specific bank accounts of HK$3.1 million as at 31 December 2018 (note 25); and
- guarantee by Richfield Hospitality, Inc ("RHI"), an indirect subsidiary of the Group.

Notes to the Financial Statements

For the year ended 31 December 2019

29. INTEREST-BEARING BORROWINGS *(cont'd)*

Covenant

As at 31 December 2018, the Group's banking facilities are subjected to the fulfilment of covenants relating to the Group's certain financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 38(b). As at 31 December 2018, there was no breach of covenants that are significant to the Group's operations that will result in the lenders demanding for the immediate repayment of the term loan.

Non-recourse Carveout Guarantees

As at 31 December 2018, RHI and SWAN USA, Inc (the "Guarantors"), both being indirect subsidiaries of the Group, are guarantors for certain indebtedness relating to the Group's joint operation, joint venture and associate, as below:

a. RHI is a guarantor of indebtedness of the term loan entered into by Swan Carolina Investor, LLC and SFI Carolina TIC SPE, LLC for Sheraton Chapel Hill Hotel. The term guarantee expires on 6 May 2023.

The above indebtedness are non-recourse in nature and the Group's liabilities are limited to the collaterals on which the individual loans are secured. The guarantees entered into by the Guarantors provide the lender with recourse for any losses and expenses arising from specific acts such as fraud, misappropriation of rents and intentional damages ("covenants"). The obligations of the Guarantors are to the extent which the collaterals are insufficient to meet the lender's losses and expenses. These guarantees do not impose liability on the Guarantors for any other event such as the non-payment of loan by the borrower. The maximum potential liability of the Group under the guarantees as at 31 December 2018 is HK$29.0 million.

The management is of the view that the possibility of violating the above covenants and triggering any cash outflow within the scope of the above guarantees is remote. In addition, the above indebtedness are non-recourse in nature and the carrying amount of the individual collateral is in excess of the outstanding loan amount.

On 1 August 2019, Swan Carolina Investor, LLC, an indirect subsidiary of the Company, and Whiteboard Investments, LLC, the joint operation partner of the joint operation, Sheraton Chapel Hill Hotel (collectively, the "Original Borrowers") entered into the Defeasance assignment, Assumption and Release agreement with (i) SB DFZ COMM 2013-CR8 Holdings, LLC, as successor borrower, (ii) U.S. Bank National Association, as trustee under the Pooling and Servicing Agreement dated as of 1 June 2013, for certificate holders of COMM 2013-CCRE8 Mortgage Trust Commercial Mortgage Pass-Through Certificates (the "Lender"), (iii) Midland Loan Services, a division of PNC Bank, National Association, as master servicer and (iv) Wilmington Trust Company, as security intermediary and custodian, pursuant to which the Original Borrowers have directed the Lender to release the mortgaged property and any other collateral or security given by the Original Borrowers as security upon Original Borrower's defeasance of the Group's term loan. The Original Borrowers have granted to the Lender, a security interest in the securities and the proceeds thereof to secure the payment and performance in full when due of all outstanding loan amount. Therefore, all obligations of the Original Borrowers and Guarantors were released.

Notes to the Financial Statements

For the year ended 31 December 2019

30. LOANS FROM NON-CONTROLLING INTERESTS

The loans from non-controlling interests are unsecured and interest-free. The loans for non-controlling interests are related to the Discontinued Operations as set out in note 12.

31. OBLIGATIONS IN EXCESS OF EARNINGS FROM EQUITY-METHOD ACCOUNTED JOINT VENTURE

	2019	2018
	HK$'000	HK$'000
Obligations in excess of earnings	**227**	227

Details of the Group's net interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
				2019		2018	
Name of joint venture/ Principal activities	**Form of business structure**	**Place of incorporation and operation**	**Issued and paid up capital US$**	**Group's effective interest %**	**Held by subsidiary %**	Group's effective interest %	Held by subsidiary %
RSF Syracuse Partners, LLC (Provision of hospitality related services)	Incorporated	USA	6,911,000	**43**	**50**	43	50

Summarised financial information of RSF Syracuse Partners, LLC and reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2019	2018
	HK$'000	HK$'000
Current assets	**70**	70
Current liabilities	**(523)**	(523)
Equity	**(453)**	(453)
Revenue	**–**	–
Loss for the year	**–**	–
Reconciled to the Group's interest in RSF Syracuse Partners, LLC		
Gross amounts of net liabilities	**453**	453
Group's interest	**50%**	50%
Group's share of net liabilities, representing the carrying amount in the consolidated financial statements	**227**	227

Notes to the Financial Statements

For the year ended 31 December 2019

32. DEFERRED TAX LIABILITIES

(a) *Deferred tax liabilities recognised*

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Intangible assets HK$'000
Deferred tax arising from:	
At 1 January 2018	(15,908)
Exchange adjustments	(30)
At 31 December 2018	(15,938)
At 1 January 2019	**(15,938)**
Exchange adjustments	**86**
At 31 December 2019	**(15,852)**

(b) *Deferred tax assets not recognised*

The following temporary differences have not been recognised:

Deferred tax assets have not been recognised in respect of unutilised tax losses and other temporary differences because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

Tax losses amounting to HK$nil (2018: HK$12.6 million) have expiry dates between 1 to 5 years. Tax losses amounting to HK$72.3 million (2018: HK$86.7 million) have expiry dates of more than 5 years. The earliest expiry date is on 31 December 2030 and the latest expiry date is on 31 December 2037. The remaining tax losses amounting to HK$31.8 million (2018: HK$73.6 million) do not expire under the tax legislations of the respective jurisdiction.

