美瑞健康国际产业集团

Meilleure Health International Industry Group

Meilleure Health International Industry Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 2327)

2020 Annual Report

一份專注　兩倍用心　三倍高效　十重保障　百倍體驗　終身受益

美瑞健康——精準健康管理

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Xuzhou *(Co-Chairman)*
Dr. Zeng Wentao *(Co-Chairman)*
Ms. Zhou Wen Chuan *(Vice Chairman and Chief Executive Officer)*

Non-Executive Director

Dr. Mao Zhenhua

Independent Non-Executive Directors

Professor Chau Chi Wai, Wilton
Mr. Gao Guanjiang
Mr. Wu Peng

AUTHORISED REPRESENTATIVES

Mr. Zhou Xuzhou
Ms. Zhou Wen Chuan

COMPANY SECRETARY

Mr. Li Shu Pai

AUDIT COMMITTEE

Professor Chau Chi Wai, Wilton *(Chairman)*
Mr. Gao Guanjiang
Dr. Mao Zhenhua

REMUNERATION COMMITTEE

Mr. Gao Guanjiang *(Chairman)*
Professor Chau Chi Wai, Wilton
Dr. Zeng Wentao

NOMINATION COMMITTEE

Mr. Zhou Xuzhou *(Chairman)*
Professor Chau Chi Wai, Wilton
Mr. Wu Peng

STRATEGIC COMMITTEE

Dr. Mao Zhenhua *(Chairman)*
Mr. Zhou Xuzhou
Dr. Zeng Wentao

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Unit 2906
Tower 1, Lippo Centre
89 Queensway
Admiralty
Hong Kong

AUDITOR

Ernst & Young (retired on 24 June 2020)
ZHONGHUI ANDA CPA Limited (appointed on 24 June 2020)

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.meilleure.com.cn

STOCK CODE

2327

CO-CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Meilleure Health International Industry Group Limited (hereinafter as "**We**" and the "**Company**") and its subsidiaries (collectively the "**Group**"), I hereby present to our shareholders the annual results of the Group for the year ended 31 December 2020 (the "**Reporting Period**" and "**FY2020**").

RECENT DEVELOPMENT

In 2020, the global political landscape and economic activity underwent drastic changes due to the Coronavirus Disease 2019 ("**COVID-19**") epidemic (the "**Epidemic**"), which has brought increased uncertainty in the overall situation. The economy of the People's Republic of China ("**PRC**") took the lead in recovery thanks to the government's dedication in containing the Epidemic. The cell industry has benefited from the Epidemic and the improved policy environment. With increasing public health awareness and demand for healthcare services, the healthcare industry has ushered in new development opportunities. Being innovative and responsive, the Group has made significant progress in the two high-growth businesses that it focuses on, namely the industrial hemp business and healthcare-related business. The "one core and two wings" strategy which focuses on high-end health management business driven by the health applications of cannabinoid and cell began to bear fruit, and new profit growth drivers have been identified whilst actively responding to the Epidemic. During the Reporting Period, the Group continued to strengthen the layout of the upstream and downstream industry chains of its healthcare-related business and industrial hemp business, increased investment in talent recruitment, basic research and development, products and marketing, integrated human resources and marketing resources from home and abroad, enhanced its research and development capability, marketing capability and sales capability, and improved its overall risk resistance and ability to dominate the market and generate sustainable revenue.

FINANCIAL PERFORMANCE

During the Reporting Period, the Group recorded a revenue of HK$265.1 million, representing a year-on-year increase of 12.9% over 2019, with a profit after tax of HK$85.1 million, marking a turnaround from loss. The Group's strategic core segment, the industrial hemp business, recoded a revenue of HK$25.4 million, representing an increase of nearly 16 times over the same period in 2019. The Group launched its industrial hemp skincare brand, "Mazhuang" (麻妝), in August 2020. Against the backdrop of a fast-growing new consumer market in the PRC and the growing influence of domestic beauty brands, the brand recorded contracted sales of over HK$30 million within five months and gained reputation and influence to a certain extent. In addition, in the overseas industrial hemp market, CANNERGY, a cannabidiol ("**CBD**") atomisation brand launched in Japan, has developed a large number of offline channels and achieved good operating performance; Alp Releaf, a CBD healthcare brand for the European market, will soon be launched. In the healthcare-related business, the Group achieved revenue of HK$54.8 million for the Reporting Period, representing an increase of 29.2% compared to 2019, with a profit after tax of HK$14.1 million, recording a turnaround from loss. Revenue from the healthcare-related business grew as a result of increased public demand for health services under the impact of the Epidemic and the launch of the Group's COVID-19-related healthcare product sale agency services. Meanwhile, the Group's traditional businesses of trading, agency services, and property investment and leasing remained solid, with a total revenue of these segments of HK$185.0 million and profit (excluding changes in fair value of investment properties and impairment losses/reversal of impairment losses on trade receivables) of HK$61.9 million, representing a year-on-year increase of 29.2%, providing stable cash flow to support the Group's growth.

CO-CHAIRMAN'S STATEMENT

OVERVIEW OF OPERATIONS

Healthcare-related Business Segment – Health Management and Cellular Healthcare Application Business

In respect of this business, the Group pursues a development strategy of paying equal attention to upstream multi-disease research and development with cellular technology and downstream products and services. In terms of the upstream of the industrial chain and products, following the acquisition of Shenzhen Wingor Biotechnology Co., Ltd.* (深圳市茵冠生物科技有限公司) ("**Wingor Bio**") in 2019, a state-level high-tech enterprise, the Group continued its deployment in the area of cellular immunotherapy and established Beijing Mei Ai Kang Technology Co., Ltd.* (北京美艾康科技有限公司) ("**Mei Ai Kang**") in the first half of 2020. As the immune cells of patients with acquired immunodeficiency syndrome (AIDS) are attacked by the human immunodeficiency virus ("**HIV**"), the immune system collapses and bacteria and viruses invade the body, causing a number of infections and malignancies in the infected person. Cellular immunotherapy aims to stimulate the patient's own immune system to produce or enhance an anti-tumor immune response, improve the body's immune system, thereby reducing HIV infections and controlling or even eradicating cancer cells.

During the Reporting Period, Mei Ai Kang cooperated with the Fifth Medical Centre of the General Hospital of the People's Liberation Army, the Fourth People's Hospital of Nanning and the Shanghai Public Health Clinical Centre to conduct clinical studies and has enrolled cases in the study.

Wingor Bio also made numerous business progresses during the Reporting Period. During the Reporting Period, Wingor Bio signed a strategic cooperation agreement for a joint application for a stem cell clinical research base and signed the Cell Therapy Clinical Research and Scientific Research Cooperation Agreement for conducting clinical research on stem cell treatment of decompensated liver cirrhosis with The Third People's Hospital of Shenzhen (the only designated hospital for patients with COVID-19 pneumonia in Shenzhen); signed the Joint Development Agreement for the Key Technology Development Project of CRISPR Rapid Detection Kit for Novel Coronavirus with Shenzhen Hospital of Southern Medical University to jointly carry out related technology research and product development; conducted clinical research on stem cell therapy for ischemic stroke; worked in a well-organised manner with the People's Hospital of Wuhan University, the People's Hospital of Hubei Province and Zhongda Hospital Affiliated to Southeast University on the clinical research project on stem cells in treating diseases including chronic refractory wounds, femoral head necrosis, diabetic nephropathy, ischemic stroke and acute respiratory distress syndrome; made steady progress in the filing work with several other hospitals; signed a strategic cooperation agreement with Affiliated Stomatological Hospital of Xuzhou Medical University, and a strategic framework cooperation agreement with Boai Hospital of Zhongshan. In terms of the Investigational New Drugs ("**IND**") filing, stem cell drug IND applications for osteoarthritis of the knee, diabetic nephropathy and ischemic stroke are in steady progress.

In terms of qualification recognition and government support, during the Reporting Period, Wingor Bio was once again recognised as a national high-tech enterprise; was granted the qualification of "South China Integrated Cell Bank" and "South China Regional Cell Preparation Centre"; was granted the qualification of level 2 pathogenic microorganism laboratory of Guangdong Province; was granted support fund for biomedical field under the special funds for strategic emerging industry for 2020 in Shenzhen; signed a service contract with the National Institutes for Food and Drug Control, the highest inspection body for biological products in the PRC, and was awarded, for its technology system, the most authoritative recognition in the field of quality certification of cellular products in the PRC, providing a solid foundation for the development of clinical research on cell therapy and the registration of cellular biological products. In the health management business, demand for health care from the general public continued to rise due to the impact of the Epidemic. The Group's revenue from healthcare-related business grew significantly by approximately 29.2% and turned into a profit. In addition, the Group launched the "Science for Better Sleep Project" (科學優眠項目) in 2020, in view of the rapidly rising demand for improving sleep.

* *For identification purpose only*

During the Reporting Period, in the context of a sudden outbreak of the Epidemic, cellular technology showed great promise in the treatment for COVID-19 pneumonia and related complications, and policies from the central to local governments have been introduced to accelerate the research and application of cellular technology, while the demand for health management has been on the rise. With favourable policies, the Group has made considerable progress in basic cellular research and application of cell transformation, and has been operating steadily in the health management area and initiated the project for improving sleep. In the future, the Group will continue to leverage on its strengths in the industry chain to actively explore in the areas of health management and cellular transformation applications, increase investment and research and development, constantly develop new products and services, and expand external cooperation to establish an endogenous association between the health management business and other business segments.

Healthcare-related Business Segment – Business of Anti-Epidemic Supplies

Globally, with the exception of the PRC, the Epidemic was not effectively contained throughout 2020. With the Epidemic dragging on, demand for anti-epidemic supplies remains high. The Group assessed the situation to turn crisis into opportunity and provide prompt response, made full use of the flexible production capabilities of its joint venture, integrated its overseas sales network and related domestic industry chain, adjusted short-term business strategies, and participated in the production and domestic and foreign sales of anti-epidemic supplies. Shenzhen Meiray Vap Technology Co., Ltd.* (深圳市美深瑞科技有限公司) ("**Meiray Vap**"), a joint venture established by the Group in collaboration with Shenzhen Mason Vap Technology Co., Ltd* (深圳市美深威科技有限公司) ("**Mason Vap**"), a renowned atomiser foundry, in 2019, quickly transformed to engage in the production of medical masks and received orders from the government during the outbreak of the Epidemic. During the Reporting Period, a total of 250.2 million pieces of masks were shipped by Meiray Vap, the revenue from which amounted to RMB20.9 million. In addition, during the Reporting Period, the Group reached in-depth business cooperation with well-known domestic kit manufacturers, namely Sansure Biotech Inc. and Nanjing Vazyme Medical Technology Co., Ltd. to act as an agent of their kit products for COVID-19 on a global scale. The cumulative sales transaction amount amounted to over US$5.2 million during the Reporting Period, and the scope of sales covered 65 countries around the world, contributing to the fight against the Epidemic at home and abroad and also cultivating new profit growth area for the Group in such a critical period.

Industrial Hemp Business Segment

During the Reporting Period, the Group accelerated the promotion of downstream CBD application based on insightful analysis of the industrial hemp market worldwide, particularly in the PRC, and continued to create and invest in CBD consumer health brands in multiple countries and across different sectors. In 2019, the Group and a Hong Kong subsidiary of Shenzhen Gippro Technology Innovation Limited* (深圳龍舞科技創新有限公司) ("**Shenzhen Gippro**"), a renowned health-related atomisation brand, established Meipro Biological Technology Company Limited ("**Meipro Biological**"), a subsidiary of the Company in Hong Kong. The CBD atomisation brand under Meipro Biological, CANNERGY, first launched in Japan at the end of 2019. Currently, a variety of CBD atomisation products have been rolled out under the brand in Japan. During the Reporting Period, CANNERGY continued to expand and consolidate its first-mover advantage, with a number of suppliers on the production side, basically achieving localised production of all product lines; set up a dual online and offline presence on the sales side by entering mainstream e-commerce platforms including Rakuten, Yahoo, Amazon and Qoo10, and expanding into a number of offline channels such as physical stores for e-cigarette, high-end beauty salon chains, gyms and cosmetics stores. In Europe, the Group plans to launch its CBD healthcare brand, Alp Releaf, through its wholly-owned subsidiary, Green Gold Health SA.

* *For identification purpose only*

In view of the fruitful prospects of CBD as a core raw material applied in skin care and the rapid development of the beauty industry in the PRC, the Group launched the new CBD skincare brand, "Mazhuang", in August 2020 after half a year of preparation. Within five months of its launch, contracted sales of Mazhuang's hemp leaf essence treatment mask amounted to over HK$30 million, setting a new record for sales of CBD skincare products of the same category and being the number one bestseller of facial masks on Tmall during the Double 11 Festival in November 2020. Mazhuang was also awarded the "WISE 2020 King of China's New Economy – Most Influential Brand in Consumer Brands and Lifestyle Sector" by 36 Krypton, the leading new economy science and innovation media.

In order to build a leading CBD skincare brand in the industry, the Group has been accumulating reserves in the products research and development, production, marketing and sales channels under "Mazhuang".

On the research and development side, the Group has initiated various forms of collaboration with renowned scientific teams and large factories in the industry, including scientific research, product and efficacy research, to expedite the development of CBD series skincare products that meet market demand. On the production side, the Group has cooperated with top international suppliers to ensure the quality and speed of response in the supply chain. On the marketing side, the Group has placed emphasis on content marketing and digital-driven strategies and collaborated with top domestic variety artists for content co-creation to reach the brand's target customer groups accurately; published content to mainstream social media such as WeChat, RED (Xiaohongshu), TikTok and Weibo, and accumulated resources for cooperation with the industry's leading video platforms and built its own refined placement data model for rapid iteration. On the sales channel side, the Group has established mainstream online channels on Tmall, Mini Program Stores function of WeChat and Red Mall section of Xiaohongshu etc., as well as new offline beauty channels with great potential.

As the world's most populous country with the second highest GDP, the PRC is undoubtedly the most promising market for CBD consumption worldwide. In the current policy environment, CBD skincare products have become the most mainstream track for downstream CBD applications in the PRC, with a surge in the number of filing for CBD skincare products in the PRC in 2020. As the industry heats up, there are more players in the racetrack, which will lead to faster and wider market education and user awareness, fueling the accelerated expansion of the CBD skincare market. In the beauty industry, with the triple whammy of skincare products with new ingredients and additive efficacy and the new power of Chinese products, leading global CBD skincare brands are expected to emerge in the PRC.

In addition, up the date of this annual report, the Group further developed the industrial hemp industry chain by investing in the establishment of Meiray Vap, a manufacturer of CBD atomisers, and taking a strategic stake in Mason Vap, a leader in atomisation technology, and signed a strategic cooperation framework agreement with an industrial hemp investment company in Yunnan Province in November 2020, with a view to initiating comprehensive cooperation in the areas of scientific research, extraction, conversion of results and equity cooperation.

As at the end of the Reporting Period, the Group's downstream applications in the industrial hemp industry chain had covered three areas, namely health-related atomisation products, healthcare products and cosmetics, and the integrated industry chain strategy covering domestic and international research and development, production and branding progressed smoothly.

In 2020, the health and emotional problems caused by the Epidemic created a huge demand for CBD healthcare products. The research and clinical trials of the use of CBD for adjuvant therapy for COVID-19 pneumonia have also commenced. At the end of 2020, the United Nations Commission on Narcotic Drugs (CND) voted to remove cannabis and cannabis-related substances from Schedule IV of the Single Convention on Narcotic Drugs of 1961, lowering the level of control of cannabis and cannabis-related substances. The relaxation of the international convention is expected to lead to more liberal industrial hemp policies in a number of countries around the world. In the PRC, the local governments of Yunnan and Heilongjiang have shown a friendly attitude towards the industrial hemp industry, and official industry organisations have been established, including the Yunnan Industrial Hemp Industry Association. Overall, the Group believes that the policy and market environment of the industrial hemp industry is improving. The Group will continue to make efforts in upstream research and development and downstream marketing to maintain its first-mover advantage, build a brand moat and create a sustainable and healthy source of revenue growth.

OUTLOOK

Looking back at 2020, while the Epidemic became a severe global crisis resulting in significant economic recession worldwide, the Group sought changes and innovations to turn the crisis into an opportunity. Looking ahead to 2021, the global risks posed by the Epidemic remain unresolved, the trend of globalisation has reversed and sustainable development is being hampered. However, thanks to the effective of containment of the Epidemic, the domestic economy in the PRC took the lead in recovery and is expected to continue to lead global growth in 2021. As for the Group, at the business level, the traditional businesses will continue to grow steadily, while the two future-proof core businesses which experienced accelerated development and achieved breakthroughs in research and development, clinical and downstream markets in 2020, have laid the foundation for stronger organic growth and are expected to continue such momentum in 2021.

In terms of assets, the Group has current assets of HK$960.2 million as at 31 December 2020, including bank and cash balances of HK$233.5 million, redeemable investments at fair value through profit or loss of HK$47.8 million and consideration receivable for the redemption of unlisted fund investment of HK$212.0 million which was fully received in January 2021. As a result of these favorable factors, the Group have laid a solid foundation for its development and won a competitive advantage, which has given it the confidence to deal with the uncertain economic situation and even expand against the trend.

As a group with a certain degree of influence in the healthcare industry at home and abroad, the Group will continue to focus on the layout of the industry chain, increase investment in technology research and development, product innovation and marketing, create international and differentiated products and services, continue to promote a multi-sector and multi-category brand matrix, and build a core brand competitive barrier. The Group will continue to increase its investment in various resources, including capital and manpower, strengthen the innovative linkage among business segments, expand external cooperation in multiple dimensions, adhere to the "one core and two wings" strategy which focuses on high-end health management business driven by the health applications of cannabinoid and cell, enhance the momentum of organic growth and build up core competitive advantages.

For the high-end health management business, we have started to replicate the successful business model of our clinic in Shenzhen with high growth, high returns and high quality in the most promising cities across the country to continue to grow our healthcare business for the benefit of the people. Our clinic in Nanjing commenced service in March 2021, representing an important first step of our high-end health management strategy, and is expected to bring new growth to the healthcare segment.

Moreover, as the brand awareness of Mazhuang grows further, we believe that sales of Mazhuang products will continue to grow at a rapid pace in 2021. In the wake of the industrial hemp boom, we plan to introduce a renowned industrial hemp industry fund to Mazhuang to further strengthen our shareholder structure. At the same time, we will promote a management incentive scheme to motivate management to continue to capture the high growth CBD cosmetics market.

In the foreseeable future, the traditional business is expected to continue to provide stable cash flow, while the industrial hemp business and the healthcare-related business will maintain good growth momentum. We are confident in the future development of the Group's business operations.

APPRECIATION

On behalf of the Board, I would like to express my deepest appreciation for all staff of the Group for their excellent contribution, thank our shareholders for their trust and acknowledge our business partners for their support.

Zhou Xuzhou
Co-Chairman

Hong Kong, 19 March 2021

FINANCIAL REVIEW

Below is a summary of the financial information of the Group:

	2020 *HK$'000*	2019 *HK$'000*
Revenue	**265,135**	234,779
Gross profit	**111,251**	71,832
Gross profit margin	**42.0%**	30.6%
Other income and gains, net	**32,255**	17,303
Total operating expenses *(Note)*	**50,408**	39,860
Finance costs	**13,682**	16,393
Profit/(loss) before tax	**103,587**	(5,344)
Profit/(loss) for the year	**85,066**	(23,010)
Profit/(loss) attributable to owners of the Company	**83,439**	(20,174)

Note: Total operating expenses included (i) selling and distribution expenses; and (ii) administrative expenses.

Revenue

Revenue for the year ended 31 December 2020 was HK$265.1 million (2019: HK$234.8 million), mainly generated by (i) sale of CBD downstream products; (ii) healthcare management service income; (iii) healthcare-related products sale agency service income; (iv) sale of healthcare-related products; (v) aesthetic medical service income; (vi) sale of construction materials; (vii) property sales and consultancy service income; and (viii) rental income.

Revenue increased by approximately 12.9% from HK$234.8 million for the year ended 31 December 2019 to HK$265.1 million for the year ended 31 December 2020. The increase in revenue of HK$30.3 million was mainly due to (i) an increase in the sale of CBD downstream products of HK$23.9 million; and (ii) the sale of the COVID-19 related healthcare products such as COVID-19 test kits (where the Group acts as an agent) since the first half of 2020 which led to the recognition of healthcare-related products sale agency service income of HK$9.7 million during the year ended 31 December 2020.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 December 2020 was HK$111.3 million (2019: HK$71.8 million), representing an increase of 55.0% compared to that for the year ended 31 December 2019. Gross profit margin for the year increased to 42.0% from 30.6% for the year ended 31 December 2019.

The increase in gross profit of HK$39.5 million and the increase in gross profit margin was mainly due to increases in gross profit in industrial hemp business and healthcare-related business of HK$19.1 million and HK$11.6 million respectively mainly benefited from (i) the sale of Mazhuang products launched in the second half of 2020; and (ii) the sale of the COVID-19 related healthcare products (where the Group acts as an agent) since the first half of 2020 while such sales have relatively high gross profit margins.

Other Income and Gains, Net

Other income and gains, net for the year ended 31 December 2020 was HK$32.3 million (2019: HK$17.3 million), representing an increase of HK$15.0 million or 86.7% as compared to 2019. Such increase was mainly due to (i) a positive financial impact arising from foreign exchange rate changes, which changed from exchange loss of HK$0.6 million for the year ended 31 December 2019 to exchange gain of HK$5.2 million for the year ended 31 December 2020; (ii) an increase in fair value gains on investments at fair value through profit or loss of HK$4.4 million; and (iii) an increase in government grants of HK$1.5 million.

Total Operating Expenses

Total operating expenses for the year ended 31 December 2020 was HK$50.4 million (2019: HK$39.9 million), representing an increase of HK$10.5 million or 26.3% as compared to 2019. Such increase was mainly attributable to (i) an increase in selling and distribution expenses of HK$5.6 million mainly due to marketing and promotion expenses incurred for promotion of products under our self-owned brands "Mazhuang" and "CANNERGY"; and (ii) the incurrence of equity-settled share-based payments of HK$4.3 million resulting from granting share options to the certain directors and employees of the Group, and other eligible participants as an incentive for their contributions or potential contributions to the Group.

Finance Costs

Finance costs for the year ended 31 December 2020 was HK$13.7 million (2019: HK$16.4 million), representing a decrease of HK$2.7 million or 16.5% as compared to 2019. Such decrease was mainly due to a decrease in interest on bank loans of HK$3.0 million.

Profit/(Loss) for the year

The Group recorded a profit for the year of HK$85.1 million for the year ended 31 December 2020 as compared to a loss for the year of HK$23.0 million for the year ended 31 December 2019. The change from loss to profit is mainly due to the following reasons:

(i) an increase in gross profit of HK$39.5 million;

(ii) no incurrence of impairment of goodwill during the year ended 31 December 2020, compared to the recognition of impairment of goodwill of HK$33.0 million during the year ended 31 December 2019;

(iii) the recognition of gain on partial disposal of investment in an associate of HK$31.7 million during the year ended 31 December 2020;

(iv) a decrease in share of losses of associates of HK$18.6 million;

(v) an increase in other income and gains, net of HK$15.0 million; and

(vi) the recognition of gain on disposals of subsidiaries of HK$14.1 million during the year ended 31 December 2020, details of which are included in the sub-section "Material Acquisitions and Disposals" below.

Such increases were offset by a decline in fair value on investment properties, which changed from a gain of HK$22.0 million for the year ended 31 December 2019 to a loss of HK$16.9 million for the year ended 31 December 2020.

BUSINESS REVIEW

To better reflect the Group's latest business strategy and operations, the Group has reorganised the composition of its reportable segments and now the Group has six business segments in 2020, namely, (i) industrial hemp business; (ii) healthcare-related business; (iii) trading business; (iv) agency service; (v) property investment and leasing; and (vi) property development. Details of the change are set out in note 7 to the consolidated financial statements contained in this annual report.