33. OTHER FINANCIAL LIABILITIES

Other financial liabilities relate to the put and call option arising from the acquisition of a subsidiary in 2017.This liability arises when there are contractual obligations enabling (i) the Company to require non-controlling shareholders to sell their shares to the Company and (ii) non controlling shareholders to put their shares back to the Company, at an agreed price.

Notes to the Financial Statements

For the year ended 31 December 2019

34. CAPITAL AND RESERVES

(a) Share capital

(i) Authorised and issued share capital

	The Company			
	2019		2018	
	No. of shares ('000)	**HK$'000**	No. of shares ('000)	HK$'000
Authorised:				
Ordinary shares of HK$1 each	**2,720,615**	**2,720,615**	2,720,615	2,720,615
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**398,980**	**398,980**	398,980	398,980

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Purchase of own shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2019 and 31 December 2018.

(b) Nature and purpose of reserves

The reserves of the Group and the Company comprise the following balances:

	Group		Company	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share premium	**20,663**	20,663	**20,663**	20,663
Capital redemption reserve	**676**	676	**676**	676
Fair value reserve (non-recycling)	**–**	26,002	**–**	–
Exchange reserve	**(1,097)**	352	**–**	–
(Accumulated losses)/retained earnings	**(104,926)**	39,275	**(108,189)**	130,291
	(84,684)	86,968	**(86,850)**	151,630

Notes to the Financial Statements

For the year ended 31 December 2019

34. CAPITAL AND RESERVES *(cont'd)*

(b) Nature and purpose of reserves (cont'd)

(i) Share premium

Share premium reserves represents the difference between the par value and the fair value of the issued shares.

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which have been paid out of the distributable reserves of the Company.

(iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 20).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met. The reserve is dealt with in accordance with the accounting policy set out in note 3.

(c) Distributability of reserves

At 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$nil (2018: HK$130,291,000).

Notes to the Financial Statements

For the year ended 31 December 2019

34. CAPITAL AND RESERVES *(cont'd)*

(d) Share award scheme

On 9 December 2016, the Company adopted a share award scheme (the "Share Award Scheme"), pursuant to which the Board may propose or determine the grant of the Company's shares (the "Award Shares") to any Directors, employees or third party service providers of the Group (the "Beneficiary" or "Beneficiaries") as incentives and rewards so as (i) to provide the Beneficiaries with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain the Beneficiaries to work with the Group; and (iii) to provide additional incentive for the Beneficiaries to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Beneficiaries directly to the shareholders of the Company through ownership of shares subject to such conditions as the Board may deem appropriate at its discretion.

Determination of proposed Beneficiaries

The grant of Award Shares under the Share Award Scheme to any eligible person will be proposed by the Remuneration Committee and approved by the Board. The Board shall:

(i) consider whether to accept the proposal from the Remuneration Committee (with or without amendments); and

(ii) if the proposal is accepted (with or without amendments), select from among the proposed eligible person those persons who will be entitled to receive Award Shares under the Share Award Scheme and determine the number of Award Shares that each proposed Beneficiary will be entitled to be granted.

The selection of proposed Beneficiaries and determination of the number of Award Shares to which each proposed Beneficiary will be entitled will be made pursuant to a resolution of the Remuneration Committee.

Grant of Award Shares

The Company will notify each relevant proposed Beneficiary of his entitlement to Award Shares by way of a notice of award. The notice of award will specify the terms and conditions of the award and the Share Award Scheme such as the number of Award Shares entitled, the vesting criteria and conditions, the vesting date and such other details as the Board may consider necessary.

Each grant of Award Shares under the Share Award Scheme to any connected person shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed Beneficiary). If any proposed grant of Award Shares to any connected person in relation to the Company or any of its subsidiaries under the Share Award Scheme would result in the total number of Award Shares being issued to such connected person during the 12-month period immediately preceding the date of such proposed grant exceeding 1% of the total issued share capital of the Company as at the date of such proposed grant, then such proposed grant must be approved by the shareholders of the Company in a general meeting at which such connected person and his associates shall abstain from voting. The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant and issue of shares to connected persons of the Company.

Notes to the Financial Statements

For the year ended 31 December 2019

34. CAPITAL AND RESERVES *(cont'd)*

(d) Share award scheme (cont'd)

Maximum number of Award Share Grants

The aggregate number of Award Shares, whether they are new shares to be allotted and issued by the Company or existing shares to be purchased on-market by the Trustee, underlying all grants made pursuant to the Share Award Scheme shall not exceed in total 10% of the Company's issued share capital as at the adoption date.