Industrial Hemp Business

The revenue derived from the industrial hemp business for the year ended 31 December 2020 was HK$25.4 million, representing an increase of nearly 16 times as compared to HK$1.5 million for the year ended 31 December 2019. The result for this segment changed from a loss of HK$1.0 million for the year ended 31 December 2019 to a profit of HK$4.0 million for the year ended 31 December 2020. This was mainly contributed by an increase in gross profit of HK$19.1 million, which was mainly benefited from sale of Mazhuang products launched in the second half of 2020. Such increase was offset by an increase in operating expenses of HK$12.8 million due to the development of industrial hemp business.

Healthcare-related Business

The revenue derived from the healthcare-related business for the year ended 31 December 2020 was HK$54.8 million, representing an increase of 29.2% as compared to HK$42.4 million for the year ended 31 December 2019. The result for this segment changed from a loss of HK$5.7 million for the year ended 31 December 2019 to a profit of HK$14.1 million for the year ended 31 December 2020. This was mainly contributed by (i) an increase in gross profit of HK$11.6 million which was mainly benefited from sale of the COVID-19 related healthcare products (where the Group acts as an agent) since the first half of 2020; and (ii) a decrease in operating expenses of HK$7.0 million due to effective expense control in this segment during the year ended 31 December 2020.

Trading Business

The revenue derived from the trading business for the year ended 31 December 2020 was HK$134.0 million, representing a decrease of 6.2% as compared to HK$142.8 million for the year ended 31 December 2019. The profit derived from this segment for the year ended 31 December 2020 was HK$22.6 million, representing an increase of approximately 2 times as compared to HK$7.5 million for the year ended 31 December 2019. The increase was mainly contributed by (i) a positive financial impact arising from a change in loss allowance for trade receivables which changed from impairment loss of HK$3.6 million for the year ended 31 December 2019 to reversal of impairment loss of HK$3.5 million for the year ended 31 December 2020; (ii) an increase in gross profit of HK$3.6 million resulted from an increase in gross profit margin; and (iii) a decrease in operating expenses of HK$2.9 million due to effective expense control in this segment during the year ended 31 December 2020.

Agency Service

The revenue derived from the agency service for the year ended 31 December 2020 was HK$29.8 million, representing an increase of 1.7% as compared to HK$29.3 million for the year ended 31 December 2019. The profit derived from this segment for the year ended 31 December 2020 was HK$24.1 million, representing an increase of 9.5% as compared to HK$22.0 million for the year ended 31 December 2019. Such increase was mainly contributed by a decrease in the cost of service rendered of HK$1.6 million due to effective expense control in this segment during the year ended 31 December 2020.

Property Investment and Leasing

The revenue from the property investment and leasing business for the year ended 31 December 2020 was HK$21.2 million, representing an increase of 13.4% as compared to HK$18.7 million for the year ended 31 December 2019. The profit derived from this segment for the year ended 31 December 2020 was HK$1.8 million, representing a decrease of 95.1% as compared to HK$36.8 million for the year ended 31 December 2019. The decreases were mainly due to a decline in fair value on investment properties, which changed from a gain of HK$22.0 million for the year ended 31 December 2019 to a loss of HK$16.9 million for the year ended 31 December 2020.

Property Development

The Group has a 100% interest in residential development project located at Lot A & B, 626 Heidelberg Road, Alphington, VIC, 3078, Australia. The project covers a total site area of approximately 11,488 square meters ("**sq.m.**") and a total gross floor area of approximately 18,752 sq.m.. During the year ended 31 December 2020, the project was progressing satisfactorily. Up to 31 December 2020, the construction agreement of this project had already been signed. All development design applications such as services design, construction design had already been approved and the design of marketing materials had also been finished. In addition, the approval of construction management plan was still in process and construction work of the project is expected to be commenced in the first half of the year 2021.

REVIEW OF FINANCIAL POSITION

	2020 *HK$'000*	2019 *HK$'000*
Non-current Assets		
Investment properties	**559,685**	594,177
Investments in joint ventures	**69,164**	65,032
Investments in associates	**47,327**	74,839
Equity investments at fair value through other comprehensive income	**28,572**	33,825
Goodwill	**18,500**	32,239
Others	**19,433**	23,927
Total Non-current Assets	**742,681**	824,039
Current Assets		
Prepayments, deposits and other receivables	**348,432**	31,685
Properties held for sale under development	**245,344**	216,177
Bank and cash balances	**233,467**	156,229
Trade receivables	**63,174**	104,689
Investments at fair value through profit or loss	**47,813**	285,723
Pledged bank deposits	**–**	80,276
Others	**21,949**	15,035
Total Current Assets	**960,179**	889,814
Total Assets	**1,702,860**	1,713,853
Liabilities		
Bank borrowings	**150,825**	310,631
Deferred tax liabilities	**62,974**	56,866
Accruals and other payables	**37,867**	31,352
Contract liabilities	**15,814**	16,132
Others	**32,117**	33,212
Total Liabilities	**299,597**	448,193
Net Assets	**1,403,263**	1,265,660

Non-current assets of the Group as at 31 December 2020 were HK$742.7 million (2019: HK$824.0 million), representing a decrease of HK$81.3 million which was mainly due to (i) a decrease in investment properties of HK$34.5 million; (ii) a decrease in investments in associates of HK$27.5 million; (iii) a decrease in goodwill of HK$13.7 million; and (iv) a decrease in equity investments at fair value through other comprehensive income of HK$5.3 million. Current assets of the Group as at 31 December 2020 were HK$960.2 million (2019: HK$889.8 million), representing an increase of HK$70.4 million which was mainly due to (i) an increase in prepayments, deposits and other receivables of HK$316.7 million; and (ii) an increase in bank and cash balances of HK$77.2 million. Such increases were offset by (i) a decrease in investments at fair value through profit or loss of HK$237.9 million; and (ii) a decrease in pledged deposits of HK$80.3 million.

As at 31 December 2020, the Group's total liabilities were HK$299.6 million (2019: HK$448.2 million), representing a decrease of HK$148.6 million which was mainly due to a decrease in bank borrowings of HK$159.8 million. Such decrease was offset by (i) an increase in accruals and other payables of HK$6.5 million; and (ii) an increase in deferred tax liabilities of HK$6.1 million.

NET ASSET VALUE

As at 31 December 2020, the Group's total net assets amounted to HK$1,403.3 million (2019: HK$1,265.7 million), representing an increase of HK$137.6 million which was mainly due to (i) profit for the year ended 31 December 2020 of HK$85.1 million; and (ii) exchange gain on translating foreign operations of HK$63.4 million. Such increases were offset by fair value losses of equity investments at fair value through other comprehensive income of HK$8.6 million.

LIQUIDITY AND FINANCIAL RESOURCES

	2020 *HK$'000*	2019 *HK$'000*
Net cash generated from operating activities	70,805	25,409
Net cash generated from/(used in) investing activities	108,138	(360,094)
Net cash (used in)/generated from financing activities	(108,877)	327,780
Net increase/(decrease) in cash and cash equivalents	70,066	(6,905)
Effect of foreign exchange rate changes	7,172	1,992
Cash and cash equivalents at 1 January	156,229	161,142
Cash and cash equivalents at 31 December	233,467	156,229

As at 31 December 2020, total cash and cash equivalents of the Group was HK$233.5 million (2019: HK$156.2 million), of which approximately 76.6% was denominated in Chinese Yuan Renminbi ("**RMB**"), 17.6% was in Hong Kong dollars ("**HKD**"), 2.4% was in United States dollars, 2.1% was in Australian dollars ("**AUD**"), 1.2% was in Japanese Yen and 0.1% was in Swiss Franc.

The Group generated net cash inflows from operating activities for the year ended 31 December 2020 of HK$70.8 million, which was mainly contributed to net cash generated from industrial hemp business; healthcare-related business; trading business; agency business; and property investment and leasing business.

Net cash flows generated from investing activities was HK$108.1 million which was mainly contributed to (i) a decrease in investments at fair value through profit or loss of HK$42.2 million; (ii) dividend received from an associate of HK$28.3 million; (iii) proceeds from partial disposal of investment in an associate of HK$17.7 million; and (iv) net cash inflow arising on disposal of subsidiaries of HK$14.0 million.

Net cash flows used in financing activities was HK$108.9 million, which was mainly represented a net amount of (i) proceeds received from new bank borrowings of HK$10.4 million; (ii) repayment of bank borrowings of HK$179.7 million; (iii) release of pledged deposits of HK$82.7 million; and (iv) payment of loan interest of HK$13.2 million.

As at 31 December 2020, total bank borrowings of the Group were HK$150.8 million (2019: HK$310.6 million), which are mainly used as working capital of the Group. The unutilised banking facilities were HK$31.7 million (2019: HK$23.8 million).

The following table illustrates the composition of the Group's bank borrowings:

	2020 *HK$'000*	2019 *HK$'000*
Floating rate HKD bank loans	–	145,710
Floating rate RMB bank loan	140,137	141,431
Fixed rate RMB bank loan	10,688	23,490
	150,825	310,631

The following table illustrates the maturity profile of the Group's bank borrowings:

	2020 *HK$'000*	2019 *HK$'000*
Within one year	30,575	128,276
In the second year	19,629	41,745
In the third to fifth years, inclusive	54,837	65,243
Beyond five years	45,784	75,367
	150,825	310,631

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities and equity financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of equity attributable to owners of the Company (i.e. issued share capital and reserves).

Placing of New Shares under General Mandate

On 11 April 2019, a total of 360,000,000 new shares were successfully placed by the placing agent to not less than six placees, who and whose ultimate beneficial owners were independent third parties, at the placing price of HK$0.91 per placing share pursuant to the terms and conditions of the placing agreement under general mandate and the placing of new shares raised net proceeds, after deducting related placing commission, professional fees and all related expenses, of HK$325.7 million (with a net price of approximately HK$0.905 per placing share) which was intended to be used for investing in the industrial hemp CBD extraction and application businesses and as general working capital of the Group.

As at 31 December 2020, the net proceeds have been used in the following manner:

	HK$ million
Net proceeds unutilised as at 31 December 2019	278.2
Net proceeds utilised up to 31 December 2020	
Working capital for operation of industrial hemp business	(37.7)
Working capital for development of residential properties	(11.7)
Further acquisition of 20% equity interest in Meipro Biological	(2.0)
Further acquisition of equity interest in Shenzhen Gippro	(1.6)
Net proceeds unutilised as at 31 December 2020	225.2

As at 31 December 2020, net proceeds unutilised of approximately HK$212.0 million represented proceeds receivable from redemption of the unlisted investment fund subscribed in 2019 and the proceeds receivable had already been fully received in January 2021. The remaining balance of net proceeds unutilised of approximately HK$13.2 million was kept in bank accounts of the Group and used as general working capital.

GEARING RATIO

The Group's gearing ratio, expressed as the percentage of net debts (includes bank borrowings, trade payables, contract liabilities, accruals and other payables and amounts due to related parties, less bank and cash balances) over the sum of equity attributable to owners of the Company and net debt, was negative (i.e. -1.4%) (2019: 14%).

As at 31 December 2020, the Group had net cash (i.e. negative net debt) of HK$19.8 million (2019: net debt of HK$210.4 million), while the equity attributable to owners of the Company was amounted to HK$1,400.9 million (2019: HK$1,259.6 million).

CAPITAL EXPENDITURE

During the year ended 31 December 2020, the expenditure of purchasing intangible assets, namely computer system, was HK$52,000 (2019: HK$4,000), while the expenditure of purchasing property, plant and equipment amounted to HK$365,000 (2019: HK$135,000).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitments of HK$35.3 million (2019: HK$3.0 million) in respect of (i) capital contributions payable to a joint venture, an associate and an unlisted long-term investment; and (ii) acquisition of equity interest of an unlisted long-term investment (2019: capital contribution payable to a joint venture) which are contracted for but not provided for in the consolidated financial statements.

CHARGES ON GROUP ASSETS

As at 31 December 2020, the bank borrowings amounting to HK$150.8 million (2019: HK$310.6 million) was secured by the investment properties situated in the PRC with a carrying amount of HK$338.7 million (2019: the investment property situated in Hong Kong with a carrying amount of HK$62.2 million, the investment properties situated in the PRC with a carrying amount of HK$503.8 million and the bank pledged deposits with a carrying amount of HK$80.3 million).

CONTINGENT LIABILITIES

Saved as the possible obligations arising from the litigation as mentioned below, the Group did not have any material contingent liabilities as at 31 December 2020 and 2019.

As at 31 December 2019, the Group had an outstanding lawsuit which was initiated by Ms. Feng against, among others, La Clinique de Paris (HK) Limited ("**LCDPHK**"), a direct wholly-owned subsidiary of La Clinique de Paris International Limited ("**LCDPI**"), which was then an indirect non-wholly owned subsidiary of the Company.

On 1 November 2016, a writ of summons was issued by Ms. Feng against LCDPHK, and two other co-defendants, claiming that she had suffered from personal injury, loss and damage which was allegedly caused by the medical negligence and/or breach of contract and/or misrepresentation on the part of LCDPHK and the co-defendants, and that LCDPHK and the co-defendants were vicariously liable in the treatment and care given by its employees, servants, agents and/or representatives to Ms. Feng (the "**Action**"). In the Action, Ms. Feng claimed against LCDPHK and the co-defendants for unliquidated damages which amounted to approximately HK$2.3 million plus interests to be assessed. As at 31 December 2019, the Action was at a preliminary stage of court proceedings as Ms. Feng and LCDPHK had not yet filed any evidence. The Directors were of the opinion that as a result of the preliminary stage of the Action as at 31 December 2019, it was difficult to assess the probability that Ms. Feng may recover any amount from the Group.

In addition, the Directors represented that the proceeding was incurred prior to the acquisition of LCDPI by the Group, and hence the losses of the claim would be borne by former shareholders of LCDPI as prescribed by the share purchase agreement. Taking into consideration the above conditions, the Directors were of the view that there was no need to make a provision in respect of the claim as at 31 December 2019.

During the year ended 31 December 2020, the Group had disposed 60% of the issued share capital of LCDPI and upon completion of such disposal, LCDPHK had ceased to be a subsidiary of the Company. Therefore, the Group had no longer been involved in the outstanding lawsuit since then.

GENERAL DESCRIPTION ON THE GROUP'S INVESTMENT STRATEGIES

With continued acceleration of the legalisation of industrial hemp in the overseas markets in recent years, cannabinoid, with CBD as its representative product, will have increasingly wide applications in healthcare and consumer goods fields. We manage our investment portfolio with a primary objective to capture market opportunities associated with the increasingly wider applications of industry hemp and to facilitate the establishment of the Group's business presence in the global industrial hemp market.

On the other hand, in order to preserve liquidity and enhance interest yields, the Group had allocated certain resources to fund investment and various investment in financial products in order to maximise the return on its unutilised funds before the Group utilises the funds to invest in the industrial hemp and other healthcare-related business.

MATERIAL ACQUISITIONS AND DISPOSALS

On 20 November 2020, Meilleure Hemp International Holdings Limited ("**Meilleure Hemp**"), as vendor, a direct wholly-owned subsidiary of the Company, and Yee Sheng Enterprises Company Limited ("**Yee Sheng**"), as purchaser, entered into a sale and purchase agreement, pursuant to which Meilleure Hemp had agreed to sell and Yee Sheng had agreed to acquire 200 ordinary shares of Tech-Medi Development Limited ("**Tech-Medi**"), representing the entire issued share capital of Tech-Medi, and the shareholder's loan of Tech-Medi at an aggregate consideration of HK$62,740,000 (the "**Disposal of Tech-Medi**"). The Directors believed that the Disposal of Tech-Medi represented a good opportunity for the Company to realise the value of the Tech-Medi and the property held by Tech-Medi at a favourable price and the proceeds from the Disposal of Tech-Medi would improve the financial position and increase the general working capital of the Group. At the time of the Disposal of Tech-Medi, Yee Sheng was indirectly wholly-owned by Mr. Zhou Xuzhou, an executive Director and controlling shareholder of the Company. Accordingly, Yee Sheng was a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Disposal of Tech-Medi constitutes a connected transaction of the Company.

On 14 December 2020, Meilleure Group Health Service Company Limited ("**Meilleure Group Health**"), an indirect wholly-owned subsidiary of the Company, Taiyue Inc. ("**Taiyue**") and La Clinique de Paris Health Group Limited ("**LCDP Health Group**"), an indirect wholly-owned subsidiary of LCDPI, which was then an indirect non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement, pursuant to which (i) Meilleure Group Health had agreed to sell and Taiyue had agreed to acquire 60% of the issued share capital of LCDPI at an aggregate consideration of HK$25,200,000 (the "**Disposal of LCDPI**"); and (ii) LCDP Health Group had agreed to sell and Meilleure Group Health had agreed to acquire the entire equity interest of Bairui (Shenzhen) Health Management Company Limited* (柏瑞(深圳)健康管理有限公司) ("**Shenzhen Bairui**"), which was then an indirect non-wholly owned subsidiary of the Company, at an aggregate consideration of HK$7,200,000 (the "**Acquisition of Shenzhen Clinic**"). Due to the unsatisfactory performance of LCPDI and its subsidiaries (excluding Shenzhen Bairui and its subsidiary (the "**PRC Target Group**")) which were engaged in the provision of health management services in Hong Kong and Shanghai (the "**BVI Target Group**"), the Group would like to dispose of the BVI Target Group and focus its resources on developing its health management business in the PRC Target Group, which had better potential compared to that of the BVI Target Group, hence the Directors believed that the Acquisition of Shenzhen Clinic and the Disposal of LCDPI could strengthen the Group's financial position by focusing the development of the health management business currently engaged by the PRC Target Group in the PRC market. At the time of the Disposal of LCDPI and the Acquisition of Shenzhen Clinic, Taiyue held approximately 27.27% of the issued share capital of LCDPI and accordingly was its substantial shareholder. Taiyue was therefore a connected person at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal of LCDPI and the Acquisition of Shenzhen Clinic constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

* *For identification purpose only*

The Company has complied with the disclosure requirement applicable to the Disposal of Tech-Medi, the Disposal of LCDPI and the Acquisition of Shenzhen Clinic under Chapter 14A of the Listing Rules, details of which are set out in the Company's announcements dated 20 November 2020, 14 December 2020 and 18 December 2020.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020 and up to the date of this annual report.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the investment portfolio of the Group amounted to HK$193.1 million (2019: HK$459.4 million) as recorded in the consolidated statement of financial position under various categories including:

– investments in associates and joint ventures which are accounted for by using equity method;

– equity investments at fair value through other comprehensive income;

– investments at fair value through profit or loss; and

– derivative financial assets.

There was no single investment in the Group's investment portfolio that was considered a significant investment given that none of the investments has a carrying amount accounting for more than 5% of the Group's audited total assets as at 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in the section "Capital Commitments" above, these were no other plans authorised by the Board for material investments or additions of capital assets as at 31 December 2020.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The revenue, expenses and monetary assets and liabilities of the Group are mainly denominated in RMB, HKD and AUD.

The Group did not enter into any foreign currency forward contract during the year ended 31 December 2020. As at 31 December 2020 and 2019, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had approximately 116 employees (2019: 110 employees). Staff costs (including Directors' emoluments) charged to profit or loss amounted to HK$32.3 million (2019: HK$30.7 million) for the year ended 31 December 2020.

The Group's remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees (including Directors). Apart from base salaries, other staff benefits included pension schemes and medical schemes. The remuneration policy and remuneration packages of the Directors and members of the senior management of the Group are reviewed by the remuneration committee of the Company (the "**Remuneration Committee**").

The Company adopted a share option scheme pursuant to which eligible persons may be granted options to subscribe for the shares of the Company.

DIRECTORS' REPORT

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 23 to the consolidated financial statements.

BUSINESS REVIEW

The business review and performance analysis of the Group for the year ended 31 December 2020 and a discussion on the Group's future business development are set out in the sections headed "Co-Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 8 and 9 to 19 of this annual report respectively.

Key Risks and Uncertainties

The Group's results and operations are subject to various factors with the key risks summarised below:

Macroeconomic Changes

The Group's business is sensitive to the general economic conditions and other factors like consumer credit.

Legal, Regulatory and Compliance Risk

Changes in government policies, relevant regulations and guidelines established by the regulatory authorities would have an impact on the business operation of the Group. Failure to comply with the rules and requirements may lead to penalties or suspension of the business operation by the authorities.

Reputation and Performance Risk

The Group's business is dependent on its reputation and quality of its products and service and the Group may lose potential business if its products and quality of service are called into question.

Financial Risks

The principal financial risks are set out in the note 5 to the consolidated financial statements.

Environmental Policies and Performance

Discussion details on the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 48 to 96 of this annual report.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC, Hong Kong, Australia, Japan and Switzerland while the Company is a holding company incorporated in the Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Our establishments and operations accordingly shall comply with relevant laws and regulations in the PRC, Hong Kong, Australia, Japan, Switzerland and Bermuda. In 2020, our businesses were in compliance with all the relevant laws and regulations in the PRC, Hong Kong, Australia, Japan, Switzerland and Bermuda in all material aspects.

Relationship with Key Stakeholders

The Group fully understands that employees, customers and partners are the key to our sustainable and stable development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our partners and providing high-quality products/services to our customers so as to ensure the Group's sustainable development.

Employee

Our staff is regarded as the most important resource of the Group. The Group has been endeavoring to provide our staff with a range of competitive compensation packages, attractive promotion opportunities, comprehensive training courses and a professional working environment. In order to assist us in attracting, retaining and motivating our key employees, the Group has adopted share option schemes, pursuant to which share options will be granted to eligible employees. The Group provides ongoing training to our employees.

Customers

We uphold the principle of providing high-quality products/services throughout our operation, which we believe is vital to achieving customer satisfaction and maintaining our reputation.

Suppliers

We firmly believe that our suppliers are equally important in providing high-quality products/services. When selecting suppliers, we consider, among other things, their product/service offerings, pricing, reputation, product/service quality and delivery schedule. We conduct regular review of our suppliers and will remove any suppliers who do not meet our supply standards or requirements from our list of approved suppliers. We usually have more than one supplier for each kind of our supply so as to ensure we maintain sufficient inventory levels and bargaining power to deal with price fluctuations. We have stable business relationships with our suppliers in 2020.

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2020 and the Group's financial position as at that date are set out in the consolidated financial statements on pages 104 to 208.

The Board has resolved not to declare any dividend for the year ended 31 December 2020 (2019: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 209. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 41 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the subsection headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2020.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 44 to the consolidated financial statements contained in this annual report.