Rights attached to the Award Shares

Any Award Shares transferred to a Beneficiary pursuant to the Share Award Scheme will be subject to all the provisions of the Articles and will form a single class with the fully paid shares in issue on the relevant date.

Shares awarded

The Board has resolved to award an aggregate of 37,862,500 shares to Mr. Jiang Yulin ("Mr Jiang"), the former Chairman of the Board and a former Executive Director, on 9 December 2016. The issue and allotment of new shares to Mr. Jiang has been approved by the shareholders of the Company at its extraordinary general meeting ("EGM") on 29 March 2018.

The shares will be issued and allotted by the Company to Mr. Jiang by six batches (subject to fulfilment of the vesting conditions):

Batch	Date	Number of shares to be vested
1	30 September 2018	3,786,250
2	31 March 2019	3,786,250
3	31 March 2020	7,572,500
4	31 March 2021	7,572,500
5	31 March 2022	7,572,500
6	31 March 2023	7,572,500

Notes to the Financial Statements

For the year ended 31 December 2019

34. CAPITAL AND RESERVES *(cont'd)*

(d) Share award scheme (cont'd)

Vesting conditions

(i) the approval by the independent shareholders at the EGM in respect of the issue and allotment of the Connected Award Shares pursuant to the specific mandate obtained at the EGM;

(ii) the granting of the listing and dealing approval by the Hong Kong Stock Exchange in respect of the Connected Award Shares; and

(iii) the achievement of (i) a growth rate of not less than 10% on the average closing market capitalisation of the Company (the "Average Market Capitalisation") throughout the first half of year 2018 based on the 30 days average closing market capitalisation of the Company immediately preceding the date of adoption of the Share Award Scheme (the "Benchmark Market Capitalisation"); (ii) a growth rate of not less than 15% on the average closing market capitalisation of the Company throughout the second half of year 2018 based on the Benchmark Market Capitalisation; and (iii) expected return on equity (the "Expected ROE") by the Company in each of the second to fifth year as recommended by the Remuneration Committee and approved by the Board from time to time, taking into account the economic environment and other appropriate factors as it thinks fit. The Remuneration Committee may also make recommendations on any adjustments for the forthcoming year for the Board's approval, taking into account the above factors. In any event, the Expected ROE will not be less than 12% (the "Minimum Expected ROE").

In determining whether the growth rate of the average closing market capitalisation of the Company (the "Average Cap. Growth") is met, the Company will calculate the Average Cap. Growth for each of the first half and second half of year 2018 based on the following formula:

For the first half of year 2018:

$$\text{Increase in market capitalisation of the Company} = \frac{\text{Average Market Capitalisation}}{\text{Benchmark Market Capitalisation}} - 1 \times 100\%$$

Where,

(a) Average Market Capitalisation shall be calculated by dividing the sum of market capitalisation of the Company for the period commencing on 1 January 2018 and ending on 30 June 2018 (both dates inclusive) (the "2018 First Six-Month Period") over the total number of trading days for that period; and

(b) Benchmark Market Capitalisation shall be calculated by the sum of market capitalisation of the Company for the thirty (30) trading days immediately prior to the date on which the Share Award Scheme is adopted by the Board over the total number of trading days for that period.

As the increase in market capitalisation of the Company is less than 10% for the 2018 First Six-Month Period, the first batch of the Connected Award Shares was not vested.

Notes to the Financial Statements

For the year ended 31 December 2019

34. CAPITAL AND RESERVES *(cont'd)*

(d) Share award scheme (cont'd)

For the second half of year 2018:

$$\text{Increase in market capitalisation of the Company} = \frac{\text{Average Market Capitalisation}}{\text{Benchmark Market Capitalisation}} - 1 \times 100\%$$

Where,

(a) Average Market Capitalisation shall be calculated by dividing the sum of market capitalisation of the Company for the period commencing on 1 July 2018 and ending on 31 December 2018 (both dates inclusive) (the "2019 Second Six-Month Period") over the total number of trading days for that period; and

(b) Benchmark Market Capitalisation shall be calculated by the sum of market capitalisation of the Company for the thirty (30) trading days immediately prior to the date on which the Share Award Scheme is adopted by the Board over the total number of trading days for that period.

The second batch of the Connected Award Shares with the vesting date on 31 March 2019 shall vest if the increase in market capitalisation of the Company for the 2018 Second Six-Month Period is not less than 15%.

As the increase in market capitalisation of the Company is less than 15% for the Second Six-Month Period, the second batch of the Connected Award Shares was not vested.

In determining whether the Expected ROE is met, the Company will calculate the ROE of each year based on the following formula:

$$\text{Expected ROE} = \frac{\text{Net Income}}{\text{Shareholders' Equity}}$$

Where,

(a) Net Income shall be the net profit before taxation, interest, amortisation and extraordinary item(s) of non-recurring in nature as shown in the latest published audited consolidated financial results of the Group before the relevant vesting date; and

(b) Shareholders' Equity shall be the total equity attributable to equity shareholders of the Company as shown in the audited consolidated financial results of the Group published in the year preceding the relevant vesting date.

The remaining batches of the Connected Award Shares with the vesting dates on 31 March 2020, 2021, 2022 and 2023 respectively shall vest if the ROE for the respective year is not less than 12%.