In order to provide incentives and rewards to the eligible employees and participants, the Company approved and adopted a share option scheme (the "**Share Option Scheme**") at a special general meeting ("**SGM**") on 20 June 2019. The Share Option Scheme became effective on 28 June 2019, being the date on which the Stock Exchange approved the listing of, and permission to deal in, the shares falling to be issued pursuant to the exercise of options under the Share Option Scheme. The Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules. The following table discloses movements in the Company's share options held by each of the Directors, the employees of the Company and other eligible participants in aggregate granted under the Share Option Scheme during the year ended 31 December 2020:

Category of participants	Date of grant *(Note 1)*	Exercise period	Exercise price HK$	Number of share options: Outstanding as at 01.01.2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.12.2020	Closing price per share immediately before the date of grant HK$
(a) DIRECTORS										
Dr. Zeng Wentao	12.5.2020 *(Note 2)*	12.5.2021 – 11.5.2030 *(Note 4)*	0.33	–	10,002,000	–	–	–	10,002,000	0.32
Ms. Zhou Wen Chuan	24.6.2020 *(Note 3)*	24.6.2021 – 23.6.2030 *(Note 5)*	0.33	–	18,000,000	–	–	–	18,000,000	0.345
Total for Directors				–	28,002,000	–	–	–	28,002,000	
(b) EMPLOYEES										
In aggregate	12.5.2020 *(Note 2)*	12.5.2021 – 11.5.2030 *(Note 4)*	0.33	–	4,008,000	–	–	–	4,008,000	0.32
	12.5.2020 *(Note 2)*	12.5.2022 – 11.5.2030 *(Note 6)*	0.33	–	3,000,000	–	–	–	3,000,000	0.32
	12.5.2020 *(Note 2)*	12.5.2022 – 11.5.2030 *(Note 7)*	0.33	–	2,004,000	–	–	–	2,004,000	0.32
	12.5.2020 *(Note 2)*	12.5.2021 – 11.5.2030 *(Note 8)*	0.33	–	11,646,000	–	(408,000)	–	11,238,000	0.32
	12.5.2020 *(Note 2)*	12.5.2022 – 11.5.2030 *(Note 9)*	0.33	–	3,024,000	–	(204,000)	–	2,820,000	0.32
	12.5.2020 *(Note 2)*	12.5.2020 – 11.5.2030 *(Note 10)*	0.33	–	996,000	–	–	–	996,000	0.32
Total for Employees				–	24,678,000	–	(612,000)	–	24,066,000	
(c) OTHERS										
In aggregate	12.5.2020 *(Note 2)*	12.5.2021 – 11.5.2030 *(Note 4)*	0.33	–	5,004,000	–	–	–	5,004,000	0.32
	12.5.2020 *(Note 2)*	12.5.2022 – 11.5.2030 *(Note 6)*	0.33	–	1,998,000	–	–	–	1,998,000	0.32
	12.5.2020 *(Note 2)*	12.5.2021 – 11.5.2030 *(Note 8)*	0.33	–	13,056,000	–	–	–	13,056,000	0.32
	12.5.2020 *(Note 2)*	12.5.2022 – 11.5.2030 *(Note 9)*	0.33	–	504,000	–	–	–	504,000	0.32
	12.5.2020 *(Note 2)*	12.5.2020 – 11.5.2030 *(Note 10)*	0.33	–	6,006,000	–	–	–	6,006,000	0.32
Total for Others				–	26,568,000	–	–	–	26,568,000	
Total for Scheme				–	79,248,000	–	(612,000)	–	78,636,000	

Notes:

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

2. On 12 May 2020, the Company granted 61,248,000 share options to certain eligible participants pursuant to the Share Option Scheme. Further details are set out in the announcement of the Company dated 12 May 2020 and the circular of the Company dated 3 June 2020.

3. On 12 May 2020, the Company proposed to grant 18,000,000 share options to Ms. Zhou Wen Chuan pursuant to the Share Option Scheme. At the SGM held on 24 June 2020 (the "**Date of SGM 2020**"), the resolution in respect of approving the proposed grant of share options to Ms. Zhou Wen Chuan was duly passed by the independent shareholders of the Company by the way of poll. Further details are set out in the announcements of the Company dated 12 May 2020 and 24 June 2020 and the circular of the Company dated 3 June 2020.

4. Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the date of acceptance of the offer of share option (the "**Date of Acceptance**"); (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.

5. Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of SGM 2020; (ii) another 25% of which shall be vested after 24 months of the Date of SGM 2020; (iii) another 25% of which shall be vested after 36 months of the Date of SGM 2020; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of SGM 2020.

6. Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 3 tranches: (i) one-third of which shall be vested after 24 months of the Date of Acceptance; (ii) another one-third of which shall be vested after 36 months of the Date of Acceptance; and (iii) the remaining one-third of which shall be vested after 48 months of the Date of Acceptance.

7. Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.

8. The share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.

9. The share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.

10. The share option granted shall be vested immediately upon the fulfilment of certain vesting conditions including the achievement of certain research and development milestones for certain pharmaceutical products, completion of designated tasks and satisfactory business performance of the relevant entities (subject to the Board's opinion).

The total number of shares of the Company issuable pursuant to the Share Option Scheme on the date of its adoption was 427,175,263 shares of the Company, representing approximately 10% of the issued share capital of the Company as at the date of this annual report.

VALUATION OF SHARE OPTIONS

The valuation of share options is set out in note 44 to the consolidated financial statements contained in this annual report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 43(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 108 in this annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the aggregate amount of the Company's reserves available for distribution to its owners, calculated under the Companies Act 1981 of Bermuda (as amended), was HK$342,662,000 (2019: HK$286,509,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group for the year ended 31 December 2020 are set out in note 18 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Zhou Xuzhou
Dr. Zeng Wentao
Ms. Zhou Wen Chuan

Non-Executive Director

Dr. Mao Zhenhua

Independent Non-Executive Directors

Mr. Gao Guanjiang
Professor Chau Chi Wai, Wilton
Mr. Wu Peng

Pursuant to the Bye-law 87(1) of the Company, each Director is required to retire by rotation once every three years and that one-third (or the number nearest to one-third but not less than one-third) of the Directors shall retire from office by rotation at each annual general meeting ("**AGM**") of the Company. Accordingly, Mr. Zhou Xuzhou, Ms. Zhou Wen Chuan and Mr. Wu Peng will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTOR'S SERVICE CONTRACTS

Mr. Zhou Xuzhou and Ms. Zhou Wen Chuan have entered into service contracts with the Company respectively for a term of three years commencing on 30 August 2019. Such contracts are determinable by either party serving not less than three months' notice in writing to the other.

Dr. Zeng Wentao has been re-designated as an executive Director since 27 May 2019. Dr. Zeng Wentao has entered into a service contract with the Company for a term of three years commencing on 27 May 2019. Such contract is determinable by either party serving not less than three months' notice in writing to the other.

Mr. Gao Guanjiang and Professor Chau Chi Wai, Wilton have been appointed as independent non-executive Directors since 30 August 2013. Mr. Gao Guanjiang and Professor Chau Chi Wai, Wilton entered into a service contract with the Company for a term of one year commencing on 30 August 2020, and such agreements are determinable by either party serving not less than two months' notice in writing to the other.

Dr. Mao Zhenhua, has been appointed as a non-executive Director since 5 October 2015. Dr. Mao Zhenhua entered into a service contract with the Company for a term of one year commencing on 5 October 2020, and such agreement is determinable by either party serving not less than three months' notice in writing to the other.

Mr. Wu Peng has been appointed as an independent non-executive Director since 27 May 2019. Mr. Wu Peng entered into a service contract with the Company for a term of 3 years commencing on 27 May 2019, and such agreement is determinable by either party serving not less than two months' notice in writing to the other.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

The Directors and chief executive of the Company who held offices as at 31 December 2020 had the following interests and short positions in the shares, underlying shares or 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 maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") required to be disclosed in accordance with Listing Rules:

(a) Interests in Issued Shares

Name of Director	Personal interests *(Note 1)*	Corporate interests *(Note 1)*	Total number of shares held *(Note 1)*	% of total issued shares
Mr. Zhou Xuzhou *(Notes 2, 3)*	124,130,470 (L)	2,120,258,291 (L)	2,244,388,761 (L)	52.54%
	–	1,263,825,530 (S)	1,263,825,530 (S)	29.59%
Dr. Zeng Wentao *(Note 3)*	75,000,000 (L)	–	75,000,000 (L)	1.76%
Ms. Zhou Wen Chuan *(Note 3)*	31,938,000 (L)	–	31,938,000 (L)	0.75%
Dr. Mao Zhenhua *(Note 4)*	–	113,890,000 (L)	113,890,000 (L)	2.67%
Professor Chau Chi Wai, Wilton *(Note 5)*	510,000 (L)	–	510,000 (L)	0.01%

Notes:

1. The letter "L" denotes the person's long position in the shares whereas the letter "S" denotes the person's short position in the shares.

2. These shares are held by U-Home Group International Limited, U-Home Group Investment Limited and Zhongjia U-Home Investment Limited.

3. Mr. Zhou Xuzhou, Ms. Zhou Wen Chuan and Dr. Zeng Wentao are executive Directors.

4. 113,890,000 shares are beneficially owned by Honour Goal Investments Limited. Honour Goal Investments Limited is wholly owned by Zhongchengxin (HK) Investment Services Limited ("**Zhongchengxin HK**"), a company incorporated in Hong Kong with limited liability. Zhongchengxin HK is wholly owned by Zhongchengxin Investment Group Company Limited* (中誠信投資集團有限公司) ("**Zhongchengxin Investment**"), a company established in the PRC with limited liability. Zhongchengxin Investment is owned as to 60% by Hubei East Asia Enterprise Company Limited* (湖北東亞實業有限公司) ("**Hubei East Asia**"), a company established in the PRC with limited liability. Hubei East Asia is owned as to 80% by Wuhan Huabing Real Estate Company Limited* (武漢華兵置業有限公司) ("**Huabing Real Estate**"), a company established in the PRC with limited liability. Huabing Real Estate is owned as to 99% by Dr. Mao Zhenhua, a non-executive Director.

5. Professor Chau Chi Wai, Wilton is an independent non-executive Director.

* *For identification purpose only*

(b) Interests in Share Options

Name of Director	Number of options directly beneficially owned *(Note 1)*
Dr. Zeng Wentao *(Note 2)*	10,002,000 (L)
Ms. Zhou Wen Chuan *(Note 2)*	18,000,000 (L)

Notes:

1. The letter "L" denotes the person's long position in the underlying shares.

2. Dr. Zeng Wentao and Ms. Zhou Wen Chuan, executive Directors have been granted share options under the Share Option Scheme, details of which are set out in the sub-section "Share Option Scheme" above.

Save as disclosed above, none of the Directors and chief executive of the Company or their respective associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code as at 31 December 2020.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the Company had been notified by the following person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings ("**GM(s)**") of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company:

Interests in Issued Shares

Name of substantial shareholder	Capacity	Total interests *(Note 1)*	% of total issued shares
U-Home Group International Limited *(Note 2)*	Beneficial owner	964,172,530 (L) 764,172,530 (S)	22.57% 17.89%
U-Home Group Investment Limited *(Note 3)*	Beneficial owner	499,653,000 (L) 499,653,000 (S)	11.70% 11.70%
Yuhua Enterprises Company Limited *(Note 3)*	Interest in controlled corporation	499,653,000 (L) 499,653,000 (S)	11.70% 11.70%
Anhui Yuhua Enterprises Company Limited* (安徽宇華實業有限公司) *(Note 3)*	Interest in controlled corporation	499,653,000 (L) 499,653,000 (S)	11.70% 11.70%
Yee Sheng Enterprises Company Limited *(Note 3)*	Interest in controlled corporation	499,653,000 (L) 499,653,000 (S)	11.70% 11.70%
Kambert Enterprises Limited *(Note 3)*	Interest in controlled corporation	499,653,000 (L) 499,653,000 (S)	11.70% 11.70%
U-Home Property (Group) Limited *(Note 3)*	Interest in controlled corporation	499,653,000 (L) 499,653,000 (S)	11.70% 11.70%
Zhongjia U-Home Investment Limited *(Note 4)*	Beneficial owner	656,432,761 (L)	15.37%
Shunda Investment Limited *(Notes 2, 3, 4)*	Interest in controlled corporation	2,120,258,291 (L) 1,263,825,530 (S)	49.63% 29.59%
Mr. Zhou Xuzhou *(Notes 2, 3, 4)*	Interest in controlled corporation	2,120,258,291 (L) 1,263,825,530 (S)	49.63% 29.59%
	Beneficial owner	124,130,470 (L)	2.91%
Haitong UT Leasing HK Limited	Person having a security interest in share	1,263,825,530 (L)	29.59%

* *For identification purpose only*

Notes:

1. The letter "L" denotes the person's long position in the shares whereas the letter "S" denotes the person's short position in the shares.

2. U-Home Group International Limited is wholly and beneficially owned by Shunda Investment Limited which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.

3. U-Home Group Investment Limited is wholly and beneficially owned by Yuhua Enterprises Company Limited. Yuhua Enterprises Company Limited is wholly and beneficially owned by Anhui Yuhua Enterprises Company Limited. Anhui Yuhua Enterprises Company Limited is wholly and beneficially owned by Yee Sheng Enterprises Company Limited. Yee Sheng Enterprises Company Limited is wholly and beneficially owned by Kambert Enterprises Limited. Kambert Enterprises Limited is wholly and beneficially owned by U-Home Property (Group) Limited. U-Home Property (Group) Limited is wholly and beneficially owned by Shunda Investment Limited, which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.

4. Zhongjia U-Home Investment Limited is wholly and beneficially owned by Shunda Investment Limited which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of GM of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 31 December 2020.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. Further details of the transactions are included in note 47 to the consolidated financial statements.

Connected Transactions

Save as disclosed in the sub-section headed "Material Acquisitions and Disposals" contained in the section headed "Management Discussion and Analysis" of this annual report, the Group had not entered into any other connected transactions during the year ended 31 December 2020, which are required to be disclosed under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

Property Sale and Consultancy Services Framework Agreement

On 8 November 2017, the Company and U-Home Group Limited* (宇業集團有限公司), a company wholly owned by Mr. Zhou Xuzhou, an executive Director and controlling shareholder of the Company, entered into a framework agreement. On 19 December 2017, 29 March 2018 and 15 September 2020, the Company and U-Home Group Limited further entered into the first supplemental framework agreement, the second supplemental framework agreement and the third supplemental framework agreement respectively.

Pursuant to the framework agreement (as amended by the supplemental agreements dated 19 December 2017, 29 March 2018 and 15 September 2020), the Group will provide the property sales and consultancy services to U-Home Group Limited and both parties agreed that the maximum annual aggregate amounts for the service fees payable by U-Home Group Limited to the Group in respect of the property sales and consultancy services under the framework agreement will not exceed RMB26,000,000 (equivalent to approximately HK$29,424,000) for each of the two years ended 31 December 2019 and RMB36,000,000 (equivalent to approximately HK$40,741,000) for the year ended 31 December 2020, respectively.

On 15 September 2020, the Company and U-Home Group Limited further entered into a new framework agreement. Pursuant to the new framework agreement, the Group will continue to provide the property sales and consultancy services to U-Home Group Limited and both parties agreed that the maximum annual aggregate amounts for the service fees payable by U-Home Group Limited to the Group in respect of the property sales and consultancy services under the new framework agreement will not exceed RMB40,000,000 (equivalent to approximately HK$45,268,000) for each of the three years ending 31 December 2023, respectively.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

ZHONGHUI ANDA CPA Limited, the Company’s auditor, were engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. ZHONGHUI ANDA CPA Limited have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

* *For identification purpose only*

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

	Approximate percentage of the Group's total	
	Sales	Purchase
The largest customer	11%	
Five largest customers in aggregate	43%	
The largest supplier		28%
Five largest suppliers in aggregate		79%

Other than property sale and consultancy service income paid by fellow subsidiaries of the Group as disclosed at note 47(a) to the consolidated financial statements, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622, Laws of Hong Kong).

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes for the year ended 31 December 2020 are set out in note 15 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules as of the date of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, save for Mr. Zhou Xuzhou, who held shareholding or other interests and/or directorships in U-Home Group Limited that engaged in the businesses of property investment and leasing in the PRC and Ms. Zhou Wen Chuan, who is an associate of Mr. Zhou Xuzhou, none of the Directors or their respective associate(s) are considered to have interests in business which compete or are likely to compete, either directly or indirectly, with the business of the Group which require disclosure under the Listing Rules. The nature of the investment properties held by U-Home Group Limited comprises shops, parking spaces, residential buildings, office buildings and hotels, all of which are located in Yueyang, Changsha, Kunshan, Nanjing and Chuzhou of the PRC. The latest annual rental income from these investment properties held by U-Home Group Limited amounted to approximately RMB101.3 million, with a carrying amount of approximately RMB2,366.4 million.

The power to make material business decisions for the Group is vested in the Board. Whenever the Board considers that there may be a conflict of interest between the Group and any Director, such Director and his/her associate will be required to abstain from voting. Therefore, the Board is capable of carrying on the Group's business independently of, and at arm's length, from the business of Mr. Zhou Xuzhou.

DIRECTORS' RIGHT TO ACQUIRE SHARES OF DEBENTURES

Other than as disclosed in the sub-section headed "Share Option Scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACT

Save as disclosed in the sub-section headed "Connected Transactions and Continuing Connected Transactions" above, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year ended 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any event having a significant effect on the Group after the end of the Reporting Period and up to the date of this Annual Report.

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2020, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group as far as the Board was aware of.

TAX RELIEF AND EXEMPTION

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

AUDITOR

Ernst & Young, who acted as the auditor of the Company since 2017, retired on 24 June 2020 and ZHONGHUI ANDA CPA Limited was appointed as the auditor of the Company on 24 June 2020.

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by ZHONGHUI ANDA CPA Limited who shall retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

ANNUAL GENERAL MEETING

The 2021 AGM of the Company will be held at 11:00 a.m. on Thursday, 24 June 2021 at Room 901–905, 9/F., China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong and a notice of AGM will be published and dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

The register of members of the Company for the AGM will be closed from Friday, 18 June 2021 to Thursday, 24 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the AGM to be held on Thursday, 24 June 2021, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 June 2021.

On behalf of the Board
Zhou Wen Chuan
Executive Director and Chief Executive Officer

Hong Kong, 19 March 2021

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices are crucial to the effective management of the Group. The Company is committed to the transparency, accountability and independence highlighted by the principles of the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules to protect the rights of shareholders and stakeholders, enhance shareholder value and ensure proper management of corporate assets.

The Board is of the opinion that during the financial year ended 31 December 2020, the Company had adopted the principles and complied with all the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors have confirmed that, for the year ended 31 December 2020, they have complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this annual report, the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors.

Save as disclosed under the section headed "Biography of Directors and Senior Management" of this annual report, there is no other financial, business, family or other material/relevant relationship between the Directors and the Board, which comprised the following:

Executive Directors

Mr. Zhou Xuzhou *(Co-Chairman)*
Dr. Zeng Wentao *(Co-Chairman)*
Ms. Zhou Wen Chuan *(Vice Chairman)*

Non-Executive Director

Dr. Mao Zhenhua

Independent Non-Executive Directors

Professor Chau Chi Wai, Wilton
Mr. Gao Guanjiang
Mr. Wu Peng

Eight Board meetings were held for the year ended 31 December 2020. Details of Directors' attendance of the shareholders' GM and Board meetings held during the year ended 31 December 2020 are set out in the following table:

Members of the Board	Meeting attendance/held	
	Board Meeting	GM[1]
Executive Directors		
Mr. Zhou Xuzhou *(Co-Chairman)*	8/8	3/3
Dr. Zeng Wentao *(Co-Chairman)*	8/8	3/3
Ms. Zhou Wen Chuan *(Vice Chairman)*	8/8	3/3
Non-Executive Director		
Dr. Mao Zhenhua	8/8	3/3
Independent Non-Executive Directors		
Professor Chau Chi Wai, Wilton	8/8	3/3
Mr. Gao Guanjiang	8/8	3/3
Mr. Wu Peng	8/8	3/3

Note:

1. The Company held three GM in 2020, the 2020 AGM and a SGM, which were held on 24 June 2020, and a SGM held on 4 November 2020 respectively.

Apart from the Board meetings above, consents and/or approvals of the Board were also obtained by way of written resolutions on a number of matters.

The Company has appointed sufficient numbers of independent non-executive Directors in accordance with the Listing Rules, including those with appropriate professional qualifications, or accounting or related financial management expertise. They have dedicatedly provided the Company with professional advice with respect to the steady operation and development of the Company. They also exercise supervision and coordination to safeguard interests of the Company and its shareholders.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with independence guidelines set out in the Listing Rules.

The operation of the Board

The Board oversees the Group's strategic development, and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. All Board members have access to appropriate business documents and information about the Group on a timely basis. All Directors and members of Board committees have access to external legal counsel and other professionals for independent advice at the Group's expense if they require it.

Four Board committees, namely, the audit committee, remuneration committee, nomination committee and strategic committee have been established to oversee particular aspects of the Group's affairs. The Board has delegated the day-to-day management and operations of the Group's businesses to management of the Company and its subsidiaries.

The Board had met eight times during the year ended 31 December 2020 to discuss and formulate overall strategies for the Group, review the financial performance, as well as other significant matters when Board decisions were required.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the following corporate governance duties including:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employee and Directors; and

(v) to review the Company's compliance with the CG Code and disclosure in its corporate governance report.

CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER

Mr. Zhou Xuzhou and Dr. Zeng Wentao are the co-chairmen of the Company and are mainly responsible for the management of the Board. Ms. Zhou Wen Chuan is the chief executive officer of the Company (the "**Chief Executive Officer**") and is delegated with the authority and is responsible for day-to-day management of the Group's business, and the implementation of the approved strategies in achieving the overall business objectives.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Non-executive Director has entered into a service contract with the Company for a term of one year or till retirement by rotation in accordance with the Bye-laws of the Company, whichever is earlier.

PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Directors are encouraged to attend relevant seminars to develop and refresh their knowledge and skills. All Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective Directors are kept and updated by the company secretary of the Company (the "**Company Secretary**").

Mr. Zhou Xuzhou, Dr. Zeng Wentao and Ms. Zhou Wen Chuan being executive Directors, Dr. Mao Zhenhua being a non-executive Director and Mr. Gao Guanjiang, Professor Chau Chi Wai, Wilton and Mr. Wu Peng being independent non-executive Directors, have attended various seminars and meetings organised by such as The Chinese University of Hong Kong, Hong Kong Institute of Certified Public Accountants, Hong Kong Securities and Investment Institute and Hong Kong Institute of Directors to develop and refresh their knowledge so as to ensure their contributions to the Board. All the Directors also understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

REMUNERATION COMMITTEE

As at 31 December 2020, the Remuneration Committee comprised one executive Director and two independent non-executive Directors, namely Dr. Zeng Wentao, Mr. Gao Guanjiang and Professor Chau Chi Wai, Wilton. Mr. Gao Guanjiang is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code. The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary function of the Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The main functions of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);

4. to make recommendations to the Board on the remuneration of non-executive Directors;

5. to review the proposals for the award of share options to executive Directors and senior management based on their performance and contribution to the Company from time to time;

6. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;

7. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

8. to review and approve compensation payable to the executive Directors and the senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

9. to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

10. to recommend to the Board the structure of long-term incentive plans for executive Directors and certain senior management.

The details of the remuneration payable to the Directors are set out in note 13 to the consolidated financial statements contained in this annual report.

During the year ended 31 December 2020, the Remuneration Committee had held two meetings. Attendance of each individual member was as follows:

Committee member	Meeting attended/held
Mr. Gao Guanjiang	2/2
Professor Chau Chi Wai, Wilton	2/2
Dr. Zeng Wentao	2/2

The major works performed by the Remuneration Committee included the following:

1. reviewed and recommended the remuneration and bonus of executive Directors and senior management;

2. conducted an annual review of the remuneration packages for executive Directors, non-executive Director and senior management based on their performance; and

3. reviewed the terms of reference of the Remuneration Committee.

NOMINATION COMMITTEE

As at 31 December 2020, the nomination committee of the Company (the "**Nomination Committee**") comprised one executive Director and two independent non-executive Directors, namely Mr. Zhou Xuzhou, Professor Chau Chi Wai, Wilton and Mr. Wu Peng. Mr. Zhou Xuzhou is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee have been reviewed with reference to the CG Code. The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary duties of the Nomination Committee are to develop and maintain a formal and transparent process for the appointment and re-appointment of members of the Board. The Nomination Committee also reviews and assesses Board composition and its effectiveness on an annual basis.

The main functions of the Nomination Committee include:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to establish a policy concerning diversity of Board members;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

5. to assess the independence of the independent non-executive Directors.

During the year ended 31 December 2020, the Nomination Committee had held one meeting. Attendance of each individual member was as follows:

Committee member	Meeting attended/held
Mr. Zhou Xuzhou	1/1
Professor Chau Chi Wai, Wilton	1/1
Mr. Wu Peng	1/1

The major works performed by the Nomination Committee included the following:

1. reviewed and updated the board diversity policy (the "**Board Diversity Policy**");

2. reviewed and assessed the structure, size and composition (including the skills, knowledge and experience) of the Board and its effectiveness;

3. assessed the independence of independent non-executive Directors and confirmed that all independent non-executive Directors are considered independent;

4. reviewed the terms of reference of the Nomination Committee;

5. proposed the Directors for re-election at AGM; and

6. reviewed the nomination policy.

AUDIT COMMITTEE

As at 31 December 2020, the audit committee of the Company (the "**Audit Committee**") comprised one non-executive Director and two independent non-executive Directors, namely Dr. Mao Zhenhua, Professor Chau Chi Wai, Wilton and Mr. Gao Guanjiang. Professor Chau Chi Wai, Wilton is the chairman of the Audit Committee. None of the members of the Audit Committee is a member of the former or external auditor of the Company.