Any change in the above vesting conditions (including the Minimum Expected ROE) will be subject to the approval by the Independent Shareholders.

On 16 March 2020, Mr. Jiang has resigned as Chairman of the Board and Executive Director of the Company, all outstanding shares of 30,290,000 shares are not awarded and are waived accordingly and no share was vested with Mr. Jiang for the year ended 31 December 2019.

Notes to the Financial Statements

For the year ended 31 December 2019

34. CAPITAL AND RESERVES *(cont'd)*

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. It is the Group's strategy to keep the adjusted net debt-to-capital ratio as low as feasible. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

35. NON-CONTROLLING INTERESTS

The following subsidiaries have non-controlling interests ("NCI") that are material to the Group:

Name	**Principal place of business**	**Operating Segment**	**Ownership interest held by NCI**	
			2019	2018
SWAN subgroup*	United States of America	Hospitality	**15%**	15%
PRIP subgroup**	Hong Kong	Healthcare	**49%**	49%

* SWAN subgroup consists of SWAN Holdings Limited, its subsidiaries, joint arrangements and associates (collectively known as "SWAN").

** PRIP subgroup consists of PRIP Communications Limited and its wholly-owned subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2019

35. NON-CONTROLLING INTERESTS *(cont'd)*

The summarised financial information for the above subsidiaries are prepared in accordance with HKFRS, modified for fair value adjustments on acquisition and before any inter-company elimination.

	SWAN HK$'000	PRIP HK$'000	Total HK$'000
2019			
Current assets	**5,513**	**24,452**	**29,965**
Non-current assets	**146,474**	**120,465**	**266,939**
Current liabilities	**(1,033)**	**(1,238)**	**(2,271)**
Non-current liabilities	**(226)**	**(15,852)**	**(16,078)**
Net assets	**150,728**	**127,827**	**278,555**
NCI of subsidiaries	**–**	**–**	**–**
Net assets attributable to equity shareholders	**150,728**	**127,827**	**278,555**
Net assets attributable to NCI	**22,223**	**62,635**	
Add: NCI of subsidiaries (as above)	**–**	**–**	
Total net assets attributable to NCI	**22,223**	**62,635**	**84,858**
Revenue	**66,166**	**33,067**	
Profit for the year attributable to equity shareholders	**10,405**	**7,165**	
Profit for the year attributable to NCI	**1,561**	**3,511**	
Loss attributable to NCI of subsidiaries	**(1,116)**	**–**	
Total profit for the year attributable to NCI	**445**	**3,511**	**3,956**
Cash flows (used in)/operating activities	**(22,998)**	**(6,301)**	**29,410**
Cash flows generated from/(used in) investing activities	**48,298**	**(747)**	**47,679**
Cash flows (used in)/generated from financing activities	**(19,072)**	**4,323**	**24,092**

Notes to the Financial Statements

For the year ended 31 December 2019

35. NON-CONTROLLING INTERESTS *(cont'd)*

	SWAN HK$'000	PRIP HK$'000	Total HK$'000
2018			
Current assets	86,212	18,259	
Non-current assets	157,305	135,755	
Current liabilities	(28,422)	(1,120)	
Non-current liabilities	(74,906)	(15,938)	
Net assets	140,189	136,956	
NCI of subsidiaries	(2,255)	–	
Net assets attributable to equity shareholders	137,934	136,956	
Net assets attributable to NCI	20,690	67,108	
Add: NCI of subsidiaries (as above)	2,255	–	
Total net assets attributable to NCI	22,945	67,108	90,053
Revenue	115,538	26,552	
(Loss)/profit for the year attributable to equity shareholders	(25,842)	4,041	
(Loss)/profit for the year attributable to NCI	(3,876)	1,980	
Loss attributable to NCI of subsidiaries	(10,529)	–	
Total (loss)/profit for the year attributable to NCI	(14,405)	1,980	(12,425)
Cash flows generated from operating activities	3,811	8,005	11,816
Cash flows used in investing activities	(761)	–	(761)
Cash flows used in financing activities	(9,188)	(8,827)	(18,015)

Notes to the Financial Statements

For the year ended 31 December 2019

36. PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of Ownership Interest					
			2019			2018		
Company name/Principal activities	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest %**	**Held by Company %**	**Held by Subsidiary %**	Group's effective interest %	Held by Company %	Held by Subsidiary %
CES Capital Limited (Investment holding)	British Virgin Islands	1 share of US$1 each	**100**	**100**	**–**	100	100	–
SWAN Holdings Limited (Investment holding)	Bermuda	33,345,333 shares of US$1 each	**85**	**85**	**–**	85	85	–
SWAN USA, Inc. (Investment holding)	United States of America	100 common stocks of US$0.01 each	**85**	**–**	**100**	85	–	100
Richfield Hospitality Inc. (Investment holding and provision of hospitality related services)	United States of America	100 common stocks of US$1,000.01 each	**85**	**–**	**100**	85	–	100
Sceptre Hospitality Resources, LLC.* (Provision of hotel reservation services)	United States of America	100 common stocks of US$0.01 each	**–**	**–**	**–**	43	–	51
Cross-Tinental S.L.* (Provision of reservation services)	Barcelona	30,000 shares of EUR1 each	**–**	**–**	**–**	43	–	100
PRIP Communications Limited (Provision of healthcare related services)	Hong Kong	1,333,172 shares	**51**	**51**	**–**	51	51	–
DIAM Holdings Co., Ltd. (Provision of healthcare related services)	Korea	40,000 shares of KRW5,000 each	**51**	**–**	**100**	51	–	100
Delightful Aesthetics Investment Limited (Investment holding and provision of money lending and related business)	Hong Kong	10,000 shares	**100**	**100**	**–**	100	100	–
珠海橫琴天醫醫療管理有限公司 (Provision of healthcare related services)	PRC	RMB6,429,490	**100**	**–**	**100**	100	–	100