The terms of reference of the Audit Committee have been reviewed with reference to the CG Code. The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group.

The main functions of the Audit Committee include:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of external auditor, any questions of its resignation or dismissal;

2. to develop and implement policy on engaging an external auditor to supply non-audit services;

3. to review the Group's financial and accounting policies and practices;

4. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

5. to review the Group's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Group's risk management and internal control systems;

6. to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective systems;

7. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness;

8. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

9. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

10. to consider other topics, as defined by the Board;

11. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

12. to report to the Board on the matters contained in code provision of the CG Code;

13. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

14. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

15. to act as the key representative body for overseeing the Company's relations with the external auditor.

During the year ended 31 December 2020, the Audit Committee had held three meetings. Attendance of each individual member was as follows:

Committee member	Meeting attended/held
Professor Chau Chi Wai, Wilton	3/3
Mr. Gao Guanjiang	3/3
Dr. Mao Zhenhua	3/3

Apart from the meetings above, consents and/or approvals of the Audit Committee were also obtained by way of written resolutions on a number of matters.

The major works performed by the Audit Committee included the following:

1. reviewed the Group's draft annual audited financial statements for the year ended 31 December 2019 and the interim financial statements for the six months ended 30 June 2020 including the accounting principles and accounting standards adopted with recommendations for presentation to the Board for its consideration and approval;

2. approved the audit services provided by ZHONGHUI ANDA CPA Limited;

3. reviewed the fees proposal of ZHONGHUI ANDA CPA Limited for the 2020 audit work for the Group;

4. recommended to the Board on the appointment of ZHONGHUI ANDA CPA Limited as the Company's new external auditor;

5. discussed, examined and reviewed 2020 annual accounting and financial reporting issues;

6. reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process;

7. considered and made recommendations on the re-appointment of the external auditor, and the terms of engagement;

8. reviewed the terms of reference of the Audit Committee; and

9. discussed, assessed and reviewed the reports of internal control and risk management system as well as its effectiveness for the year.

STRATEGIC COMMITTEE

As at 31 December 2020, the strategic committee of the Company (the "**Strategic Committee**") comprised two executive Directors and one non-executive Director, namely Mr. Zhou Xuzhou, Dr. Zeng Wentao and Dr. Mao Zhenhua. Dr. Mao Zhenhua is the chairman of the Strategic Committee.

The terms of reference of the Strategic Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primarily function of the Strategic Committee is to conduct researches and submit proposals to the Board concerning the long-term development strategic and material investment decision of the Company.

During the year ended 31 December 2020, the Strategic Committee had not held any meeting.

REMUNERATION OF SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biography of Directors and Senior Management" in this annual report for the year ended 31 December 2020 by band is set out below:

Remuneration band	Number of individuals
HK$1,500,001 to HK$2,000,000	1

AUDITOR'S REMUNERATION

For the year ended 31 December 2020, the Group engaged ZHONGHUI ANDA CPA Limited, auditors of the Company, to perform audit service. The services provided by ZHONGHUI ANDA CPA Limited and the fees thereof were as follows:

Nature of services	For the year ended 31 December 2020 *HK$'000*
Audit services	1,150
Non-audit services *(note a)*	300
	1,450

Note:

(a) Fees for non-audit services in 2020 consisted of fee incurred to ZHONGHUI ANDA CPA Limited in connection with review of interim financial statements, the annual results announcement and the continuing connected transactions of the Group.

RESPONSIBILITY ON FINANCIAL REPORTING

Management provides financial information with explanation to the Board to assist the Board in assessing the financial position of the Group.

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to the statutory requirements. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibilities of ZHONGHUI ANDA CPA Limited, the Company's auditor, are stated in the Independent Auditor's Report on pages 100 to 103 of the Annual Report.

BOARD DIVERSITY POLICY

1. Vision

   The Company sees diversity at Board level as an important element in maintaining a high standard of corporate governance. The Company is committed to a diverse Board, so Directors from diverse backgrounds could present the Company effectively to various constituencies, and to bring different and inspiring perspective into the boardroom.

2. Policy Statement

   2.1 The Company aspires to maintain an appropriate range and balance of skills, experience and background on the Board. In determining the optimum composition of the Board, differences in the skills, regional and industry experience, background, ethnicity, gender and other qualities of Directors shall be considered. All Board appointments are made on merits, in the context of the skills and experience the Board as a whole requires to be effective, with due regard for the benefits of diversity on the Board.

   2.2 The Nomination Committee will review and assess Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

3. Measurable Objectives

   Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

4. Monitoring and Reporting

4.1 The Nomination Committee will report annually in the Corporate Governance Report contained in the annual report, on the composition of the Board (including gender, age, length of service, education background, working experience), and monitor the implementation of the Board Diversity Policy.

4.2 The Nomination Committee will monitor the implementation of the Board Diversity Policy by conducting review of the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to the Board Diversity Policy when making recommendation on any Board appointments.

The Nomination Committee reviewed the Board's composition and considered the Board Diversity Policy during the year ended 31 December 2020. The Board currently comprises experts from diversified professions such as accounting, finance and management, and was diversified in terms of gender, age, duration of service which effectively improved the ability of the Board in decision making and strategic management.

DIVIDEND POLICY

1. The Dividend Policy sets out the structure of dividend payout to the shareholders of the Company.

2. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

   (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

   (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

3. The Company may distribute dividends by way of (1) Cash; (2) Shares.

4. The Board may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company.

5. According to the Company's Bye-laws, the Company in GM may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

6. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules and all relevant applicable laws, rules and regulations in Bermuda, Hong Kong and the Bye-laws of the Company.

7. In proposing any dividend payout, the Board shall also take into account, inter alia:

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

   (b) retained earnings of the Company and each of the members of the Group;

(c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

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

(e) the Group's expected working capital requirements and future expansion plans;

(f) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(g) any other factors that the Board deem appropriate.

8. Any final dividend for a financial year will be subject to shareholders' approval.

COMPANY SECRETARY

The Company Secretary, Mr. Li Shu Pai, is responsible for advising the Board on governance matters and also facilitates induction and professional development of Directors. The Company Secretary reports to the co-chairmen of the Board. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable laws, rules and regulations are followed. The Company Secretary's biography is set out in the section headed "Biography of Directors and Senior Management" of this annual report.

The Company Secretary has taken no less than 15 hours of relevant professional training to comply with Rule 3.29 of the Listing Rules for the year ended 31 December 2020.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Board from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

Our risk management activities are performed by management on an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

Pursuant to C.2.1 of the CG Code, the Group engages independent professional advisor to conduct an annual review of the effectiveness of the Group's risk management and internal control system in various material aspects including financial, operational and compliance controls. The risk management report and internal control report are submitted and reviewed by the Audit Committee at least once a year. Summary of findings and recommendations are discussed at the Audit Committee meeting with a view to improve the Group's operations.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Board will continue to review at least annually the need for an internal audit function. The Company considers that our risk management and internal control systems are effective and adequate.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at GM of the Company shall at all times have the right, by written requisition sent to the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

(i) Shareholder(s) of the Company holding not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the GM; or (ii) not less than 100 shareholders, can submit a written request to the Company Secretary stating the resolution intended to be moved at the GM or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular GM.

The above procedures are subject to the Company's Bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation (as amended from time to time). Shareholders who have enquiries about the above procedures or have enquiries to put to the Board may write to the Company Secretary at the principal place of business of the Company at Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong or by e-mail to information@meilleure.com.cn for the attention of the Company Secretary.

COMMUNICATION WITH SHAREHOLDERS

To enhance transparency and effectively communicate with the investment community, the executive Directors and senior management of the Company actively maintains close communications with various institutional investors, financial analysts and financial media. Investors are welcome to share their views with the Board by sending enquiries to information@meilleure.com.cn.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There were no changes in constitutional documents of the Company during the year ended 31 December 2020.

ABOUT THIS REPORT

Meilleure Health International Industry Group Limited (hereinafter referred to as the "**Company**" or "**Meilleure Health**", along with its subsidiaries, the "**Group**" or "**We**") is pleased to publish its Environmental, Social and Governance ("**ESG**") Report (the "**Report**") covering the period from 1 January 2020 to 31 December 2020 (the "**Reporting Period**"). This Report aims at comprehensively disclosing the Group's ESG performance and sustainable development during the Reporting Period.

Reporting Scope

Due to a business restructure of Meilleure Health during the Reporting Period, this Report covers the latest and major operations of the Group, including six main branches of operations located in Hong Kong, People's Republic of China (the "**PRC**"), Japan and Australia. Unless otherwise specified, all relevant branches are wholly-owned by the Company.

Operations	Locations
Industrial Hemp Business	PRC, Japan, Europe
Health Related Business	PRC
Trading Business	PRC, Japan
Agency Service Business	PRC
Property Investment and Leasing Business	PRC
Property Development Business	Australia
Administrative Office	Hong Kong

Reporting Standard

The Report is prepared in accordance with the "comply or explain" provisions of the ESG Reporting Guide (the "**Reporting Guide**") in Appendix 27 of the Rules Governing the Listing of Securities, as set out by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reporting Principles

In order to disclose the Group's ESG policies, practices and performance in an objective and just manner, we strictly comply with the following reporting principles throughout the Report's preparation.

Materiality	The Group has conducted a materiality assessment to identify and evaluate material ESG issues during the Reporting Period. The reporting framework is based on the prioritization of material aspects. For more information, please refer to the "Materiality Assessment" chapter under section – "Sustainability at Meilleure Health".
Quantitative	The Report discloses quantitative key performance indicators ("**KPIs**") of the Group's operations in its offices and clinics, which are mainly located in Hong Kong, Shenzhen and Japan.
Balance	The information provided in this Report is based on the Group's policies, documents and recorded practices. It gives an unbiased statement of the Group's ESG performance.
Consistency	The Report is prepared in accordance with the Reporting Guide. It clearly states a change towards the reporting boundary and business scope compared to last year, and correspondingly provides an updated methodology for the calculation of KPIs. For more information, please refer to the "KPIs Performance Summary".

Feedback Information

For details about the Group's financial performance and corporate governance, please refer to the official website of the Company (http://www.meilleure.com.cn) and this Annual Report. The Group highly values your comments and opinions. You are welcome to share your thoughts at: information@meilleure.com.cn.

ABOUT THE GROUP

Meilleure Health is an international healthcare industrial group listed on the main board of Stock Exchange. Headquartered in Hong Kong, the Group has branches across PRC, Japan, Australia, and Switzerland, and involves in healthy medical care and real estate industry. The Group principally engages in the following six business segments with core operations in health management and Cannabidiol ("**CBD**") downstream product application business. During the Reporting Period, the Group recorded a total turnover of HK$265.1 million (2019: HK$234.8 million).

Industrial Hemp Business

The Group acquired or established various associates, joint ventures and subsidiaries in Yunnan, Japan and Europe since 2018. Since then, we have been expanding the application of CBD in certain healthcare fields. As of 31 December 2020, the Group owned two CBD healthcare brands, namely Mazhuang and CANNERGY, and will own the CBD healthcare brand Alp Releaf in Europe, with a diversified product line comprising cosmetics and atomizers.

Health Related Business

The Group's health related business is mainly located in Shenzhen. We operate one clinic that provides health management services, including anti-aging, aesthetic medicine, and other high-end medical consulting. The Group's joint ventures and associates also carries out research and development ("**R&D**") on cell technology. During the novel coronavirus ("**COVID-19**") pandemic (the "**Epidemic**"), we also acted as an agent in test kit trading.

Trading Business

The Group focuses on traditional construction materials trading, which is carried out in Wuhu.

Agency Service Business

The Group provides agency services in real estate.

Property Investment and Leasing Business

In eastern PRC, the Group invested in certain properties in Nanjing and Wuhu. We leased those properties for the purposes of restaurants, shops, hotels, among others.

Property Development Business

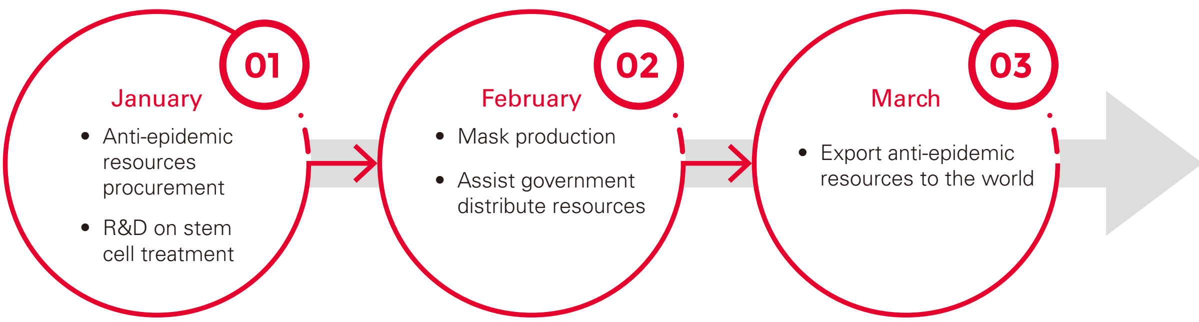
The Group has a residential development project, which covers a total site area of approximately 11,488 square meter at Alphington, Australia. As of 31 December 2020, all construction agreements and design applications had already been signed and approved. Construction work is expected to commence in the first half of 2021 and to finish by 2023. Afterwards the property would be served as a high-end recreational community.

2020 Highlight

In 2020, the global political landscape and economic activity underwent drastic changes due to the Epidemic, which has brought increased uncertainty in overall situation. The economy of the PRC took the lead in recovery thanks to the government's dedication in containing the Epidemic. The cell industry has benefited from the Epidemic and the improved policy environment. With increasing public health awareness and demand for healthcare services, the healthcare industry has ushered in new development opportunities. Being innovative and responsive, the Group has made significant progress in the two high-growth businesses that it focuses on, namely the industrial hemp business and healthcare-related business. The "one core and two wings" strategy that focuses on high-end health management business driven by the health applications of CBD and cell began to bear fruit, and new profit growth drivers have been identified whilst actively responding to the Epidemic. During the Reporting Period, the Group continued to strengthen the layout of the upstream and downstream industry chains of its health management and industrial hemp business, increased investment in talent recruitment, basic R&D, as well as products and marketing, integrated human resources and marketing resources from home and abroad, enhanced its R&D capability, marketing capability and sales capability, thus improved its overall risk resistance and ability to dominate the market and generate sustainable revenue.

COVID-19 Actions

At the end of 2019, COVID-19 broke out and quickly spread across the world. In the face of this long-term battle, Meilleure Health takes up the responsibility to fight against the Epidemic without hesitation. As a global health conglomerate and a responsible corporate citizen, we proactively integrated our resources and advantages in the healthcare sector. By utilizing our efficient production capability and up-to-date R&D technology, we formulated a three-step anti-epidemic plan to help our country and the world overcome this Epidemic.



When the Epidemic broke out in PRC, we promptly procured anti-epidemic resources on a global scale, and donated to hospitals in high-risk areas, such as Renmin Hospital of Wuhan University (武漢大學人民醫院), Xiangya Hospital Central South University (中南大學湘雅醫院), and The Third People's Hospital of Shenzhen (深圳市第三人民醫院). At the same time, one of our joint venture cooperated with research centers and hospitals in Shenzhen, and actively promoted the clinical treatment of patients by applying stem cell technology. For more information, please refer to the "Investing in Our Community" section.

In February, work and production in PRC was largely resumed. However, the whole country was still facing a large demand for masks. Shenzhen Meiray Vap. Technology Co., Ltd. （深圳市美深瑞科技有限公司), the Group's associate in Shenzhen, transformed its business from electronic atomizer and medical equipment production to mask production and started accepting government orders to provide masks nationwide.

In March, the Epidemic turned into a global pandemic, and there was a global shortage of anti-epidemic resources. Through an approximate two-month battle, the Group has accumulated considerable technological and manufacturing capabilities towards COVID-19. Therefore, driven by the Group's mission to care about the health and well-being of the world, exporting our experiences and resources to other countries became our focus. In order to achieve this, we quickly launched the Division Against COVID-19 (抗擊新冠肺炎事業部) and cooperated with Sansure Biotech Inc (聖湘生物科技股份有限公司). By integrating advantages of our global industrial layout and the laboratory technology of our partner, we began to supply anti-epidemic resources such as test kits, masks, and personal protective clothing to Indonesia, Columbia, and other countries around the world.

The Division Against COVID-19 (抗擊新冠肺炎事業部)

The Group's COVID-19 actions displayed our corporate social responsibility. We contributed to the world by utilizing our professional strength in the field of healthcare and biotechnology. It also reflected the strong resilience of a global health conglomerate in the context of the Epidemic.

International Exhibition

During the Reporting Period, the Group participated in the 3rd Beauty & Health Foods Expo in Tokyo (INNER BEAUTY TOKYO), the Hemp & CBD Expo in Birmingham, the 2nd World Health Expo in Wuhan and other international events. Through these events, we endeavour to carry out the commercialized application of downstream CBD supply chain, and continue to accelerate the investment in CBD health consumer brands. By strengthening the global landscape of industrial hemp, we strive to become a leader of the global hemp health brand.

In January 2020, CANNERGY, a brand of Meilleure Health, appeared at the 3rd Beauty & Health Foods Expo in Tokyo. This is the first CBD atomized product Meilleure Health has launched in Japan.

In early March 2020, at the three-day HEMP & CBD EXPO in Birmingham, Our CBD brand CANNERGY made its debut in the European market. Owing to its exquisite design and brand concept, CANNERGY deeply impressed consumers and was fully recognized by our peers in European CBD industry. For more information on CANNERGY, please refer to the "Case Study" chapter under section – "Improving Our Service".

In November 2020, the Group also participated in the 2nd World Health Expo in Wuhan. We introduced various health products including CBD skincare products, atomized healthcare products, healthcare products, biological skincare products, among others. During the exhibition, our CBD brand Mazhuang created a remarkable on-site sale, which had more than 3,000 boxes in deal, and more than 2,000 consumers asked for trial sets. For more information on Mazhuang, please refer to the "Case Study" chapter under section – "Improving Our Service".

The HEMP & CBD EXPO in Birmingham

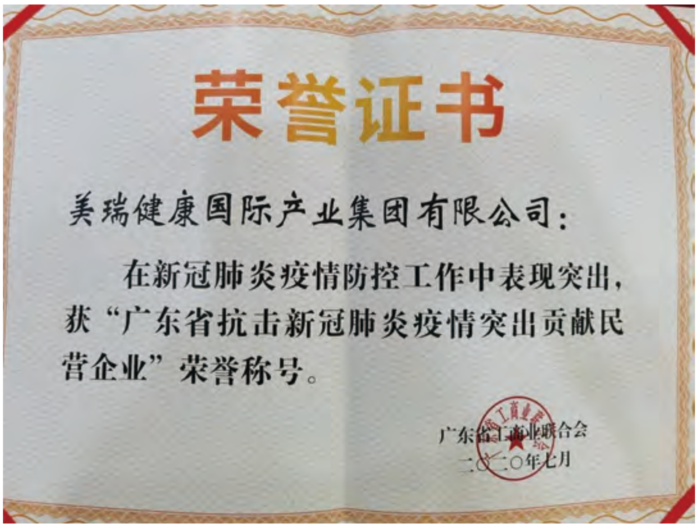
The 2nd World Health Expo in Wuhan

The 3rd Beauty & Health Foods Expo in Tokyo

Awards and Recognition

Outstanding Enterprise in Epidemic Fighting

When COVID-19 broke out in late December 2019, the Group bravely shouldered its social responsibilities, and formed a strong anti-epidemic phalanx with other companies. We fought against the Epidemic together with people across the country and made outstanding contributions to the anti-epidemic victory in PRC. The Guangdong Federation of Industry & Commerce (廣東省工商業聯合會) subsequently awarded Meilleure Health the honorary title of "The Outstandingly Contributive Private Enterprises that Fighting the COVID-19 in Guangdong Province" (廣東省抗擊新冠肺炎疫情突出貢獻民營企業).



荣誉证书

美瑞健康国际产业集团有限公司：

在新冠肺炎疫情防控工作中表现突出，获"广东省抗击新冠肺炎疫情突出贡献民营企业"荣誉称号。

广东省工商业联合会
二〇二〇年七月

The Most Influential Enterprise (最具影響力企業)

As one of the CBD skincare product brands under the Group, Mazhuang has achieved gratifying sales since its listing in early September 2020. By relying on the Group's R&D advantages in the industrial hemp industry, it has also been listed as the "Most Influential Enterprise" under the consumer brand and life area in WISE 2020 King of China's New Economy (WISE 2020 中國新經濟之王).

The Best Small and Mid-Cap Enterprises (最佳中小市值公司)

In recognition of our operational excellence, we were awarded the "Best Small and Mid-Cap Enterprises" in the Fifth Annual Hong Kong Golden Stock Awards Ceremony (第五屆金港股頒獎典禮). This award commends Hong Kong listed companies whose business and operation are of great investment potential, and develop in line with market trends.

This award highlights the Group's recognizable business mode, promising development outlooks and huge growth potential in the industrial hemp industry, as well as our resilience towards different unexpected situations during the Epidemic. In the future, we will continue to strengthen our innovation capability regarding industrial hemp and enhance our operational strategy, thereby improving investors' confidence towards Meilleure Health.

SUSTAINABILITY AT MEILLEURE HEALTH

ESG Governance

ESG factors, such as chemical use, sustainable procurement, as well as clinical and chemical waste, have been a continuous topic in the healthcare industry. We believe that a sustainable healthcare business must deliver high quality products and services without causing severe environmental degradation. It is therefore part of the Group's strategic plans to "Building a Healthy Future" with all our stakeholders.

The sustainability conversation and the audience have evolved drastically since we first started back in 2002. Nowadays, the conversation revolves around not only quality and design, but also environmental causes and labour issues. The audience has also grown to encompass a variety of stakeholders, from investors, employees and customers, to media and community partners.

Therefore, our board (the "**Board**") of directors is committed to contributing and spearheading the Group's ESG performance, risks and opportunities. Within the Reporting Period, we conducted a comprehensive ESG-focused stakeholder engagement and have created a new ESG strategy with the theme of "Building a Healthy Future". In the near future, the Board shall receive relevant ESG training on a regular basis to keep abreast the latest information on ESG issues, thereby further improving the capacity of the Board to lead the company into a sustainable future.

Stakeholder Engagement

The Group highly values the opinions of different stakeholders. Hence, during the Reporting Period, we actively engaged with stakeholders through a variety of communication channels to understand their views and expectations regarding corporate sustainable development. We believe that it would help us formulate practical ESG-related policies and ensure that our business operations align with stakeholder expectations. The following table sets out our key stakeholder groups and their corresponding communication channels.

Key Stakeholder Groups	Engagement Channels
Investors/Shareholders	• Annual general meetings • Press releases, circulars and announcements • Annual/interim reports • Meetings and correspondences
Employees	• Business meetings • Briefings • Conferences • Performance appraisal meetings • New hire orientation programs • Focus group interviews
Customers	• Personal contact • Social media • Meetings and correspondences
Suppliers	• Procurement tender meetings • Site visits
Media	• Meetings and correspondences • Interviews • Press releases
Government bodies	• Meetings and correspondences • Site visits • Compliance/non-compliance reports

Materiality Assessment

The Group commissioned an independent sustainability consultancy during the Reporting Period to assist in conducting a materiality assessment survey. Through this survey, we were able to identify and prioritize material sustainability issues, which helped us gain a comprehensive understanding of stakeholder expectations, as well as areas for improvement. A 4-step methodology was adopted to assess the materiality of key ESG issues.

Step 1

20 material issues were identified through:

- Internal benchmarking (previous ESG Reports from the Group)
- External benchmarking (ESG Reports from industry peers)

Step 2

We distributed customized questionnaires to different stakeholders, namely management and other stakeholders.

- 5 members of management ranked the importance of material aspects for Group's sustainable development.
- 42 other stakeholders, including employees, customers, and suppliers, ranked the importance of material aspects based on their own preferences and expectations.

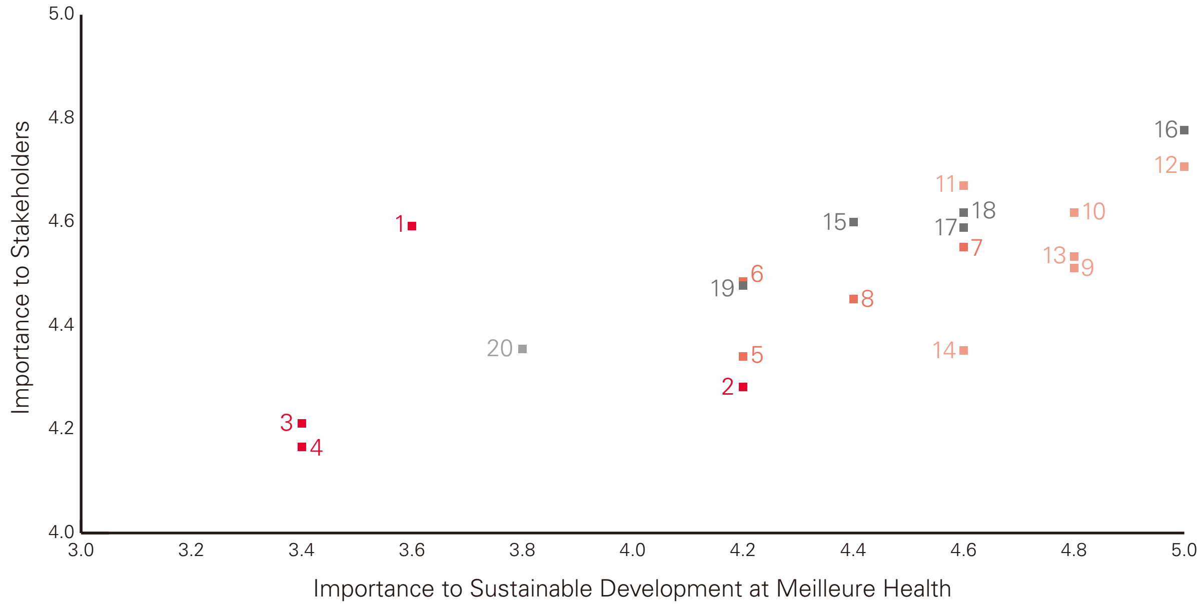
Step 3

The Group's management confirmed the list of material topics for disclosure in this Report. Survey data was plotted to represent stakeholder views versus sustainable development at Meilleure Health. The results are shown in the materiality matrix below.

Step 4

The Board reviewed the material issues, the materiality matrix, as well as relevant risks and opportunities to ensure an unbiased and balanced view of our sustainability performance and stakeholder expectations.

The following materiality matrix indicates the relative importance of each issue towards the sustainable development of Meilleure Health against different stakeholders views. In addition, the table below details each material issue within the matrix and its corresponding sections. The most material issues from the materiality matrix are displayed in bold.



Greening Our Environment

1. Resources Use
2. Waste Management
3. Air and Greenhouse Gas Emissions
4. Climate Change

Improving Our Services

9. **Customer Health and Safety**
10. **Service Quality & Complaints Handling**
11. **Product Innovation**
12. **Product Safety and Quality**
13. **Responsible Supply Chain Management**
14. **Responsible Marketing**

Investing in Our Community

20. Community Support

Caring for Our People

5. Employee Retention
6. Diversity and Equal Opportunity
7. **Occupational Health and Safety**
8. Employee Development and Training

Sublimating Our Business

15. Anti-Corruption
16. **Customer Privacy and Data Protection**
17. **Labour Legislation and Regulations**
18. **Intellectual Property**
19. Industry Partnership and Development

Based on materiality assessment results, an average score was used to assess the general importance of each aspect that balances stakeholders' opinions, which informs the report structure of this Report. The report structure for the Reporting Period is finalised as below.

ESG Strategy

At Meilleure Health, we are diligent to integrate sustainability concepts into our own operating strategy. In order to further improve the Group's ESG performance, and establish a long-term sustainable agenda that navigate us to realize business allocation on a global scale, we hereby formulated our ESG strategy, which includes four core aspects – Business, Product, People and Environment. By laying down our corporate keyword "health" as a foundation, each aspect has a particular guideline and vision, converging to a theme "Building a Healthy Future".

IMPROVING OUR SERVICES

In this competitive era, a high-quality product or a satisfactory service is the key factor that decides if enterprises are able to succeed. Meilleure Health not only takes the production of high-quality products and considerate services as the most basic corporate commitment, but also views the globalization of its products as a strategic goal. By applying healthy concepts to our products, we hope to awaken the public's awareness on health and showcase our contribution to the global health industry.

Customer Service Quality and Complaint Handling

The Group acknowledges that the satisfaction of customers is the best reward for our services. In order to further improve our products and services quality, we actively collect customers' opinions to understand their satisfaction with the quality, price, and performance of our products and services. These opinions will be used for analysis and continuous improvement. If we receive any material complaints from customers, we will carry out the recall mechanism and test for any defective products when necessary. Our customer service department will subsequently coordinate with customers on remedial actions as soon as possible.

During the Reporting Period, we conducted a customer satisfaction survey and invited customers to provide opinions through telephone interviews. We received highly positive feedback and had not received material complaints about our products and services. We will continue to comply with the highest standard in the global health industry, actively combine health concepts with our products and services, and present our customers with the best products and service experiences.

Product Innovation

Industrial hemp and global health are emerging industries in the world. In order to keep abreast the latest development trends, technologies and regulations, the Group proactively participates in product innovation. We recruited experts and established Smart Plant Lab (the "**Lab**") to study the industry hemp ingredients, and integrated those into personal healthcare products.

Our Lab has a patented extraction technology, and our chief researcher has more than 20 years of cosmetics R&D experience. By setting the application of CBD in cosmetics as the research direction, our R&D team creatively proposed and applied a new product formulation that uses CBD as its core ingredient. By combining the skincare efficacy and medical value of CBD with traditional skincare products such as facial masks, we aim to produce innovative skincare products that improve and nourish epidermal cells.

During the Reporting Period, our Lab successfully nurtured Mazhuang and achieved huge sales results. In the future, Meilleure Health will continue to explore each possibility on CBD application, and present more innovative CBD products to the public.

Product Safety and Quality

The purity and concentration of CBD ingredients are crucial for CBD related products, as those would have a direct impact on the human body. As a global health conglomerate, the Group attaches great importance to the quality and safety of our products. This is not only because of the particularity of CBD products, but more importantly is our commitment to product quality. In order to ensure the health and safety of our customers, we have formulated strict product quality monitoring guidelines. We strictly follow international manufacturing standards and formulate quality assurance ("**QA**") and quality control ("**QC**") requirements to ensure quality at the source.

Manufacturing Standards

During the pretreatment of product material, we require all processes to be conducted under laboratories and factories with relevant operational qualifications such as Good Manufacturing Practice ("**GMP**"), ISO 9001, and ISO 22716. Furthermore, in order to ensure quality at the source, we have a strict policy in CBD ingredients supplier engagement. Our CBD ingredients are at the Active Pharmaceutical Ingredients level defined by The United States Food and Drug Administration. For more information on our CBD supplier, please refer to the "Supply Chain Management" chapter under this section.

QA and QC Policy

In order to prevent substandard products, we have a designated team to conduct random inspections on semi-products. If substandard products are found, we will ask our suppliers to propose appropriate remedial measures, including returning purchased products, downgrading materials for other uses, and discarding products. At the same time, we will assist suppliers to determine the reasons for the imperfections, evaluate remedial measures and make suggestions to avoid substandard products in the future. During the Reporting Period, there were no reported cases of product recalls and returns.

Case Study

CANNERGY

The Group's first CBD healthcare brand, CANNERGY, originated in Switzerland that exports high-quality industrial hemp raw materials to the world. The extraction of its CBD components adopts GMP laboratory standards. All e-liquids are produced in ISO 9001 certified factories in Japan. We pay special attention to the states from production processes to after-sales services, and commission a third-party testing agency to conduct product testing. Through strict QC strategy, we aim to ensure that the quality of raw materials and products is trustworthy for consumers.

CANNERGY was interviewed and reported by many local Japanese media after the launch. It also received positive feedback and analysis from the Japan online forum, VAPE Circuit. Its successful market behaviour also affirmed our effort in product safety and quality.

CANNERGY, as reported by Japanese media

Mazhuang

Mazhuang is another brand launched by the Group after CANNERGY. Mazhuang focuses on the skincare market in downstream applications of industrial hemp. Strictly abiding by our rigorous manufacturing standards, being supported by our Lab and CBD supplier, as well as applying 40-year skincare experience from our health consultancy clinic, Mazhuang was born with an innovative spotlight.

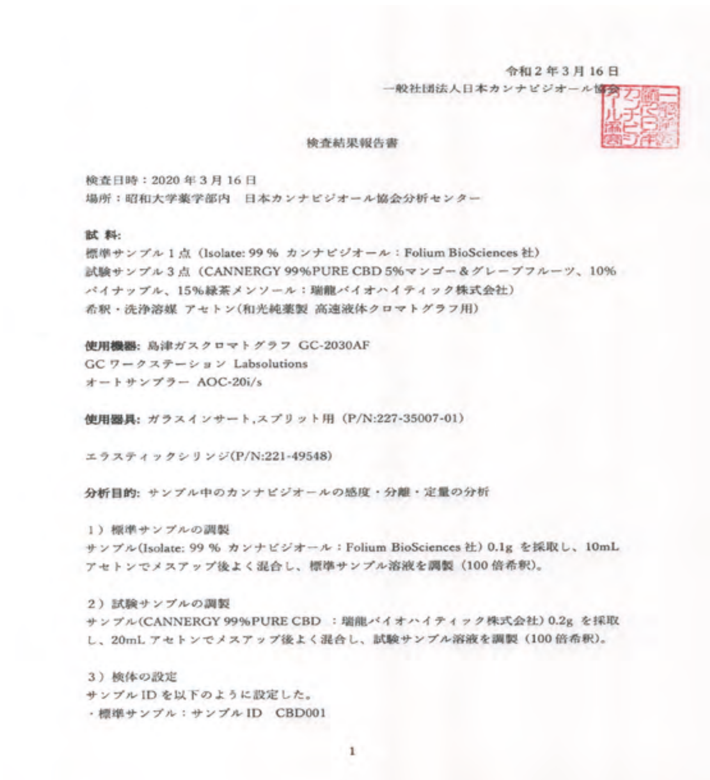
We strive to maximize the CBD effectiveness of Mazhuang, and create a user experience without side effects, irritation, or allergens for our customers. After the product was launched, we specified different pricing strategies online and offline. Within two weeks, the first product of Mazhuang reached a sales milestone of over 10 million, setting a sales record in the CBD skincare product field.

Mazhuang Facial Mask

Responsible Marketing

Due to the particularity of industrial hemp ingredients, there are very strict marketing requirements for products that contain hemp ingredients. All relevant products must clearly state their specific ingredients and concentration. As a leading enterprise in the industrial hemp industry, Meilleure Health always adheres to the concept of responsible marketing and advertising in its business operations. We understand and commit to creating clear, accurate and intelligible communication with our consumers.

For each product, we will obtain relevant qualifications before entering the market. Our brand CANNERGY has a local marketing and sales team in Japan, who is responsible for the legal and preparation work in Japanese market. Prior to the launch, we acquired corresponding CBD product certificates as stipulated in the Act on Pharmaceuticals and Medical Device of Japan, and confirmed advertising slogans that did not include any false, misleading or infringing information.



令和2年3月16日
一般社団法人日本カンナビジオール協会

検査結果報告書

検査日時：2020年3月16日
場所：昭和大学薬学部内　日本カンナビジオール協会分析センター

試 料:
標準サンプル1点（Isolate: 99 % カンナビジオール：Folium BioSciences 社）
試験サンプル3点（CANNERGY 99%PURE CBD 5%マンゴー&グレープフルーツ、10%パイナップル、15%緑茶メンソール：瑞龍バイオハイティック株式会社）
希釈・洗浄溶媒 アセトン(和光純薬製 高速液体クロマトグラフ用)

使用機器: 島津ガスクロマトグラフ GC-2030AF
GC ワークステーション Labsolutions
オートサンプラー AOC-20i/s

使用器具: ガラスインサート,スプリット用（P/N:227-35007-01）

エラスティックシリンジ(P/N:221-49548)

分析目的: サンプル中のカンナビジオールの感度・分離・定量の分析

1）標準サンプルの調製
サンプル(Isolate: 99 % カンナビジオール：Folium BioSciences 社）0.1g を採取し、10mL アセトンでメスアップ後よく混合し、標準サンプル溶液を調製（100倍希釈)。

2）試験サンプルの調製
サンプル(CANNERGY 99%PURE CBD ：瑞龍バイオハイティック株式会社）0.2g を採取し、20mL アセトンでメスアップ後よく混合し、試験サンプル溶液を調製（100倍希釈)。

3）検体の設定
サンプル ID を以下のように設定した。
・標準サンプル：サンプル ID　CBD001

1

Prior to the launch of Mazhuang, we followed the instruction of the National Medical Products Administration of PRC (中國國家藥品監督管理局), and applied for the corresponding approval number, and attached all relevant information to the product packaging. We disclosed the content of all ingredients in products. Meanwhile, we also clearly specified all restrictions on the product, such as age restrictions, storage methods, expiration date, among others. We strive to inform consumers every detail of our products, and avoid any harmful, illegal, immoral, irresponsible or misleading information.

In addition to offline marketing, we also engage in online marketing and strictly abide by its rules and regulations. We operate an online shop on Tmall (天貓) for the sales of the skincare products of Mazhuang. Prior to the launch, our product information and description are reviewed and approved by Tmall online regulator. Furthermore, we require the online customer service department to answer customers' questions in a truthful and objective manner and prohibit any form of misleading information.

Moving forward, we will closely follow market policies and strictly comply with relevant marketing regulations, and obtain all necessary qualifications before our products enter the market. We will also continue to promote our products and services in an honest and just manner.

Supply Chain Management

Supply chain management is highly important in the industrial hemp industry. If there is any defect in the supply chain, it will affect the quality of final products, or in a more severe case, violate relevant regulations and constitute an illegal act. In order to ensure a smooth and legal operation in supply chains, we adopt a 4-step supply chain management policy.

Step 1
Sample Production and Inspection

Carry out preview activities by asking prospective suppliers to produce samples and conducting random inspections on sample quality.

Step 2
Price Comparison

On the basis of good product quality, we choose the lowest price.

Step 3
Professional Judgement

By ranking suppliers on the aspects of legal compliance, strategic adaptability, research capability, production duration, and company reputation, we choose the one with the highest score.

Step 4
Contract Endorsement

Confirm the final suppliers, and sign all relevant contracts, which clearly state legal, environmental and social requirements, as well as all QA and QC policies.

Meilleure Health has always strived to convey sustainable concepts to our suppliers and partners. During supplier selection, the supplier's eco-friendly products and services are also an important factor that we consider. When our Shenzhen branches purchase raw materials, they will tend to choose products that are harmless to the environment, such as reusable and degradable packaging materials. In the future, the Group will also actively encourage other branches to increase their sourcing proportion of eco-friendly products and services in the supply chain.

Case Study

CBD Supplier

Yunnan Suma Biotechnology Co., Ltd (雲南素麻生物科技有限公司), a fellow subsidiary of the Group's associate Yunnan Hansu Biotechnology Co., Ltd (雲南漢素生物科技有限公司) ("**Yunnan Hansu**"), is leading the industrial hemp processing standard in PRC. It possesses the largest CBD extraction base in PRC, which operates under GMP standards, and has obtained the Industrial Hemp Planting License (工業大麻種植許可證) and Industrial Hemp Processing License (工業大麻加工許可證) issued by the Yunnan Provincial Public Security Department (雲南省公安廳). Through the extraction base and its patented ethanol fluid crystallization extraction technology (醇溶流體結晶技術), Yunnan Hansu is able to provide top quality industrial hemp extracts. After a thorough review of its production and technological capability, we listed Yunnan Hansu as our sole supplier of industry hemp.

Industrial Hemp Planting Base in Yunnan

To ensure the quality of Yunnan Hansu's industrial hemp, we contracted third-party testing laboratories such as CBD laboratory in Showa University (昭和大學) and Encore Lab in the United States to conduct random inspections. We have online meetings with Yunnan Hansu and discuss the latest business behaviours of both sides on a weekly basis, aiming to foster an efficient supply chain operation. Meanwhile, we assigned an information specialist to collect information on policy changes and legal compliances of the industrial hemp industry in PRC. The relevant staff will report to the management immediately if there is a potential legal, economic, environmental or social risk in our supply chain.

SUBLIMATING OUR BUSINESS

A pure, ethical and healthy business philosophy allows enterprises to go further. Integrity, health, and cooperation are the three pillars that Meilleure Health has always adhered to in its business operations. Integrity represents our ethics, which illustrates our basic principle in the business society. Health is our essence, reflecting the concepts of our products and services. Cooperation is our goal, proving our determination to become a pioneer in the global health industry. We strictly abide by business regulations, and continuously seek cross-industry cooperation, as well as contribute ourselves to creating a healthy business atmosphere.

Anti-corruption

The Group is committed to fostering a business with high ethical conduct and integrity. Apart from abiding by laws and regulations relating to anti-corruption and bribery, we stipulate that employees are prohibited from accepting any form of benefits from customers. If any conflict of interest or corruption cases are discovered, it must be reported to the Group. As detailed in our staff handbook, we will take necessary remedial penalties, including demerit record, demotion, and dismissal when necessary. In severe situations, we shall take legal actions to safeguard the Group's interest.

During the Reporting Period, the Group was not aware of any material non-compliance cases in relation to bribery, extortion, fraud and money laundering. Moving forward, we endeavour to revise our anti-corruption guideline and review it on a regular basis. In the long term, we shall continuously organize relevant training and establish a more comprehensive whistleblower policy to enhance the employees' awareness and the Group's performance towards anti-corruption.

Data Privacy and Protection

In the age of high-throughput information, the manner to formulate corresponding privacy protection policy is an issue that is worthy of attention. Meilleure Health has a complex business scale and huge customer base, and we must handle information privacy in a rigorous manner. Hence, our employee handbook strictly stipulates a systematic confidentiality system and clarifies different roles' responsibility of achieving privacy protection.

The scope of confidential information includes but is not limited to the Group's core records, organizational structure, personnel establishment, employee information, contracts and documents, investigation information, as well as information on customer, suppliers and contractors.

Role	Responsibility
Management	• Review and approve the Group's documents that are intended to be sent to third parties • Store the plans, accounting books and data sheets relating to the Group's major decisions in a proper and safe manner • Take the lead in complying with the confidentiality system • Strengthen the confidentiality education of employees • Put forward specific confidentiality requirements to all departments
Department	• Establish and improve the management system of the Group's documents • Report suspected non-compliance cases to the management in a timely manner
Employee	• Sign confidentiality agreement with the Group • Store the Group's documents in assigned file cabinets or drawers when leaving the office • Do not spread any confidential information of the Group without the approval of superiors

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to business confidentiality and data privacy.

Labour Legislation

The Group attaches great importance to labour standards, and strictly complies with relevant laws and regulations. We prohibit any form of child labour and carefully screen all the candidates during recruitment to avoid all possible violation. We require candidates to provide relevant documents, such as official identity cards, address proof, as well as academic and professional qualification certificates.

In order to avoid forced labour, the Group strictly regulates office hours. We use a software application (the "**DingTalk**") as an auxiliary management approach. All overtime applications must be submitted via the DingTalk. Only those being reviewed and approved can be treated as authorized applications.

In the unlikely event that a child or forced labour was discovered, we shall report to the Labour Security Administration of government above the county level (縣級以上政府勞動保障行政部門) in a timely manner, and carry out further actions in accordance with regulatory protocol. During the Reporting Period, we have not experienced any labour disputes, nor received any reports of child or forced labour cases.

Intellectual Property Rights

As an innovative enterprise, Meilleure Health is always committed to protecting intellectual property rights. In following this commitment, we are able to continually introduce innovative products to the public. For the Group's newly developed technology, we will apply for patent registration in a timely and legal manner. For employees who develop the patented technologies, products or services for the Group, we will issue corresponding patent bonuses as encouragement.

The Group actively respects and safeguards the intellectual property rights of relevant holders. Abidance by all laws and regulations reflect our attitude that we do not tolerate any infringement of intellectual property rights. Furthermore, we clearly stipulate in our employee handbook that employees must rigorously comply with such regulations when using methodologies, tools, and resources that are retrieved from third parties. In terms of our suppliers and partners, we will not use their trademarks arbitrarily without reaching an agreement with them.

During the Reporting Period, we were granted one patent for our CBD application business by the National Intellectual Property Administration, PRC (國家知識產權局). Meanwhile, through our strict compliance with business morals as well as laws and regulations, there were no reported cases of intellectual property rights infringement.

Industry Partnership and Development

The global allocation strategy of Meilleure Health depends on close cooperation with allies from varied industries. Since our establishment, we have actively expanded our partnership in the entire industrial hemp supply chain to seek win-win opportunities.

In the upstream of the supply chain, we have cooperated with Yunnan Hansu, which is our sole partner in CBD supply. Through this cooperation, we hope to combine the advantages of both companies, which are the Group's rich experience in health and medical consulting, and Yunnan Hansu's patented technology in hemp cultivation. We look forward to achieving our collective goal of expanding the medical application of industrial hemp.

In November 2020, the Group signed a strategic agreement with Yunnan Industrial Cannabis Industry Investment Co., Ltd. (雲南省工業大麻產業投資有限公司). In this agreement, we reached a consensus on the issues of CBD extraction base construction, CBD products R&D, and other strategic plans. By utilizing the technology, business and marketing resources from both companies, we aim to create an extensive and competitive business cluster of industrial hemp across the country.

To diversify our supply chain, the Group expanded our business into the CBD electronic atomizer market. We cooperated with the well-known e-cigarette manufacturer Shenzhen Mason Vap Technology Co., Ltd. (深圳市美深威科技有限公司) and established a subsidiary that specializes in the production and development of professional CBD atomization appliances. Meanwhile, we also signed a strategic agreement with Gippro Japan Inc. (日本龍舞集團), in order to strengthen the R&D of CBD and other atomization technologies, as well as promote the sales of related products in Japan.

Apart from marketing our CBD products, we actively collaborated with different non-governmental organizations through a variety of forums and seminars to raise awareness about the importance of health management. In November 2020, the "Sleep and Health Forum and Sleep Management Project Launch Ceremony" (睡眠與健康高峰論壇暨睡眠管理課題啟動儀式) was successfully held by the Group and the Shenzhen Health Industry Development and Promotion Association (深圳市健康產業發展促進會). We used our Lab's research results towards CBD as the theoretical foundation of sleep management, and subsequently launched the "Scientific and Healthy Sleeping" Project (科學優眠項目). This project intended to spread the healthy sleep concept to the public, and propose a non-drug mitigation measure for people with insomnia.

In December 2020, the Group cooperated with Reignwood Investment (China) Co., Ltd. (華彬投資（中國）有限公司) and Xiamen Wanli Stone Stock Co.,Ltd. (廈門萬里石股份有限公司), and jointly sign a strategic agreement with the Xiamen Siming People's Government (廈門市思明區政府) ("**Siming Govt**"). By establishing a retail company in the future, we aimed to popularize emerging concepts and products based on green health and hemp health to the public via the online market.

Sleep Management Project

Signing agreement with Siming Govt

Collaboration with different industry peers is essential to foster a win-win strategic development. Through strong partnerships and strategic cooperation, we strive to promote the industrialization and marketization of CBD products, thereby flourishing the development of industrial hemp in Greater China.

CARING FOR OUR PEOPLE

Employees are the essential part that maintains the efficient and effective operation of enterprises. Behind every successful enterprise is a group of diligent and capable employees, hence we strive to attract outstanding talents, stimulate their potential, and increase their sense of belonging to the Group. By investing in resources to train employees, providing a healthy and safe working environment for them, as well as caring about them not only at work, but also in life, we hope to maintain strong relationships with our employees so that they can view Meilleure Health as their second home.