* The companies were disposed during the year ended 31 December 2019.

Notes to the Financial Statements

For the year ended 31 December 2019

37. FINANCIAL INSTRUMENTS BY CATEGORY

An analysis of the Group's financial instruments is set out below:

	Notes	Amortised cost HK$'000	Financial assets at FVTPL HK$'000	Financial assets at FVOCI HK$'000	Liabilities at amortised cost HK$'000	Financial liabilities at FVTPL HK$'000
2019						
Assets						
Trade and other receivables, excluding prepayments	21	**59,356**	**–**	**–**	**–**	**–**
Financial assets at FVTPL	22	**–**	**12,547**	**–**	**–**	**–**
Loan receivables	23	**186,014**	**–**	**–**	**–**	**–**
Amounts due from fellow subsidiaries	24	**11,043**	**–**	**–**	**–**	**–**
Cash and cash equivalents	25	**22,428**	**–**	**–**	**–**	**–**
		278,841	**12,547**	**–**	**–**	**–**
Liabilities						
Trade and other payables	26	**–**	**–**	**–**	**13,659**	**–**
Lease liabilities	27	**–**	**–**	**–**	**3,423**	**–**
Other financial liabilities	33	**–**	**–**	**–**	**–**	**53,891**
		–	**–**	**–**	**17,082**	**53,891**

	Notes	Amortised cost HK$'000	Financial assets at FVTPL HK$'000	Financial assets at FVOCI HK$'000	Liabilities at amortised cost HK$'000	Financial liabilities at FVTPL HK$'000
2018						
Assets						
Other financial assets	20	–	7,813	538	–	–
Trade and other receivables, excluding prepayments	21	64,260	–	–	–	–
Financial assets at FVTPL	22	–	16,730	–	–	–
Loan receivables	23	171,699	–	–	–	–
Amounts due from fellow subsidiaries	24	1,138	–	–	–	–
Cash and cash equivalents	25	114,346	–	–	–	–
		351,443	24,543	538	–	–
Liabilities						
Trade and other payables, excluding deferred income	26	–	–	–	30,309	–
Deferred consideration	28	–	–	–	–	1,728
Interest-bearing borrowings	29	–	–	–	29,001	–
Loans from non-controlling interests	30	–	–	–	33,901	–
Other financial liabilities	33	–	–	–	–	8,272
		–	–	–	93,211	10,000

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables (including loan receivables). Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. For loan receivables, the management has also assessed whether the borrowers have satisfactory credit quality with reference to financial background, current creditworthiness, collateral and past payment of each borrower.

Trade receivables and loan receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 11% (2018: 9%) and 58% (2018: 42%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively, within the hospitality business, healthcare business and money lending and related business segments.

At the reporting date, the Group has significant concentration of credit risk on its loan receivables from eight (2018: three) borrowers arising from its money lending and related business segment. Except for these receivables, there was no significant concentration of credit risk.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 1 month from the date of invoice. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(a) Credit risk (cont'd)

Trade receivables and loan receivables (cont'd)

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

	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	269,405	68,513
1 to 3 months past due	8,943	–
3 to 12 months past due	21,120	1,124
	299,468	69,637

In determining the ECL of the Group's loan and interest receivables, the management assessed the expected losses individually by estimation based on general economic conditions of the relevant industry in which the debtors operate, value of any pledged assets, financial position of the debtors and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

HK$113,578,000 relates to a loan and related interest receivable which is secured by pledge of properties, as at reporting date, HK$50,800,000 of the respective loan has been received. In the opinion of the management, the risk of default of the counter party of the respective loan receivables is significant and accordingly, the remaining portion of the loan receivable is credit-impaired.

The Group has recognised allowance for ECLs for the other loan and interest receivables based on 12 month ECL and impairment of HK$5,736,000 is recognised during the year.

Other receivables and prepayments

For other receivables and prepayments, the directors of the Company make periodic individual assessment on the recoverability of other receivables and prepayments based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 month ECL and impairment of HK$6,550,000 is recognised during the year.

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(a) Credit risk (cont'd)

The movements in the allowance for impairment loss during the year are as follows:

	2019	2018
	HK$'000	HK$'000
At 1 January	**62**	207
Change for the year	**76,188**	–
Reversal of impairment loss	**(62)**	(145)
At 31 December	**76,188**	62

Cash and cash equivalents

Cash and deposits are placed with banks and financial institutions which are regulated. Impairment on cash and deposits have been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and deposits have low credit risk based on the credit ratings assigned by international credit- rating agencies. The amount of the allowance on cash and deposits was negligible.

Amounts due from fellow subsidiaries

The Group determines the expected credit losses on lifetime ECL for amounts due from fellow subsidiaries using a provision matrix with appropriate groupings based on historical credit loss experience adjusted by forward-looking estimates. The loss allowances for amounts due from fellow subsidiaries are insignificant.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Except for the interest-bearing borrowings, the total contractual undiscounted cash flows of the Group's non-derivative financial liabilities are the same as their carrying amounts as their remaining contractual maturities are within one year.

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(b) Liquidity risk (cont'd)

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the reporting period) and the earliest date the Group can be required to pay:

		Contractual undiscounted cash outflows				
	Weighted average effective interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	After 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Non-derivative contractual liabilities						
2019						
Trade and other payables		**(13,659)**	**–**	**–**	**(13,659)**	**(13,659)**
Leased liabilities	**4.21%**	**(2,154)**	**(1,436)**	**–**	**(3,590)**	**(3,423)**
		(15,813)	**(1,436)**	**–**	**(17,249)**	**(17,082)**
Non-derivative contractual liabilities						
2018						
Interest-bearing borrowings	4.21%	(2,180)	(31,884)	–	(34,064)	(29,001)
Loans from non-controlling interests		(21,961)	(11,940)	–	(33,901)	(33,901)
Deferred consideration		(1,728)	–	–	(1,728)	(1,728)
Trade and other payables		(35,312)	–	–	(35,312)	(35,312)
		(61,181)	(43,824)	–	(105,005)	(99,942)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from its lease liabilities which are pegged at fixed rates.

Interest rate profile

The weighted average effective interest rates per annum relating to the lease liabilities (2018: interest bearing borrowings) at the end of the reporting period is 4.21% (2018: 4.21%).

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(d) Currency risk

The Group is exposed to foreign currency risk through deposits and withdrawals of fixed deposits, sales and purchases of the financial assets at FVTPL, and loan receivables that are denominated in a currency other than the functional currency of the entities to which they relate. The currencies giving rise to these risks are mainly the Sterling Pound, Singapore Dollar, Philippine Peso, Renminbi, South Korean Won, and US Dollar.

When necessary, the Group uses forward exchange contracts to hedge its specific currency risks. However, forward exchange contracts that do not qualify for hedge accounting are accounted for as trading instruments. As at the reporting date, the Group had no outstanding forward exchange contracts.

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level.

All of the Group's borrowings are denominated in the functional currency of the entity taking out the loan or, in the case of group entities whose functional currency is Hong Kong dollars, in either Hong Kong dollars or United States dollars. Accordingly, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(ii) Exposure to foreign currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the group entities to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(d) Currency risk (cont'd)

(ii) Exposure to foreign currency risk (cont'd)

	Sterling Pound HK$'000	Singapore Dollar HK$'000	Philippine Peso HK$'000	Renminbi HK$'000	South Korean Won HK$'000	US Dollar HK$'000
2019						
Financial assets at FVTPL	**–**	**–**	**325**	**–**	**–**	**–**
Trade and other receivables	**–**	**–**	**–**	**573**	**1,066**	**40,583**
Loan receivables	**–**	**–**	**–**	**8,537**	**–**	**177,477**
Cash and cash equivalents	**62**	**173**	**–**	**3,134**	**4,011**	**14,975**
Trade and other payables	**–**	**–**	**–**	**–**	**–**	**–**
Overall exposure arising from recognised assets and liabilities	**62**	**173**	**325**	**12,244**	**5,077**	**233,035**
2018						
Financial assets at FVTPL	–	–	296	–	–	–
Trade and other receivables	–	–	–	6,190	–	14,507
Loan receivables	–	–	–	9,107	–	162,592
Cash and cash equivalents	61	1,871	–	879	4,033	93,975
Trade and other payables	–	(856)	–	–	(652)	–
Overall exposure arising from recognised assets and liabilities	61	1,015	296	16,176	3,381	271,074

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(d) Currency risk (cont'd)

(iii) Sensitivity analysis

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date. The analysis assumes that all other variables, in particular, interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

A 10% (2018: 10%) strengthening of the following foreign currencies against the functional currency of each of the Group's entities at the end of the reporting period would impact the Group's loss after tax and retained earnings by the amounts shown below. There is no impact on the other components of consolidated equity. A similar 10% weakening of the foreign currencies would have an equal but opposite effect.

	Decrease in loss after tax and increase in retained earnings 2019 HK$'000	Decrease in loss after tax and increase in retained earnings 2018 HK$'000
Sterling Pound	**6**	6
Singapore Dollar	**17**	102
Philippine Peso	**32**	30
Renminbi	**1,224**	1,618
South Korean Won	**508**	338
US Dollar	**23,303**	27,107

Results of the analysis as presented in the above table represent the effect of the Group's loss after tax and retained earnings measured in the respective foreign currencies, translated into Hong Kong dollar at the exchange rate ruling at the end of the reporting period for presentation purposes.