Employee Retention

Remuneration

The Group prepares an attractive and reasonable remuneration package for its employees, which includes basic salary, position salary, performance bonus, commission, seniority salary, and overtime salary. To ensure fair remuneration among our employees, we thoroughly consider the latest market conditions and relevant government regulations, and adopt the principle of "salary by post" (以崗定薪), which is based on operating conditions and employee positions. For employees who pass the probation period, their salary will be adjusted accordingly. At the end of each year, we also conduct a salary adjustment based on employees' annual performance. During the Reporting Period, we conducted an employee satisfaction survey, in which the results demonstrated that most employees are satisfied with the Group's remuneration policy.

General Salary Adjustment	Standard
Promotion by one grade	• Performance rating of A for two times or rating of B for three times • Awarded as quarterly/annual outstanding employee twice
Demotion by one grade	• Performance rating of D for two consecutive years or a rating of C for three consecutive years

Benefit

In addition to providing employees with minimum statutory benefits such as holidays, annual leave, weekend rest, social and medical insurance, we also formulated an attractive benefit package listed as follows.

Benefit	Description	Qualification
General bonus	• Commendation is announced in public and rewarded RMB1,000–5,000 • Special salary adjustment is provided depending on situations • Promotion levels depending on situations	• Employees who propose specific innovation or improvement plans for the Group and have achieved significant results • Employees who have prevented or reduced the losses that the Group was supposed to suffer
Year-end/Quarter-end award	• Recommended by departments and approved by the management • Awarded with honorary certificates and bonuses	Employees who have outstanding performances in KPIs evaluation
Professional training	Please refer to the chapter "Employee Development and Training" under this section for details	Employees who pass the probation period
Subsidy	Health check, dinner subsidy, rental allowance, education subsidy, travel benefits and discounts on the Group's products and services	Employees who pass the probation period
Event	Birthday party, anniversary celebration, sharing salons	All employees
Share Option Scheme	Please refer to the section "Share Option Scheme" under Directors' Report for details	Certain directors, employees and other participants who are eligible

Diversity and Equal Opportunity

Our recruitment and evaluation system adheres to a fairness principle and incorporates the Group's values. We conduct fair evaluations of candidates based on their qualifications, experience, professional knowledge, contributions to the Group, as well as their work attitude and professional ethics. Our staff handbook also elaborates the basic etiquette regarding employees' daily behaviour, including but not limited to anti-defamation, anti-discrimination, among others.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to equal opportunity, diversity, and anti-discrimination.

Occupational Health and Safety

The Group follows the motto of "safety first, prevention crucial" to manage occupational safety in our daily operations. In the process of safety management, employees must consciously abide by safety regulations and operating procedures, and maintain a safe and sanitary work environment.

The Group strictly complies with all laws and regulations relating to occupational health and safety. We provide employees with necessary labour protection products including masks and laboratory head caps, and conduct safety education and training for employees to increase their safety awareness. We also formulated guidelines for handling different emergencies.

Aspects	Guidelines
Routine safety	• Before leaving the office, employees should close doors, windows, and turn off air conditioners, lights, as well as other electrical appliances that are not in use.
Fire safety	• Employees are not allowed to use any form of fire without approval. • Employees are not allowed to smoke in offices. • Employees are not allowed to pull the power cord privately and use illegal high-power electrical appliances. • When encountering a fire accident, relevant personnel should extinguish it immediately. If it cannot be extinguished, he/she should notify employees to evacuate safely, and report to superiors and property security, who would decide whether to call the firemen according to the situation.
Violence safety	• When violent incidents such as fights and robberies occur in offices or clinics, employees should immediately report to superiors and property security. • For general incidents, the Group's management would decide whether to call the police on a case-by-case basis. • For serious incidents (robberies and assaults), employees should immediately report to the police, and ensure the safety of personnel and the Group's property, and avoid any damage to the scene.

During the Reporting Period, there were no reported cases of severe work-related deaths or injuries, or other material health and safety accidents in the workplace.

Employee Development and Training

Training talents is conducive to improving employee performance, enhancing their understanding and skillset, as well as establishing a positive and competitive corporate culture. In order to enrich their skills and develop their potential abilities, the Group established a comprehensive training policy for employees, which is divided into internal training and external training.

At Meilleure Health, each department would organize training regularly. For newly recruited employees, we implement a policy that senior employees mentor junior employees. For those departments that need to assign employees to participate in external training or invite trainers to provide training, respective departments shall receive department head approval. Via varied training modes such as video conferences, offline meetings and outside seminars, our clinic in Shenzhen arranged approximately 30 training sessions on COVID-19 prevention instructions, health and medical management strategies, among others.

Directors and management are entitled to the training subsidy after they sign an external training agreement. During the Reporting Period, we conducted the Board training on the topic of securities dealings and connected transactions, aiming to help them familiarise with the management, business and governance policies and practices of the Group.

INVESTING IN OUR COMMUNITY

Fostering a healthy and positive society is the primary goal of Meilleure Health. We understand that a responsible enterprise should not only care about its own development, but also convey its corporate spirit to the surrounding community. The impact of COVID-19 certainly presented challenges for the Group to engage with the community during the Reporting Period. However, we firmly believe that it is more necessary than ever to deliver positive energy to society at this difficult moment. We organized and sponsored different forms of activities, aiming to emphasize health and harmony.

On Women's Day in 2020, the Group donated facial masks and other supplies worth RMB300,000 to The Third People's Hospital of Shenzhen (深圳市第三人民醫院), as a tribute to those female staff who are fighting at the forefront against the COVID-19. In addition, together with Wuhan University Alumni Entrepreneur Association (武漢大學校友企業家聯合會) and Bull Group (公牛集團), the Group also donated more than 6,000 boxes of facial masks worth RMB1.8 million to the doctors and nurses in Renmin Hospital of Wuhan University (武漢大學人民醫院) and Zhongnan Hospital of Wuhan University (武漢大學中南醫院).

Donation to The Third People's Hospital of Shenzhen

The Epidemic has changed the lifestyle of society, and also made everyone realize the importance of harbouring a healthy body. In order to promote the concept of healthy living and show gratefulness to those medical professionals who assisted in the battle against COVID-19, we sponsored the 2020 Wuchang Super Online Marathon (2020武昌超級馬拉松線上跑). With the theme of "Gratitude Travel in China" (感恩中國行), this three-month event started from Wuchang City, Hubei Province, and attracted nearly 1,000 participants and 50 teams who together created a running record of 677,987.7 kilometers.

2020 Wuchang Super Online Marathon

In order to foster a positive social atmosphere, we actively promote our corporate tenet of pursuing physical health and mental beauty to the public. In October 2020, we held a poetry contest that surrounded the theme of "Journey of the Mind" ("心靈之旅"全國詩歌大賽). We received over 10,000 manuscripts from varied provinces, and created a network browse rate at approximately 200,000. Nearly 180 participants had received different awards including bonuses, healthcare product packages, among others.

GREENING OUR ENVIRONMENT

Apart from conveying health concepts to our customers, community, and society, Meilleure Health also actively maintains the health and sustainable development of our environment. Even if our operations have minimal impact on the environment, we still hope to mitigate the impact. We strictly abide by environmental laws and regulations such as those relating to resources consumption, waste disposal, and carbon emissions. Currently, the Group's environmental policy is under development. Moving forward, we would strive to mitigate all environmental impacts and identify every potential risk in our operations.

Resources Use

Resources used by the Group mainly include packaging material, electricity and water. Packaging material includes aluminium foil, cloth and cartons. We are always diligent to fulfil a more efficient consumption by encouraging employees to minimize the unnecessary use of packaging materials.

Our electricity and water are purchased from the municipal department, and both are solely used for daily operation. We did not encounter any issues in sourcing water. Although we do not consume large amounts of electricity and water, we still do our best to reduce the use. By promoting green office initiatives, we encourage employees to take responsibility for resources and energy consumption.

Aspects	Initiatives
Lighting	• Assign staff to turn off lights when not in use or after office hours • Maintain all lightings and lux level of around 300 to 500 lux • Use only LED, T5 or compact fluorescent lamp with energy labels
Air Conditioning	• Assign staff to check and turn off air-conditioning when not in use • Use air-conditioning zoning • Set general air temperature to above 25℃
Water Savings	• Water dispensers are regularly cleaned
Waste Reduction	• Avoid using disposable umbrella bags by providing umbrella stands or racks • Visitors are served with reusable glass cups, containers and utensils • Staff are encouraged to preserve food properly • A designated area was utilised to collect office wastes and recyclables
Paper Consumption	• Electronic supporting mediums, e-procurement system and e-recruitment system are adopted • Internal company publications are digitised • Staff are encouraged to print only when necessary • Designated area is assigned for collection of single-sided paper

Aspects	Initiatives
Office Appliance	• All electrical appliances such as lamps, computers, water dispenser, fridges and fans are regularly maintained to ensure efficiency • Adopt refrigerating appliances and servers with energy labels
Awareness and Education	Employees are encouraged to: • Prevent unnecessary prolonged use of office appliances • Activate energy-saving mode or switch off monitors during their lunch and when not in use • Lower the brightness of their monitor screen • Switch off lights and air conditioning after the use of a room • Switch off and unplug all appliances when not in use • Reuse packaging materials such as plastic bags and boxes

Waste Management

Waste management occupies a large proportion of our environmental practices, since the Group operates clinics and produces medical waste that requires careful handling. Abidance by relevant laws and regulations helps us establish our waste disposal guidelines. Through the combination of internal and external methods, we strive to achieve a robust waste management strategy.

Hazardous Waste

Our hazardous waste mainly consists of medical waste produced by clinics. Considering that improper disposal of medical waste will increase the potential infectious risks in the surroundings, we specially commissioned a licensed waste disposal agency to assist the Group's medical waste treatment.

We are responsible for training and instructing relevant personnel to classify medical waste from other waste in accordance with the Technical Specifications for Centralized Disposal of Medical Waste (醫療廢物集中處置技術規範) published by the State Environmental Protection Administration (國家環境保護總局). Classified medical waste is deposited in special bags and containers with corresponding warning symbols indicating its hazardous nature. After placement in temporary storage area, medical waste is collected by an external licensed collector for further handling. Medical waste data is monitored and recorded for follow-up reference.

Non-hazardous Waste

The Group's non-hazardous waste largely stems from domestic waste, such as plastic and paper, which are generated during our daily office operations. Although it is considered insignificant to the Group, we still encourage our employees to minimize their waste and reuse the resources as far as practicable. For example, we place recyclable bins at the office and assign relevant personnel to sort and recycle plastic bottles, paper, and other recyclable domestic waste.

Greenhouse Gas

Uncontrolled greenhouse gas ("**GHG**") emissions will directly lead to the greenhouse effect on a global scale and aggravate global warming. For the long-term prospect and harmony of human society, each enterprise should recognize and minimize their carbon footprint. Meilleure Health actively fulfils its social responsibilities as a corporate citizen. We have clearly identified our carbon emission sources and continuously minimizing our carbon footprint. During the Reporting Period, the GHG emissions in our business mainly derived from electricity consumption and business travel. Looking forward, we would constantly explore ways to reduce GHG emissions, and formulate a comprehensive mitigation policy.

Scope	Explanation	The Group's activity	Unit	Amount
2	Energy indirect emissions	• Purchased electricity	tCO_2e-	63.32
3	Other indirect emissions	• Business trips by planes	tCO_2e-	3.49
Total			tCO_2e-	66.81

LAWS AND REGULATIONS TABLE

Sections	Laws and Regulations
Improving Our Services	• Work Safety Law of the People's Republic of China (2014 Amendment) • Regulatory Measures on the Sale of Commercial Houses • Administrative Measures for Real Estate Brokerage • Advertising Law of the People's Republic of China • Urban Real Estate Administration Law of the People's Republic of China (2009 Amendment) • Contract Law of the People's Republic of China • Administrative Ordinance on Development and Management of Urban Real Estate • Act on Pharmaceuticals and Medical Device of Japan • Factories and Industrial Undertakings Ordinance, (Cap. 59)
Sublimating Our Business	• Bidding Law of the People's Republic of China • Anti-unfair Competition Law of the People's Republic of China • Interim Provisions on Banning Commercial Bribery • Anti-monopoly Law of the People's Republic of China
Caring for Our People	• Labour Law of the People's Republic of China • Labour Contract Law of the People's Republic of China • Social Insurance Law of the People's Republic of China • Provisions on Minimum Wages • Law of the People's Republic of China on Prevention and Control of Occupational Diseases • Provisions on the Supervision and Administration of Occupational Health at Work Sites • Provisions on the Prohibition of Using Child • Regulation on Labour Security Supervision • Employment Ordinance, (Cap. 57) • The Hong Kong Bill of Rights Ordinance (Cap. 383) • Employees' Compensation Ordinance, (Cap. 282) • Occupational Safety and Health Ordinance, (Cap. 509) • Minimum Wage Ordinance, (Cap. 608)

Sections	Laws and Regulations
Greening Our Environment	• Environmental Protection Law of the People's Republic of China • Law of the People's Republic of China on Environmental Impact Assessment • Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes • Water Pollution Prevention and Control Law of the People's Republic of China • Atmospheric Pollution Prevention and Control Law of the People's Republic of China • Integrated Wastewater Discharge Standard • Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution • Air Pollution Control Ordinance (Cap. 311) • Waste Disposal Ordinance (Cap. 354) • Water Pollution Control Ordinance (Cap. 358) • Noise Control Ordinance (Cap. 400) • Hazardous Chemicals Control Ordinance (Cap. 595) • Product Eco-responsibility Ordinance (Cap. 603) • Environment Protection and Biodiversity Conservation Act 1999 • Clean Energy Act 2011 • Threatened Species Protection Act 1995 • Environment Protection Act 1993 • Environmental Planning and Assessment Act 1979

KPIs PERFORMANCE SUMMARY

Environmental Area

KPIs		Segment involved	Unit	FY2020[1]	FY2019[2]
GHG Emissions	GHG emissions (Scope 2)[3]	Shenzhen, Hong Kong, Japan	tCO_2e-	63.32	130.8
	GHG emissions (Scope 3)[4]	Shenzhen, Nanjing	tCO_2e-	3.49	28.3
	Total GHG emissions	Shenzhen, Nanjing, Hong Kong, Japan	tCO_2e-	66.81	159
	GHG emission intensity[5]	Shenzhen, Nanjing, Hong Kong, Japan	tCO_2e-/FTE	0.64	1.7
Hazardous Waste	Medical waste	Shenzhen	tons	0.12	0.1
	Medical waste intensity[5]	Shenzhen	tons/FTE	0.00	0.01
Non-hazardous Waste	Domestic waste	Japan	litre	1,800.00	N/A
Electricity	Total electricity consumption	Shenzhen, Hong Kong, Japan	kWh	82,008.29	157,561
	Electricity consumption intensity[5]	Shenzhen, Hong Kong, Japan	kWh/FTE	1,206.00	1,659
Water	Total water consumption	Shenzhen	m^3	347.23	N/A
	Water consumption intensity[5]	Shenzhen	m^3/FTE	6.68	N/A
Paper	Total paper consumption[6]	Shenzhen, Hong Kong, Japan	tons	0.37	N/A
	Total paper consumption intensity[5]	Shenzhen, Hong Kong, Japan	kg/FTE	5.38	N/A
Packaging Materials	Total packaging materials consumption	Shenzhen, Japan	tons	17.20	N/A
	Foil packaging material consumption	Shenzhen	tons	4.22	N/A
	Foil packaging material used per product[7]	Shenzhen	kg/item	0.03	N/A
	Fabric packaging material consumption	Shenzhen	tons	1.47	N/A
	Fabric packaging material used per product[7]	Shenzhen	kg/item	0.01	N/A
	Paper packaging material consumption	Shenzhen, Japan	tons	11.47	N/A
	Paper packaging material used per product[7]	Shenzhen	kg/item	0.08	N/A

Remarks:

1 Unless otherwise specified, all figures are rounded to two decimal places.

2 All figures in FY2019 are limited to no more than two decimal places due to data availability.

3 The emission factors used for Scope 2 carbon dioxide equivalent emission calculations in 2020 are based on the CLP Sustainability Report 2020, the HEC Sustainability Report 2019, the Standards of China Regional Grid Baseline Emission Factor in Emission Reduction Projects of 2019 and the TEPCO Integrated Report 2018.

4 The Scope 3 carbon dioxide equivalent emission in 2020 includes only business travel and is calculated with reference to the carbon calculator introduced by the International Civil Aviation Organization.

5 The FTE in the density unit only bases on the number of employees in the corresponding segments that relate to the KPIs in order to obtain comparable results.

6 Paper consumption is based on the assumption that all purchased paper are fully consumed.

7 The number of item used in the calculation includes only the number of products using those materials.

Social Area

KPIs[8]		Category	Unit	FY2020[9]	FY2019
Workforce	Total workforce	–	person(s)	116	N/A
	Workforce by gender	Male	person(s)	50	N/A
		Female	person(s)	66	N/A
	Workforce by age group	>60	person(s)	2	N/A
		41–60	person(s)	18	N/A
		21–40	person(s)	95	N/A
		<21	person(s)	1	N/A
	Workforce by grade	The Board	person(s)	7	N/A
		Senior Management	person(s)	19	N/A
		Middle Management	person(s)	20	N/A
		General Staff	person(s)	70	N/A
	Workforce by employment type	Full-time	person(s)	115	N/A
		Part-time	person(s)	1	N/A
	Workforce by geographical region	Shenzhen (PRC)	person(s)	52	N/A
		Wuhu (PRC)	person(s)	7	N/A
		Changsha (PRC)	person(s)	1	N/A
		Nanjing (PRC)	person(s)	37	N/A
		Hong Kong	person(s)	12	N/A
		Japan	person(s)	2	N/A
		Australia	person(s)	2	N/A
		Switzerland	person(s)	3	N/A
Turnover Rate	Total turnover rate	–	%	10.08	N/A
	Turnover rate by gender	Male	%	10.71	N/A
		Female	%	9.59	N/A
	Turnover rate by age group	>60	%	0.00	N/A
		41–60	%	14.29	N/A
		21–40	%	9.52	N/A
		<21	%	0.00	N/A
	Turnover rate by grade	The Board	%	0.00	N/A
		Senior Management	%	0.00	N/A
		Middle Management	%	9.09	N/A
		General Staff	%	13.58	N/A
	Turnover rate by employment type	Full-time	%	10.16	N/A
		Part-time	%	0.00	N/A

KPIs[8]		Category	Unit	FY2020[9]	FY2019
	Turnover rate by geographical region	Shenzhen (PRC)	%	14.75	N/A
		Wuhu (PRC)	%	0.00	N/A
		Changsha (PRC)	%	0.00	N/A
		Nanjing (PRC)	%	2.63	N/A
		Hong Kong	%	0.00	N/A
		Japan	%	60.00	N/A
		Australia	%	0.00	N/A
		Switzerland	%	0.00	N/A
Health and Safety	Work-related fatalities	–	case(s)	0	N/A
	Work-related injuries	–	case(s)	0	N/A
	Lost days due to work injury	–	day(s)	0.00	N/A
Training	Percentage of employees trained by gender	Male	%	44.83	N/A
		Female	%	55.17	N/A
	Percentage of employees trained by grade	The Board	%	7.76	N/A
		Senior Management	%	15.52	N/A
		Middle Management	%	17.24	N/A
		General Staff	%	59.48	N/A
	Average training hours completed per employee by gender[10]	Male	hour(s)	99.69	N/A
		Female	hour(s)	112.56	N/A
	Average training hours completed per employee by grade[10]	The Board	hour(s)	100	N/A
		Senior Management	hour(s)	104.67	N/A
		Middle Management	hour(s)	114.20	N/A
		General Staff	hour(s)	106.09	N/A
Suppliers	Number of suppliers by geographical region	Yunnan (PRC)	no.	2	N/A
		Guangdong (PRC)	no.	11	N/A
		Zhejiang (PRC)	no.	2	N/A
		Hunan (PRC)	no.	2	N/A
		Jiangsu (PRC)	no.	7	N/A
		Anhui (PRC)	no.	1	N/A
		Hong Kong	no.	1	N/A
		Japan	no.	3	N/A

Remarks:

8 Except for the supplier data, which includes the Shenzhen, Wuhu, and Japan segments, other social KPIs include all segments of the Group and are therefore not presented separately.

9 Unless otherwise specified, all figures are rounded to two decimal places.

10 These training hours are calculated on the basis of estimation as no specific daily statistics are available.

HKEX CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	• Greening Our Environment – Greenhouse Gas
KPI A1.1	The types of emissions and respective emissions data.	Except for GHG, the Group did not produce any air emissions.
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Greening Our Environment – Greenhouse Gas • KPIs Performance Summary – Environmental Area
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• KPIs Performance Summary – Environmental Area
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• KPIs Performance Summary – Environmental Area
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	• Greening Our Environment – Greenhouse Gas
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	• Greening Our Environment – Waste Management

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	• Greening Our Environment – Resources Use
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh) and intensity (e.g. per unit of production volume, per facility).	• KPIs Performance Summary – Environmental Area
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	• KPIs Performance Summary – Environmental Area
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	• Greening Our Environment – Resources Use
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	• Greening Our Environment – Resources Use
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	• KPIs Performance Summary – Environmental Area
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	• Greening Our Environment – Resources Use • Greening Our Environment – Waste Management • Greening Our Environment – Greenhouse Gas
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	• Greening Our Environment – Resources Use • Greening Our Environment – Waste Management • Greening Our Environment – Greenhouse Gas

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	The Group mainly focuses on the high technology and service industry, which have an insignificant impact from climate change issues
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	The Group mainly focuses on the high technology and service industry, which have an insignificant impact from climate change issues
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	• Caring for Our People – Employee Retention
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	• KPIs Performance Summary – Social Area
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	• KPIs Performance Summary – Social Area

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	• Caring for Our People – Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	• KPIs Performance Summary – Social Area
KPI B2.2	Lost days due to work injury.	• KPIs Performance Summary – Social Area
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	• Caring for Our People – Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	• Caring for Our People – Employee Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	• KPIs Performance Summary – Social Area
KPI B3.2	The average training hours completed per employee by gender and employee category	• KPIs Performance Summary – Social Area

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	• Sublimating Our Business – Labour Legislation
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	• Sublimating Our Business – Labour Legislation
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	• Sublimating Our Business – Labour Legislation
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	• Improving Our Services – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	• KPIs Performance Summary – Social Area
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	• Improving Our Services – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	• Improving Our Services – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	• Improving Our Services – Supply Chain Management

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	• Improving Our Services – Customer Service Quality and Complaint Handling • Improving Our Services – Product Innovation • Improving Our Services – Product Safety and Quality • Improving Our Services – Responsible Marketing
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	• Improving Our Services – Product Safety and Quality – QA and QC Policy
KPI B6.2	Number of products and services related complaints received and how they are dealt with.	• Improving Our Services – Customer Service Quality and Complaint Handling
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	• Sublimating Our Business – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	• Improving Our Services – Product Safety and Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	• Sublimating Our Business – Data Privacy and Protection

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	• Sublimating Our Business – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	• Sublimating Our Business – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	• Sublimating Our Business – Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	There is no anti-corruption training provided during the Reporting Period

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	• Investing Our Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	• Investing Our Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	• Investing Our Community

EXECUTIVE DIRECTORS

Mr. Zhou Xuzhou, aged 65, was appointed as an executive Director on 30 August 2013, was appointed as the chairman of the Company on 23 September 2013 and was re-designated to the co-chairman of the Company on 20 June 2019. He is the chairman of the Nomination Committee and a member of the Strategic Committee.

Mr. Zhou obtained a master degree from the Wuhan University in 1985. He is the founder and chairman of the board of directors and the chief executive officer of U-Home Group Limited. U-Home Group Limited is a company incorporated under the laws of the PRC and, together with over twenty of its subsidiaries, is principally engaged in real estate development, financial investment, property management and hotel management in various cities in the PRC.

Mr. Zhou, through subsidiaries wholly owned by him, has started his real estate business since 1992. Mr. Zhou is primarily responsible for leading the strategic planning and business development of the Group and overseeing all key aspects of the operations of the Group, including financial management and project development business. He has over 26 years of experience in the property industry. Mr. Zhou is the father of Ms. Zhou Wen Chuan.