The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at FVTPL (note 22).

The Group's listed equity investment is listed on The Philippines Stock Exchange, Inc. Decisions to buy or sell financial assets at FVTPL are based on daily monitoring of the performance of individual securities compared to other industry indicators, as well as the Group's liquidity needs.

In respect of the Group's equity investment listed on The Philippines Stock Exchange, Inc., based on the historical trend analysis, management does not expect significant equity price movements on this investment and hence, it is not expected to have any significant impact on the Group's loss after tax, retained earnings and equity, assuming that all other variables remain constant.

The Group also holds investments in unlisted marketable equity mutual funds.

At 31 December 2019, a 10% (2018: 10%) increase in the net asset value of the Group's investment in unlisted marketable equity mutual funds at the end of the reporting period would decrease the Group's loss after tax and increase the Group's retained earnings by approximately HK$1,222,000 (2018: HK$1,643,000). A similar 10% decrease in the net asset value would have an equal but opposite effect.

The sensitivity analysis has been determined assuming that the reasonably possible changes in stock prices, net asset values or other risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock price, net asset value or the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2018.

(f) Fair value measurement

(i) Financial instruments measured at fair value

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of inputs used in the valuation techniques as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(f) Fair value measurement (cont'd)

(i) Financial instruments measured at fair value (cont'd)

		Fair value measurements as at 31 December 2019 categorised into				Fair value measurements as at 31 December 2018 categorised into		
	Fair value at 31 December 2019	**Level 1**	**Level 2**	**Level 3**	Fair value at 31 December 2018	Level 1	Level 2	Level 3
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements								
Assets:								
Financial assets at FVTPL								
– Listed equity securities	**325**	**325**	**–**	**–**	296	296	–	–
– Unquoted investment	**12,222**	**–**	**–**	**12,222**	16,434	–	–	16,434
Other financial assets								
– FVTPL	**–**	**–**	**–**	**–**	7,813	–	–	7,813
– FVOCI	**–**	**–**	**–**	**–**	538	–	–	538
Liabilities:								
Deferred consideration	**–**	**–**	**–**	**–**	(1,728)	–	–	(1,728)
Other financial liabilities	**(53,891)**	**–**	**–**	**(53,891)**	(8,272)	–	–	(8,272)
	(41,344)	**325**	**–**	**(41,669)**	15,081	296	–	14,785

During the years ended 31 December 2019 and 31 December 2018, there were no transfers between levels.

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(f) Fair value measurement (cont'd)

(i) Financial instruments measured at fair value (cont'd)

The movements in the Level 3 financial instruments measured at fair value are as follows:

	Financial assets at FVTPL HK$'000	Other financial assets HK$'000	Deferred consideration HK$'000	Other financial liabilities HK$'000
At 1 January 2018	23,184	60,470	(1,719)	(16,787)
Return of capital	–	(43,800)	–	–
Net realised and unrealised (loss)/gain recognised in profit or loss	(6,750)	(5,307)	–	8,515
Net unrealised loss recognised in other comprehensive income	–	(3,027)	–	–
Exchange adjustments	–	15	(9)	–
At 31 December 2018 an 1 January 2019	**16,434**	**8,351**	**(1,728)**	**(8,272)**
Return of capital	**–**	**(525)**	**–**	**–**
Net realised and unrealised loss recognised in profit or loss	**(4,212)**	**(7,813)**	**–**	**(45,674)**
Disposal (note 12)	**–**	**–**	**1,728**	**–**
Exchange adjustments	**–**	**(13)**	**–**	**55**
At 31 December 2019	**12,222**	**–**	**–**	**(53,891)**

The fair value gain or loss of the financial assets at FVTPL for the period recognised in profit or loss is presented in "other (losses) and gains, net" in the consolidated statement of profit or loss.

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values.

Information about Level 3 fair value measurements

Type	Valuation techniques	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Other financial assets – dividend right forgone by non-controlling shareholders	Discounted cash flows	N/A (2018: 13.5%)	The fair value increases as the discount rate decreases
Other financial assets – revenue and profit guarantees from non-controlling shareholders	Discounted cash flows	N/A (2018: 13.5%)	The fair value increases as the discount rate decreases
Financial assets at FVTPL – unquoted investment	Net assets value	Net asset value of the fund	The fair value increases as the net asset value of the fund increases
Other financial liabilities – put and call option	Black-Scholes Option Pricing Model	Volatility rate 36.95% (2018: 44.0%)	Option price increases when volatility rate increases
		Risk-free rate 1.57% (2018: 2.5%)	Call option price increases and put option price decreases when risk-free rate increases

Notes to the Financial Statements

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(f) Fair value measurement (cont'd)

(ii) Financial instruments not measured at fair value but for which the fair value is disclosed.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019 and 31 December 2018, except for fixed rate borrowings.

The carrying amounts, fair values and the level of fair value hierarchy of the fixed rate borrowings are as follows:

			Fair value measurements categorised into		
	Carrying amounts HK$'000	**Fair value HK$'000**	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
2019	**–**	**–**	**–**	**–**	**–**
2018	29,001	28,743	–	28,743	–

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments as at the end of the reporting period. The interest rate used is as follows:

	2019	2018
Fixed rate borrowings	**N/A**	4.00%

39. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
Short-term employee benefits	**23,636**	24,540

Total remuneration is included in the administrative expenses.