Dr. Zeng Wentao, aged 57, was appointed as an independent non-executive Director on 18 October 2017, and was re-designated as an executive Director on 27 May 2019 and was appointed as the co-chairman of the Company on 20 June 2019. He is a member of the Remuneration Committee and the Strategic Committee.

Dr. Zeng graduated from Wuhan University with a doctoral degree in Economics. Dr. Zeng founded Hainan Sanyou Real Estate Company Limited (海南三友房地產有限公司) in Hainan in 1990 and acted as its general manager. In 1995, he founded Wuhan Yinhai Property Company Limited (武漢銀海置業有限公司), which was principally engaged in real estate development and technology investment, and acted as its chief executive officer. He is the chief executive officer of Zhongjia Capital (Wuhan) Investment Management Company Limited (中珈資本(武漢)投資管理有限公司) since March 2017. He is a part-time professor of Zhongnan University of Economics and Law (中南財經政法大學), a member of Zhongnan University of Economics and Law Education Foundation (中南財經政法大學教育基金會) and a standing council member of Dong Fureng Foundation (董輔礽基金會). He was the vice-chairman of 12th and 13th Federation of Industry and Commerce of Wuhan City (武漢市工商聯) and a member of the 11th and 12th People's Consultative Conference of Wuhan City. Dr. Zeng has been a Counselor of the Healthcare Industry Union of Wuhan University Alumni Entrepreneur Association (武漢大學校友企業家聯誼會健康產業聯盟), an organisation dedicated to the promotion of the co-operations in the healthcare industry among entrepreneurs who are alumni of Wuhan University, since July 2017. By taking this position, Dr. Zeng has gained an understanding of the healthcare business and has built good relationships with certain entrepreneurs and market players in the healthcare industry. In 2018, Dr. Zeng was appointed as a researcher in health economics of Dong Fureng Economic & Social Development School of Wuhan University (武漢大學董輔礽經濟社會發展研究院健康經濟學研究員), which demonstrated the recognition of Dr. Zeng's knowledge in health economics by the said organisation and has enabled Dr. Zeng to use his managerial experience to contribute to the research work in the health economics area.

Ms. Zhou Wen Chuan, aged 37, was appointed as an executive Director on 30 August 2013 and was appointed as the Chief Executive Officer on 23 September 2013.

Ms. Zhou obtained a master degree in Business Administration from the Chinese University of Hong Kong in 2011, and a master degree in Science and a dual bachelor degree in Science in Food Nutrition and Health from the University of British Columbia in 2008 and 2007 respectively. Ms. Zhou is the daughter of Mr. Zhou Xuzhou.

NON-EXECUTIVE DIRECTOR

Dr. Mao Zhenhua, aged 57, was appointed as a non-executive Director on 5 October 2015. He is the chairman of the Strategic Committee and a member of the Audit Committee.

Dr. Mao is currently the chairman of China Chengxin Credit Management Co., Ltd. ("**China Chengxin**"), professor of Renmin University of China, chairman of the Institute of Economic Research of Renmin University of China, professor of Wuhan University and Dean of Dong Fureng Economic & Social Development School of Wuhan University. Dr. Mao graduated from Wuhan University with a doctoral degree in Economics. Dr. Mao had carried out economic analysis and policies research for Hubei Provincial Government, Hainan Provincial Government and Research Office of the State Council.

Dr. Mao founded China Chengxin in 1992. Since then, he acted as its general manager, chairman as well as general manager, chief executive officer and chairman. He was the major shareholder and controller of China Cheng Xin International Credit Rating Co., Ltd.. Under the leadership of Dr. Mao, China Chengxin has become a company specialising in credit services and a comprehensive enterprise group principally engaging in the business of investing in banks, real estates and industries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gao Guanjiang, aged 68, was appointed as an independent non-executive Director on 30 August 2013. He is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Gao graduated from the Wuhan University with a Ph. D in Economics. Mr. Gao has over 23 years of experience in commercial banking, investment banking, business administration and securities and finance.

Professor Chau Chi Wai, Wilton, aged 59, was appointed as an independent non-executive Director on 30 August 2013. He is the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee.

Professor Chau obtained a doctoral degree in business administration, a master degree in business administration, a bachelor degree in laws and a bachelor degree in science. He is a fellow member of the Chartered Association of Certified Accountants (UK). Professor Chau is currently the chairman of Pan Asia Venture Development Platform and a vice chairman of Hong Kong Biotechnology Organisation. He is also a professor of Practice in Entrepreneurship in the Chinese University of Hong Kong, an adjunct professor of Shenzhen Finance Institute. Professor Chau has over 30 years of experience in direct investment and venture capital.

Mr. Wu Peng, aged 38, was appointed as an independent non-executive Director on 27 May 2019. He is a member of the Nomination Committee.

Mr. Wu graduated from Tsinghua University (清華大學) with a bachelor degree in information system in July 2004 and a doctoral degree (with the supply chain management as key research area) in January 2010. From September 2005 to January 2010, Mr. Wu worked as a research assistant in the Humanities Key Research Base of the Ministry of Education (教育部人文社科重點研究基地) of the PRC and the Research Center for Contemporary Management Tsinghua University (清華大學現代管理研究中心), where he participated in the study of pharmaceutical products supply chain management strategies. In this position, Mr. Wu conducted investigations and researches on the production and operation process of a number of large-sized pharmaceutical companies in the PRC, and gained a good understanding of their supply chain management. From March 2010 to November 2012, Mr. Wu was a lecturer at the College of Business Administration of South China University of Technology (華南理工大學工商管理學院) and was mainly involved in teaching and the research of green supply chain management. During this period, from November 2010 to April 2012, Mr. Wu was also a postdoctoral at The Martin Centre for Architectural and Urban Studies of University of Cambridge, where he was engaged in low-carbon supply chain and low-carbon urban planning and design research work. Since December 2012, Mr. Wu has been teaching green supply chain management and engaging in the research work in this area in the Business School of Sichuan University, first as an associate professor from December 2012 to September 2017 and subsequently as a professor since September 2017. During a five-year period from 2012 to 2017, Mr. Wu was involved in an industrial chain optimisation consulting project, through which he further gained experience in the supply chain management research area. Mr. Wu has been a Counselor of the Society of Management Science and Engineering of China (中國管理科學與工程學會理事) since October 2018.

SENIOR MANAGEMENT

Mr. Li Shu Pai, aged 44, was appointed as the chief financial officer of the Company and the Company Secretary on 30 July 2019. He has over 18 years of experience in auditing, corporate finance and financial management. Mr. Li had been the chief financial officer and company secretary of Perfectech International Holdings Limited (Stock Code: 765). Also, Mr. Li had been chief financial officer and joint company secretary of Chutian Dragon Corporation Limited. Before that, Mr. Li served as the chief financial officer in R2Game Co., Limited and earlier the deputy chief financial officer in Beijing Tong Ren Tang Chinese Medicine Company Limited (Stock Code: 3613). In addition, Mr. Li had worked for an international audit firm and various investment banks.

Mr. Li graduated from the City University of Hong Kong with a bachelor degree in business administration and obtained his executive master degree in business and administration from the Hong Kong University of Science and Technology. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Meilleure Health International Industry Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 104 to 208, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Valuation of investment properties

Refer to Note 20 to the consolidated financial statements.

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of HK$559,685,000 as at 31 December 2020 and the fair value loss of HK$16,869,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

Impairment of properties held for sale under development

Refer to Note 29 to the consolidated financial statements.

The Group tested the amount of properties held for sale under development for impairment. This impairment test is significant to our audit because the balance of properties held for sale under development of HK$245,344,000 as at 31 December 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by us;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence; and
- Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for properties held for sale under development is supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614

Hong Kong, 19 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	8	265,135	234,779
Cost of goods sold and service rendered		(153,884)	(162,947)
Gross profit		111,251	71,832
Fair value (losses)/gains on investment properties	20	(16,869)	21,990
Gain on partial disposal of investment in an associate	24	31,713	–
Gain on disposals of subsidiaries	45(a), 45(b)	14,072	–
Other income and gains, net	9	32,255	17,303
Selling and distribution expenses		(8,717)	(3,107)
Administrative expenses		(41,691)	(36,753)
Impairment losses of receivables, net		(544)	(5,436)
Impairment of goodwill	21	–	(33,017)
Finance costs	10	(13,682)	(16,393)
Share of losses of associates		(4,316)	(22,960)
Share of profits and losses of joint ventures		115	1,197
Profit/(loss) before tax		103,587	(5,344)
Income tax expense	11	(18,521)	(17,666)
Profit/(loss) for the year	12	85,066	(23,010)
Attributable to:			
Owners of the Company		83,439	(20,174)
Non-controlling interests		1,627	(2,836)
		85,066	(23,010)
Earnings/(loss) per share	17		
Basic and diluted		HK1.95 cents	HK(0.48) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 *HK$'000*	2019 *HK$'000*
Profit/(loss) for the year	*12*	85,066	(23,010)
Other comprehensive income/(loss):			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		(8,562)	721
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		63,411	(14,037)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	*45(a)*	(967)	–
		62,444	(14,037)
Other comprehensive income/(loss) for the year, net of tax		53,882	(13,316)
Total comprehensive income/(loss) for the year		138,948	(36,326)
Attributable to:			
Owners of the Company		137,899	(33,084)
Non-controlling interests		1,049	(3,242)
		138,948	(36,326)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	18	1,688	2,060
Right-of-use assets	19	5,118	18,126
Investment properties	20	559,685	594,177
Goodwill	21	18,500	32,239
Other intangible assets	22	59	369
Investments in associates	24	47,327	74,839
Investments in joint ventures	25	69,164	65,032
Equity investments at fair value through other comprehensive income	26	28,572	33,825
Derivative financial assets	27	243	–
Deferred tax assets	40	12,325	3,372
		742,681	824,039
Current assets			
Inventories	28	16,163	8,048
Properties held for sale under development	29	245,344	216,177
Trade receivables	30	63,174	104,689
Prepayments, deposits and other receivables	31	348,432	31,685
Investments at fair value through profit or loss	32	47,813	285,723
Current tax assets		–	1,537
Pledged bank deposits	33	–	80,276
Bank and cash balances	33	233,467	156,229
		954,393	884,364
Investment properties held for sale	20	5,786	5,450
		960,179	889,814
Current liabilities			
Trade payables	34	1,680	1,420
Contract liabilities	35	15,814	16,132
Accruals and other payables	36	31,929	25,759
Amounts due to related parties	37	7,456	7,062
Bank borrowings	38	30,575	178,776
Lease liabilities	39	2,474	7,349
Current tax liabilities		18,969	5,991
		108,897	242,489
Net current assets		851,282	647,325
Total assets less current liabilities		1,593,963	1,471,364

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Accruals and other payables	*36*	5,938	5,593
Bank borrowings	*38*	120,250	131,855
Lease liabilities	*39*	1,538	11,390
Deferred tax liabilities	*40*	62,974	56,866
		190,700	205,704
NET ASSETS		1,403,263	1,265,660
Capital and reserves			
Share capital	*41*	42,718	42,718
Reserves	*43(a)*	1,358,204	1,216,887
Equity attributable to owners of the Company		1,400,922	1,259,605
Non-controlling interests		2,341	6,055
TOTAL EQUITY		1,403,263	1,265,660

The consolidated financial statements on pages 104 to 208 were approved and authorised for issue by the board of directors of the Company on 19 March 2021 and are signed on its behalf by:

Zhou Xuzhou
Director

Zhou Wen Chuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company												
	Share capital	Share premium account	Contributed surplus account	Share-based payment reserve	Statutory surplus reserve	Other reserve	Equity investment revaluation reserve	Property revaluation reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	39,118	326,382	409,712	–	18,327	(134,170)	420	22,353	(18,357)	152,869	816,654	4,397	821,051
Total comprehensive loss for the year	–	–	–	–	–	–	721	–	(13,631)	(20,174)	(33,084)	(3,242)	(36,326)
Derecognition of obligation arising from a put option to non-controlling shareholders *(note 45(d)(i))*	–	–	–	–	–	134,170	–	–	–	16,158	150,328	–	150,328
Placing of shares *(note 41(a))*	3,600	324,000	–	–	–	–	–	–	–	–	327,600	–	327,600
Share issue expenses	–	(1,893)	–	–	–	–	–	–	–	–	(1,893)	–	(1,893)
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	4,900	4,900
Transfer from retained profits	–	–	–	–	114	–	–	–	–	(114)	–	–	–
Changes in equity for the year	3,600	322,107	–	–	114	134,170	721	–	(13,631)	(4,130)	442,951	1,658	444,609
At 31 December 2019	42,718	648,489	409,712	–	18,441	–	1,141	22,353	(31,988)	148,739	1,259,605	6,055	1,265,660
At 1 January 2020	42,718	648,489	409,712	–	18,441	–	1,141	22,353	(31,988)	148,739	1,259,605	6,055	1,265,660
Total comprehensive income for the year	–	–	–	–	–	–	(8,562)	–	63,022	83,439	137,899	1,049	138,948
Recognition of equity-settled share-based payments	–	–	–	4,279	–	–	–	–	–	–	4,279	–	4,279
Purchase of non-controlling interests *(notes 45(a) and 45(c))*	–	–	–	–	–	–	–	–	–	(861)	(861)	(2,464)	(3,325)
Disposal of subsidiaries *(note 45(a))*	–	–	–	–	–	–	–	–	–	–	–	(2,299)	(2,299)
Transfer from retained profits	–	–	–	–	6,227	–	–	–	–	(6,227)	–	–	–
Transfer from property revaluation reserve upon the disposal of an investment property through disposal of a subsidiary	–	–	–	–	–	–	–	(22,353)	–	22,353	–	–	–
Changes in equity for the year	–	–	–	4,279	6,227	–	(8,562)	(22,353)	63,022	98,704	141,317	(3,714)	137,603
At 31 December 2020	42,718	648,489	409,712	4,279	24,668	–	(7,421)	–	31,034	247,443	1,400,922	2,341	1,403,263

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		103,587	(5,344)
Adjustments for:			
Finance costs	10	13,682	16,393
Share of losses of associates		4,316	22,960
Share of profits and losses of joint ventures		(115)	(1,197)
Interest income	9	(8,237)	(8,252)
Investment income	9	–	(331)
Dividend income from equity investments at fair value through other comprehensive income	9	(346)	(451)
Gain on disposals of subsidiaries	45(a), 45(b)	(14,072)	–
Gain on partial disposal of investment in an associate	24	(31,713)	–
Loss on disposals of investment properties	9	–	1,531
Depreciation of property, plant and equipment	18	782	802
Depreciation of right-of-use assets	19	6,871	5,123
Amortisation of other intangible assets	22	256	267
Equity-settled share-based payments		4,279	–
Fair value losses/(gains) on investment properties	20	16,869	(21,990)
Fair value losses on derivative financial assets	9	271	–
Fair value gains on investments at fair value through profit or loss	9	(14,713)	(10,298)
Impairment of goodwill	21	–	33,017
Impairment losses of trade receivables, net	30	173	5,436
Impairment losses of other receivables	31	371	–
COVID-19-related rent concessions	19	(311)	–
Net foreign exchange gains		(1,992)	–
Operating profit before working capital changes		79,958	37,666
(Increase)/decrease in inventories		(7,425)	4,174
Increase in properties held for sale under development		(8,989)	(8,886)
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		11,136	(5,384)
Increase in trade payables, contract liabilities, accruals and other payables		6,827	2,764
(Decrease)/increase in amounts due to related parties		(200)	7,064
Cash generated from operations		81,307	37,398
Interest received		–	1,728
Income taxes paid		(10,502)	(13,717)
Net cash generated from operating activities		70,805	25,409

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals of subsidiaries, net of cash disposed	45(a), 45(b)	13,998	–
Acquisition of investment in a joint venture		–	(64,781)
Capital injected to a joint venture		–	(2,014)
Purchase of a shareholding in an associate		–	(16,642)
Capital injected to an associate		(11,132)	–
Proceeds from partial disposal of investment in an associate		17,723	–
Advances of loans to third parties		(92,164)	(164,748)
Repayment of loans from third parties		92,164	164,748
Interest received		9,487	4,013
Investment income received		–	331
Dividend received from an associate		28,301	–
Dividend received from equity investments at fair value through other comprehensive income		346	451
Purchases of property, plant and equipment		(365)	(135)
Proceeds from disposals of investment properties		–	15,444
Purchases of intangible assets		(52)	(4)
Deposits received for disposal of equity investments at fair value through other comprehensive income		9,239	–
Purchases of equity investments at fair value through other comprehensive income		(1,613)	(21,332)
Decrease/(increase) in investments at fair value through profit or loss		42,206	(275,425)
Net cash generated from/(used in) investing activities		108,138	(360,094)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in amounts due to related parties	45(e)	–	(833)
Decrease/(increase) in pledged bank deposits	45(e)	82,679	(73,419)
Proceeds from bank borrowings	45(e)	10,369	241,199
Repayment of bank borrowings	45(e)	(179,696)	(148,335)
Interest paid	45(e)	(13,155)	(15,913)
Repayment of lease liabilities	45(e)	(7,074)	(5,526)
Proceeds from placing of new shares		–	327,600
Share issue expenses paid		–	(1,893)
Capital injection from non-controlling shareholders		–	4,900
Purchase of non-controlling interests	45(c)	(2,000)	–
Net cash (used in)/generated from financing activities		(108,877)	327,780
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		70,066	(6,905)
Effect of foreign exchange rate changes		7,172	1,992
CASH AND CASH EQUIVALENTS AT 1 JANUARY		156,229	161,142
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		233,467	156,229
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	33	233,467	156,229

1. GENERAL INFORMATION

Meilleure Health International Industry Group Limited (the "**Company**") was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are operation of industrial hemp business and healthcare-related business, trading of construction materials, provision of real estate agency services, property investment and leasing, and development of residential properties. The particulars of the subsidiaries are set out in note 23 to the consolidated financial statements.

In the opinion of the directors of the Company (the "**Director(s)**"), as at 31 December 2020, Shunda Investment Limited, a company incorporated in the British Virgin Islands ("**BVI**"), is the ultimate parent of the Company; and Mr. Zhou Xuzhou ("**Mr. Zhou**"), the co-chairman of the board of Directors (the "**Board**") and the executive Director, is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not early applied any new or revised HKFRSs that is not yet effective for the current accounting period, except for the amendment to HKFRS 16 "COVID-19-Related Rent Concessions". Impact on the application of the amendment to HKFRS 16 is summarised below.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions"

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the novel coronavirus ("**COVID-19**") pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessees do not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained profits at 1 January 2020 on initial application of the amendment.

The application of the new or revised HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group will not have material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivatives and investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (ee) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units ("**CGU(s)**") that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. 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 arrangement. 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 arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint arrangements *(Continued)*

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group's entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture, fixtures and equipment	20% to 33%
Leasehold improvements	over the shorter of lease terms or 20%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate is as follows:

Leased properties	Over the term of leases

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below United States Dollars ("**USD**") 5,000.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(i) Intangible assets (other than goodwill)

(i) Customer relationship

Customer relationship is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its estimated useful live of 5 years.

(ii) Computer systems

Computer systems are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 3 years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Properties held for sale under development

Properties held for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(k) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost;

– Equity investments at fair value through other comprehensive income; and

– Financial assets at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade receivables, financial assets included in prepayments, deposits and other receivables, pledged bank deposits and bank and cash balances) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal ("**SPPI**") amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial assets *(Continued)*

(iii) Financial assets at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at fair value through profit or loss include derivative financial assets and investments at fair value through profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

(o) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(q) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

(r) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in accounting policies 3(s) to (u) below.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(t) Trade payables and financial liabilities included in accruals and other payables

Trade payables and financial liabilities included in accruals and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; 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.

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

(w) Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(y) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(aa) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Taxation *(Continued)*

The measurement of deferred tax assets and liabilities 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.

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

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(cc) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(dd) Related parties

A related party is a person or entity that is related to the Group.

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(dd) Related parties *(Continued)*

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

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

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

(ee) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties that are measured using the fair value model, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

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.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ee) Impairment of assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ff) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(gg) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the Directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

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

(a) Net realisable value of properties held for sale under development

The Group's properties held for sale under development is stated at the lower of cost and net realisable value which is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of constructing and selling properties of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The Directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(c) Fair value of financial instruments

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by the management of the Group in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices. Further details are given in note 6 to the consolidated financial statements.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at 31 December 2020 was approximately HK$18,500,000 (2019: HK$32,239,000). Further details are given in note 21 to the consolidated financial statements.

(e) Allowance for expected credit loss for financial assets at amortised cost

The Group makes loss allowance on financial assets at amortised cost based on various factors including the aging of the receivables, historical write-off experience and forward-looking information. The identification of impairment of financial assets at amortised cost requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying amounts of the financial assets and the allowance for credit losses on financial assets is recognised in the years in which such estimates have been changed. See note 5(b) to the consolidated financial statements for further discussion.

(f) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in Australia dollars ("**AUD**"), Chinese Yuan Renminbi ("**RMB**"), USD, Japanese Yen ("**JPY**") and Swiss Franc ("**CHF**") which are currency other than the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table details the group entities sensitivity to a 5% increase and decrease in HK$ against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the reporting date on a 5% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in consolidated profit after tax for the year where HK$ strengthen 5% against the relevant foreign currencies. For a weakening of HK$ against the relevant foreign currency, there would be an equal but opposite impact on consolidated profit after tax for the year.

	2020 *HK$'000*	2019 *HK$'000*
AUD	(2,382)	2,812
RMB	(1,412)	(4,416)
USD*	(298)	(32)
JPY	28	–
CHF	(9)	–

* HK$ is pegged with USD between the range of 7.75 to 7.85 (USD: HK$). The above analysis on 5% change in HK$ against USD is for illustrative purpose only.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The carrying amounts of trade receivables and non-trade receivables including bank and cash balances, pledged bank deposits and financial assets included in prepayments, deposits and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group limits its exposure to credit risk by rigorously selecting the counterparties. Credit risk on receivables is minimised as the Group performs ongoing evaluation on the financial condition of its debtors and tightly monitors the ageing of its receivable balances. Follow-up action is taken in the case of overdue balances. In addition, the management of the Group reviews the recoverability of receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

(i) Trade receivables

In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of customers.

For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix and details of the quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 30 to the consolidated financial statements.

(ii) Non-trade receivables

At the end of each reporting period, the Group measures the loss allowance for non-trade receivables at an amount equal to the lifetime expected credit losses if the credit risk on that non-trade receivables has increased significantly since initial recognition.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(ii) Non-trade receivables *(Continued)*

The Group considers whether there has been a significant increase in credit risk of non-trade receivables on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Non-trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a non-trade receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where non-trade receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(ii) Non-trade receivables *(Continued)*

Pledged bank deposits and bank and cash balances

The Group has concentrations of credit risk comprising deposits placed at two financial institutions of HK$168,520,000 (2019: HK$193,492,000), which represents approximately 72% (2019: 82%) of the aggregate balance of pledged bank deposits and bank and cash balances. The Directors considered that the credit risk on pledged bank deposits and bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Financial assets included in prepayments, deposits and other receivables

For financial assets included in prepayments, deposits and other receivables, the Directors make periodic individual assessment on the recoverability of such financial assets based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors 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 expected credit losses. During the year ended 31 December 2020, impairment losses of financial assets included in prepayments, deposits and other receivables amounting to HK$371,000 was recognised in the profit or loss.

The Group had concentration of credit risk as 66% (2019: N/A) of the total financial assets included in prepayments, deposits and other receivables as at 31 December 2020 was due from one counterparty.