Notes to the Financial Statements

For the year ended 31 December 2019

39. MATERIAL RELATED PARTY TRANSACTIONS *(cont'd)*

(b) Other related party transactions

Related party transactions

In addition to the related party transactions and balances as disclosed in notes 10, 11, 12, 21, 24 and 34(d), details of other related party transactions entered into on terms agreed between the parties during the year are disclosed as follows:

	2019 **HK$'000**	2018 HK$'000
Business venture in which a non-controlling shareholder of a subsidiary is the owner		
Income received from trademark licensing	**8,121**	8,142
Income received from provision of procurement, marketing and management services	**12,729**	18,410
Fellow subsidiary		
Income received from trademark licensing	**2,735**	–
Marketing expenses recharge	**1,935**	–

40. COMMITMENTS

At 31 December 2019 and 31 December 2018, the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**–**	5,665
After 1 year but within 5 years	**–**	21,101
After 5 years	**–**	11,701
	–	38,467

Notes to the Financial Statements

For the year ended 31 December 2019

41. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**3,702**	482
Interests in subsidiaries		**191,443**	351,102
Trade and other receivables		**19,820**	23,037
		214,965	374,621
Current assets			
Financial assets at FVTPL		**12,547**	16,730
Trade and other receivables		**29,598**	31,704
Amounts due from subsidiaries		**110,091**	89,198
Loan receivables		**128,107**	171,699
Cash and cash equivalents		**531**	39,171
		280,874	348,502
Current liabilities			
Trade and other payables		**(10,514)**	(170,191)
Amounts due to subsidiaries		**(169,609)**	–
Lease liabilities		**(2,049)**	–
Provision for taxation		**(163)**	(2,322)
		(182,335)	(172,513)
Net current assets		**98,539**	175,989
Total assets less current liabilities		**313,504**	550,610
Non-current liability			
Lease liabilities		**(1,374)**	–
NET ASSETS		**312,130**	550,610
CAPITAL AND RESERVES	34		
Share capital		**398,980**	398,980
Share premium		**20,663**	20,663
(Deficit)/reserves		**(107,513)**	130,967
TOTAL EQUITY		**312,130**	550,610

Approved and authorised for issue on behalf of the board of directors on 22 August 2020.

WANG Huabing
Chairman

Zhang Xian
Chief Executive Officer

Notes to the Financial Statements

For the year ended 31 December 2019

42. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

At 31 December 2019, the directors consider the immediate holding company and ultimate holding company of the Group to be Tianyuan Manganese Limited, a company incorporated in Cayman Islands, and Ningxia Tianyuan Manganese Industry Co., Ltd., a company incorporated in PRC respectively. These entities do not produce financial statements available for public use.

43. COMPARATIVE FIGURE

Certain comparative figures have been adjusted to conform with the disclosure requirements in respect of the discontinued operations set out in note 12.

44. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 31 December 2019, the Group has entered into a sale and purchase agreement ("SPA") to acquire a target group (comprising of a hospital in Shanghai ("Shanghai Hospital")) for a consideration of RMB30,000,000 (equivalent to approximately HK$33,600,000). Shanghai Hospital is principally engaged in the plastic surgery operation in People's Republic of China. The completion of the acquisition is conditional upon the fulfillment the conditions precedent set out in the SPA. As at the date of this announcement, the acquisition has been completed. Prepayments and other receivables amounting to HK$16,061,000 included under trade and other receivables set out in note 21 as at year ended 31 December 2019 was paid to the seller for this acquisition. Details of the acquisition of the Shanghai Hospital are set out in the announcement of the Company dated 31 December 2019 and 29 May 2020.

Corporate Information

Executive Directors
Wang Huabing (Chairman)
Zhang Xian

Non-Executive Directors
He Mei
Zhang Yupeng
Zhou Yuan

Independent Non-Executive Directors
Hu Baihe
Yuen Kwok Kuen
Guo Jingbin

Audit Committee
Hu Baihe
Yuen Kwok Kuen
Guo Jingbin

Remuneration Committee
Hu Baihe
Yuen Kwok Kuen
Guo Jingbin
Zhang Xian

Nomination Committee
Hu Baihe
Yuen Kwok Kuen
Guo Jingbin
Wang Huabing

Chief Executive Officer
Zhang Xian

Company Secretary
Chow Wai Hung

Auditors
Moore Stephens CPA Limited
801-806 Silvercord,
Tower 1, 30 Canton Road,
Tsimshatsui,
Kowloon, Hong Kong

Principal Bankers
Industrial and Commercial Bank of China (Asia) Limited

Registrars
Principal Registrar
Computershare Hong Kong Investor Services Limited

Branch Registrar
Maples and Calder,
Cayman Islands

Principal Office
Room Nos. 1120-1126
11/F., Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

Registered Office
C/o Maples and Calder
P.O. Box 309, Grand Cayman
Cayman Islands
British West Indies