The Group uses three categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Low risk	Low risk of default and strong capacity to pay	12-month expected losses
Doubtful	Significant increase in credit risk	Lifetime expected losses
Loss	Credit-impaired	Lifetime expected losses

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(ii) Non-trade receivables (Continued)

	Financial assets included in prepayments, deposits and other receivables	Pledged bank deposits	Bank and cash balances	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2020				
Gross carrying amounts	321,071	–	233,467	554,538
Provision for loss allowance	(383)	–	–	(383)
Net carrying amounts	320,688	–	233,467	554,155
At 31 December 2019				
Gross carrying amounts	13,735	80,276	156,229	250,240
Provision for loss allowance	–	–	–	–
Net carrying amounts	13,735	80,276	156,229	250,240

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

(ii) Non-trade receivables (Continued)

All of these non-trade receivables are considered to have low risk and under the 'Low risk' category because they have a low risk of default and have strong ability to meet their obligations.

	Financial assets included in prepayments, deposits and other receivables *HK$'000*	Pledged bank deposits *HK$'000*	Bank and cash balances *HK$'000*	Total *HK$'000*
Weighted average expected credit loss rate				
2020	0.12%	–	–	0.07%
2019	–	–	–	–
Loss allowance at 1 January 2019, 31 December 2019 and 1 January 2020	–	–	–	–
Increase in provision in 2020	371	–	–	371
Exchange differences	12	–	–	12
Loss allowance at 31 December 2020	383	–	–	383

The increase in loss allowance for financial assets included in prepayments, deposits and other receivables is due to increase in expected credit loss rate.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year or on demand	Between 1 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2020				
Bank borrowings *(Note)*	31,260	88,767	67,004	187,031
Lease liabilities	2,539	1,696	–	4,235
Trade payables	1,680	–	–	1,680
Financial liabilities included in accruals and other payables	18,665	–	5,938	24,603
Amounts due to related parties	7,456	–	–	7,456
	61,600	90,463	72,942	255,005
At 31 December 2019				
Bank borrowings *(Note)*	188,772	81,600	84,413	354,785
Lease liabilities	7,504	12,440	–	19,944
Trade payables	1,420	–	–	1,420
Financial liabilities included in accruals and other payables	12,078	–	5,593	17,671
Amounts due to related parties	7,062	–	–	7,062
	216,836	94,040	90,006	400,882

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

Note:

Bank loans with a repayment on demand clause are included in the "Less than 1 year or on demand" time band in the above maturity analysis. As at 31 December 2019, the aggregate carrying amounts of these bank loans amounted to HK$69,500,000 (2020: Nil). Taking into account the Group's financial position as at 31 December 2019, the Directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The Directors believed that such bank loans would be repaid by instalments until 2023 after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Less than 1 year *HK$'000*	Between 1 and 5 years *HK$'000*	Total *HK$'000*
At 31 December 2019	20,919	51,204	72,123

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits, bank borrowings and lease liabilities.

The Group's bank deposits and bank borrowings, which bear interests at fixed interest rates, as well as lease liabilities are subject to fair value interest rate risks.

The Group's bank deposits and bank borrowings, which bear interests at variable rates varied with the then prevailing market condition, are subject to cash flow interest rate risks. However, such exposure of bank deposits is minimal to the Group as these bank deposits are all short-term in nature.

At 31 December 2020, if interest rates at that date had been 1% lower with all other variables held constant, consolidated profit after tax for the year would have been HK$1,401,000 (2019: HK$2,871,000) higher, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 1% higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$1,401,000 (2019: HK$2,871,000) lower, arising mainly as a result of higher interest expense on bank borrowings.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments

	2020 *HK$'000*	2019 *HK$'000*
Financial assets:		
Financial assets mandatorily measured at fair value through profit or loss	**48,056**	285,723
Equity investments at fair value through other comprehensive income	**28,572**	33,825
Financial assets at amortised cost (including cash and cash equivalents)	**617,329**	354,929
Financial liabilities:		
Financial liabilities at amortised cost	**188,577**	355,523

(f) Fair values

Except as disclosed in note 6 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(g) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors its capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, raise new debt financing or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the current financial period and last year. Management regards total equity as capital for capital management purposes.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the Company plus net debt. Net debt includes bank borrowings, trade payables, contract liabilities, accruals and other payables and amounts due to related parties, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2020 *HK$'000*	2019 *HK$'000*
Bank borrowings	150,825	310,631
Trade payables	1,680	1,420
Contract liabilities	15,814	16,132
Accruals and other payables	37,867	31,352
Amounts due to related parties	7,456	7,062
Less: Bank and cash balances	233,467	156,229
Net debt	(19,825)	210,368
Equity attributable to owners of the Company	1,400,922	1,259,605
Capital and net debt	1,381,097	1,469,973
Gearing ratio	-1.4%	14%

6. FAIR VALUE MEASUREMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

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

Level 3 inputs: unobservable inputs for the asset or liability

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 December 2020:

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2020 HK$'000
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income				
– Unlisted equity investments	–	13,087	15,485	28,572
Financial assets at fair value through profit or loss				
– Investments in financial products	–	47,813	–	47,813
– Derivative – Call options	–	–	243	243
Investment properties/investment properties held for sale				
– Investment properties in the People's Republic of China, excluding Hong Kong ("PRC")	–	–	565,471	565,471
Total recurring fair value measurements	–	60,900	581,199	642,099

Disclosures of level in fair value hierarchy at 31 December 2019:

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2019 HK$'000
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income				
– Unlisted equity investments	–	33,825	–	33,825
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	280,298	–	280,298
– Investments in financial products	–	5,425	–	5,425
Investment properties/investment properties held for sale				
– Investment property in Hong Kong	–	62,200	–	62,200
– Investment properties in PRC	–	–	537,427	537,427
Total recurring fair value measurements	–	381,748	537,427	919,175

6. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on Level 3:

Description	Unlisted equity investments (classified as equity investments at fair value through other comprehensive income) *HK$'000*	Derivative – Call options (classified as financial assets at fair value through profit or loss) *HK$'000*	Investment properties in PRC (classified as investment properties/ investment properties held for sale) *HK$'000*	2020 Total *HK$'000*
At 1 January	–	–	537,427	537,427
Total gains or losses recognised				
in profit or loss (#)	–	(271)	(4,969)	(5,240)
in other comprehensive income	(8,562)	–	–	(8,562)
Purchases	1,613	–	–	1,613
Arising from subscription of equity interest in an associate *(note 24)*	–	487	–	487
Transfer into Level 3	22,648	–	–	22,648
Exchange differences	(214)	27	33,013	32,826
At 31 December	15,485	243	565,471	581,199
(#) Include gains or losses for assets held at end of reporting period	–	(271)	(4,969)	(5,240)

Description	Unlisted equity investments (classified as equity investment at fair value through other comprehensive income) *HK$'000*	Derivative – Call options (classified as financial assets at fair value through profit or loss) *HK$'000*	Investment properties in PRC (classified as investment properties/ investment properties held for sale) *HK$'000*	2019 Total *HK$'000*
At 1 January	11,960	–	541,205	553,165
Total gains or losses recognised				
in profit or loss (#)	–	–	22,690	22,690
Purchases	21,332	–	–	21,332
Disposal	–	–	(16,975)	(16,975)
Transfer out of Level 3	(33,292)	–	–	(33,292)
Exchange differences	–	–	(9,493)	(9,493)
At 31 December	–	–	537,427	537,427
(#) Include gains or losses for assets held at end of reporting period	–	–	22,690	22,690

6. FAIR VALUE MEASUREMENTS *(Continued)*

(b) *(Continued)*

The total gains or losses recognised in other comprehensive income are presented in "Fair value changes of equity investments at fair value through other comprehensive income" in the consolidated statement of profit or loss and other comprehensive income.

During the year ended 31 December 2020, unlisted equity investments classified as equity investments at fair value through other comprehensive income amounting to HK$22,648,000 were transferred from measurement based on Level 2 to Level 3 as a result of a lack of observable market data.

During the year ended 31 December 2019, unlisted equity investments classified as equity investments at fair value through other comprehensive income amounting to HK$33,292,000 were transferred from measurement based on Level 3 to Level 2 as a result of recent arm's length transaction prices of relevant financial instruments were obtained.

Other than the transfers disclosed above, there were no transfers of fair value measurements between Level 1 and Level 2, and no other transfers into or out of Level 3 for financial assets during the both years.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The management of the Group is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The management of the Group reports directly to the Board for these fair value measurements. Discussions of valuation processes and results are held between the management of the Group and the Board at least twice a year for interim and annual financial reporting.

For Level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	Valuation technique and key input	Fair value 2020 HK$'000	Fair value 2019 HK$'000
Unlisted equity investments	Recent transaction prices of similar deals	**13,087**	33,825
Unlisted fund investments	Net asset value indicated on the net asset value statement issued by the fund custodian	**–**	280,298
Investments in financial products	Market price of investments in financial products	**47,813**	5,425
Investment property in Hong Kong	Direct comparison approach – price per square metre ("sq.m.")	**–**	62,200

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2020 HK$'000	Fair value 2019 HK$'000
Unlisted equity investments	Valuation multiples	Average price-to-sales multiple of peers	2020: 3.87 to 10.72 (2019: N/A)	Increase	**15,485**	–
		Discount for lack of marketability	2020: 22% (2019: N/A)	Decrease		
Derivative financial instruments – Call options	Black-Scholes option pricing model	Expected volatility	2020: 42% to 46% (2019: N/A)	Increase	**243**	–
Investment properties in PRC	Term and reversionary method	Estimated rental value (per sq.m. and per month)	2020: RMB28 to RMB236 (2019: RMB33 to RMB216)	Increase	**565,471**	537,427
		Rent growth (p.a.)	2020: 0% to 3% (2019: 0% to 3%)	Increase		
		Long term vacancy rate	2020: 0% to 5.4% (2019: 0% to 5%)	Decrease		
		Discount rate	2020: 4.0% to 6.3% (2019: 4.0% to 6.3%)	Decrease		

7. SEGMENT INFORMATION

The Group has six (2019: five) reportable segments as follows:

(a) Industrial hemp business – Cannabidiol ("**CBD**") downstream product application

(b) Healthcare-related business – Health management services, aesthetic medical services, healthcare-related product sale agency services and sale of healthcare-related products

(c) Trading business – Trading of construction materials

(d) Agency service – Real estate agency services

(e) Property investment and leasing – Leasing of investment properties

(f) Property development – Development and selling of residential properties

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

During the year ended 31 December 2020, in view of the increasing contributions of revenue, and profit from industrial hemp business of the Group, the Group has reorganised its internal reporting structure resulting in changes to the composition of its reportable segments. The industrial hemp business is now separated as a single segment. Prior period segment disclosures have been re-presented to conform with the current year's presentation.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include gain on partial disposal of investment in an associate, gain on disposals of subsidiaries, fair value gains on investments at fair value through profit or loss, fair value losses on derivative financial assets, interest income, dividend income from equity investments at fair value through other comprehensive income, investment income, equity-settled share-based payments, impairment of goodwill, finance costs, share of losses of associates, share of profits and losses of joint ventures as well as other unallocated head office and corporate income and expenses. Segment assets do not include deferred tax assets, current tax assets as well as other unallocated head office and corporate assets. Segment liabilities do not include deferred tax liabilities, current tax liabilities as well as other unallocated head office and corporate liabilities.

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenues and results from reportable and operating segments:

	Industrial hemp business *HK$'000*	Healthcare related business *HK$'000*	Trading business *HK$'000*	Agency service *HK$'000*	Property investment and leasing *HK$'000*	Property development *HK$'000*	Total *HK$'000*
For the year ended 31 December 2020							
Revenue from external customers	25,371	54,757	133,960	29,805	21,242	–	265,135
Segment profit/(loss)	4,027	14,076	22,603	24,090	1,845	(79)	66,562
Gain on partial disposal of investment in an associate							31,713
Gain on disposals of subsidiaries							14,072
Fair value gain on investments at fair value through profit or loss							14,713
Fair value losses on derivatives financial assets							(271)
Interest income							8,237
Dividend income from equity investments at fair value through other comprehensive income							346
Equity-settled share-based payments							(4,279)
Share of losses of associates							(4,316)
Share of profits and losses of joint ventures							115
Unallocated income							5,314
Unallocated expense							(14,937)
Finance costs							(13,682)
Profit before tax							103,587

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

	Industrial hemp business HK$'000	Healthcare related business HK$'000	Trading business HK$'000	Agency service HK$'000	Property investment and leasing HK$'000	Property development HK$'000	Total HK$'000
For the year ended 31 December 2019 (Re-presented)							
Revenue from external customers	1,504	42,405	142,801	29,344	18,725	–	234,779
Segment profit/(loss)	(1,035)	(5,686)	7,505	21,991	36,832	(1,342)	58,265
Impairment of goodwill							(33,017)
Interest income							8,252
Dividend income from equity investments at fair value through other comprehensive income							451
Investment income							331
Fair value gains on investments at fair value through profit or loss							10,298
Share of loss of an associate							(22,960)
Share of profits and losses of joint ventures							1,197
Unallocated income							37
Unallocated expense							(11,805)
Finance costs							(16,393)
Loss before tax							(5,344)

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	2020 *HK$'000*	2019 *HK$'000* (Re-presented)
Industrial hemp business	114,408	116,817
Healthcare-related business	153,804	232,310
Trading business	222,442	133,151
Agency service	42,407	9,426
Property investment and leasing	580,684	604,338
Property development	250,068	216,582
Total assets of reportable segments	1,363,813	1,312,624
Deferred tax assets	12,325	3,372
Current tax assets	–	1,537
Unallocated corporate assets	326,722	396,320
Consolidated total assets	1,702,860	1,713,853

Segment liabilities

	2020 *HK$'000*	2019 *HK$'000* (Re-presented)
Industrial hemp business	17,303	2,629
Healthcare-related business	14,279	45,757
Trading business	14,829	26,449
Agency service	689	1,048
Property investment and leasing	154,134	159,002
Property development	–	–
Total liabilities of reportable segments	201,234	234,885
Deferred tax liabilities	62,974	56,866
Current tax liabilities	18,969	5,991
Unallocated corporate liabilities	16,420	150,451
Consolidated total liabilities	299,597	448,193

7. SEGMENT INFORMATION *(Continued)*

Other segment information

The following is an analysis of other segment information:

	Industrial hemp business HK$'000	Healthcare related business HK$'000	Trading business HK$'000	Agency service HK$'000	Property investment and leasing HK$'000	Property development HK$'000	Reportable segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
For the year ended 31 December 2020									
Depreciation and amortisation	(474)	(7,090)	(11)	–	(1)	(10)	(7,586)	(323)	(7,909)
Fair value losses on investment properties	–	–	–	–	(16,869)	–	(16,869)	–	(16,869)
Reversal of impairment losses/(impairment losses) of trade receivables, net	(1,119)	(2,595)	3,541	–	–	–	(173)	–	(173)
Impairment losses of other receivables	(371)	–	–	–	–	–	(371)	–	(371)
Additions to segment non-current assets*	110	261	–	–	–	–	371	46	417
As at 31 December 2020									
Investments in associates	36,312	11,015	–	–	–	–	47,327	–	47,327
Investments in joint ventures	3,666	65,498	–	–	–	–	69,164	–	69,164

7. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	Industrial hemp business *HK$'000*	Healthcare related business *HK$'000*	Trading business *HK$'000*	Agency service *HK$'000*	Property investment and leasing *HK$'000*	Property development *HK$'000*	Reportable segment total *HK$'000*	Unallocated *HK$'000*	Consolidated total *HK$'000*
For the year ended 31 December 2019 (Re-presented)									
Depreciation and amortisation	–	(6,054)	(138)	–	–	–	(6,192)	–	(6,192)
Fair value gains on investment properties	–	–	–	–	21,990	–	21,990	–	21,990
Loss on disposal of investment properties	–	–	–	–	(1,531)	–	(1,531)	–	(1,531)
Impairment losses of trade receivables	–	(1,793)	(3,643)	–	–	–	(5,436)	–	(5,436)
Additions to segment non-current assets*	–	103	14	–	–	22	139	–	139
As at 31 December 2019 (Re-presented)									
Investment in an associate	74,839	–	–	–	–	–	74,839	–	74,839
Investments in joint ventures	1,963	63,069	–	–	–	–	65,032	–	65,032

This segment information has been included in the measures of segment results or assets.

* Additions to segment non-current assets consist of additions to property, plant and equipment and intangible assets.

Geographical information

	Revenue		Non-current assets	
	2020 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	2019 *HK$'000*
PRC	**241,653**	214,201	**699,572**	683,492
Hong Kong	**13,357**	20,578	**1,662**	103,350
Others	**10,125**	–	**307**	–
Consolidated total	**265,135**	234,779	**701,541**	786,842

In presenting the geographical information, revenue is based on the locations of the customers and non-current asset is based on the locations of the assets.

7. SEGMENT INFORMATION *(Continued)*

Revenue from major customers

	2020 *HK$'000*	2019 *HK$'000*
Agency service segment		
Customer A[1]	29,805	29,287
Trading business segment		
Customer B	N/A[2]	26,479
Customer C	27,688	N/A[2]

1 Customer A is a group of entities known to be under control of Mr. Zhou.
2 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. REVENUE

	2020 *HK$'000*	2019 *HK$'000* (Re-presented)
Sale of CBD downstream products	25,371	1,504
Healthcare management service income	39,528	38,861
Healthcare-related products sale agency service income	10,940	–
Sale of healthcare-related products	2,810	3,544
Aesthetic medical service income	1,479	–
Sale of construction materials	133,960	142,801
Property sales and consultancy service income	29,805	29,344
Revenue from contracts with customers	243,893	216,054
Rental income	21,242	18,725
Total revenue	265,135	234,779

Note: In the current year, the Group has reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments and groupings on revenue information. Details of the change are set out in note 7 to the consolidated financial statements. Prior period disclosures have been re-presented to confirm with the current year's presentation.

8. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers

Year ended 31 December 2020

Segments	Industrial hemp business HK$'000	Healthcare related business HK$'000	Trading business HK$'000	Agency service HK$'000	Total HK$'000
Major products/service					
Sale of CBD downstream products	25,371	–	–	–	25,371
Healthcare management services	–	39,528	–	–	39,528
Healthcare-related products sale agency services	–	10,940	–	–	10,940
Sale of healthcare-related products	–	2,810	–	–	2,810
Aesthetic medical services	–	1,479	–	–	1,479
Sale of construction materials	–	–	133,960	–	133,960
Property sales and consultancy services	–	–	–	29,805	29,805
Total	25,371	54,757	133,960	29,805	243,893
Geographical markets					
PRC	24,957	32,615	133,960	29,805	221,337
Hong Kong	–	12,431	–	–	12,431
Others	414	9,711	–	–	10,125
Total	25,371	54,757	133,960	29,805	243,893
Timing of revenue recognition					
At a point in time	25,371	15,229	133,960	29,805	204,365
Over time	–	39,528	–	–	39,528
Total	25,371	54,757	133,960	29,805	243,893

8. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

Year ended 31 December 2019 (Re-presented)

Segments	Industrial hemp business *HK$'000*	Healthcare related business *HK$'000*	Trading business *HK$'000*	Agency service *HK$'000*	Total *HK$'000*
Major products/service					
Sale of CBD downstream products	1,504	–	–	–	1,504
Healthcare management services	–	38,861	–	–	38,861
Sale of healthcare-related products	–	3,544	–	–	3,544
Sale of construction materials	–	–	142,801	–	142,801
Property sales and consultancy services	–	–	–	29,344	29,344
Total	1,504	42,405	142,801	29,344	216,054
Geographical market					
PRC	386	23,426	142,801	29,344	195,957
Hong Kong	1,118	18,979	–	–	20,097
Total	1,504	42,405	142,801	29,344	216,054
Timing of revenue recognition					
At a point of time	1,504	3,544	142,801	29,344	177,193
Over time	–	38,861	–	–	38,861
Total	1,504	42,405	142,801	29,344	216,054

8. REVENUE *(Continued)*

Sale of CBD downstream products

The Group sells CBD downstream products such as CBD skincare products and CBD atomisation products to the customers. Sales are recognised when control of the products has been transferred, being when the products are delivered to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products. Payment of transaction price is due immediately at the point the customers purchase the goods. The payment is generally received in advance prior to the goods are delivered. Receipts in advance from customers are recognised as contract liabilities.

Provision of healthcare management services

The Group provides healthcare management services to the customers. The customers would generally pay a fixed amount of package fee and generally be entitled to specific healthcare management services throughout the contractual service period. The Group satisfied the performance obligation by providing healthcare management services to the customers within the contractual service period and these customers would be entitled to consume healthcare management services throughout the contract period. As the Directors considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised over time in a pattern which approximates to time elapsed. The Group receives three months to one year healthcare management service fee in advance from the customers. This gives rise to the contract liabilities which will be recognised as revenue throughout the period of services.

Provision of healthcare-related product sale agency services

The Group provides healthcare-related products (such as anti-epidemic supplies) sale agency services to the customer (i.e. the supplier and the buyer of healthcare-related products). Service income is recognised for transactions where the Group is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices. Service income is recognised on a net basis which is based on a fixed percentage of the sales amount. Service income is recognised when the buyer has accepted the goods and the related risks and rewards of ownership. Service income is due for payment upon rendering of services.

Sale of healthcare-related products

The Group sells healthcare-related products to the customers. Sales are recognised when control of the products has been transferred, being when the products are delivered to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products. Payment of the transaction price is due immediately at the point the customer purchases the products. Sale is made on an advance payment or cash on delivery basis.

8. REVENUE *(Continued)*

Provision of aesthetic medical services

The Group provides aesthetic medical services to the customers. Aesthetic medical service income is recognised in the accounting period when the services have been rendered to customers. Receipt of proceeds in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as contract liabilities.

Sale of construction materials

The Group sells construction materials to the customers. Sales are recognised when control of the products has been transferred, being when the products are delivered to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products. Sales to customers are normally made with credit terms of 0 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as contract liabilities. A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provision of property sales and consultancy services

The Group provides property sales and consultancy services in primary market to its customers (i.e. property developer). Service income is recognised at a point in time when the service is rendered and the property buyer has executed the sale and purchase agreement and made the required payments according to the terms and conditions stated in different agency contracts, since only by that time the Group has an enforceable right to payment from the property developer for the services performed. Service income is recognised on a net basis which is based on a fixed percentage of the sales amount. The Group generally allows a credit period of not exceeding 1 month to its customers.

9. OTHER INCOME AND GAINS, NET

	2020 *HK$'000*	2019 *HK$'000*
Other income		
Interest income	8,237	8,252
Government grants *(note a)*	2,368	884
Dividend income from equity investments at fair value through other comprehensive income		
– investments held at end of year	346	451
COVID-19-related rental concessions	311	–
Investment income	–	331
Others	1,333	3
	12,595	9,921
Gains/(losses), net		
Fair value gains on investments at fair value through profit or loss (mandatorily measured)	14,713	10,298
Net foreign exchange gains/(losses)	5,218	(640)
Fair value losses on derivative financial assets	(271)	–
Loss on disposals of investment properties	–	(1,531)
Others	–	(745)
	19,660	7,382
	32,255	17,303

Note:

(a) Government grants of HK$1,513,000 (2019: HK$884,000) mainly represented the subsidies received from the local government in support of the business operation. There were no unfulfilled conditions or contingencies relating to these subsidies. The remaining government grants of HK$855,000 (2019: Nil) represented grants obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have unfulfilled obligations relating to this program.

10. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Interest on bank loans	12,989	15,949
Interest on lease liabilities	693	444
	13,682	16,393

11. INCOME TAX EXPENSE

	2020 *HK$'000*	2019 *HK$'000*
Current tax – PRC		
Provision for the year	20,378	11,339
Under-provision in prior years	3,161	–
Current tax – Hong Kong		
Provision for the year	689	2,335
(Over)/under-provision in prior years	(1,931)	143
Withholding tax on interest income – Australia		
Provision for the year	1,339	–
Under-provision in prior years	909	–
Deferred tax *(note 40)*	(6,024)	3,849
	18,521	17,666

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong for the year, except for one group entity operating in Hong Kong which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK$2 million of assessable profits are taxed at the rate of 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at the rate of 16.5% (2019: 16.5%).

11. INCOME TAX EXPENSE *(Continued)*

Enterprise Income Tax of the PRC has been provided at the rate of 25% (2019: 25%) on the estimated assessable profits arising in the PRC for the year.

Australia corporate income tax has been provided at the rate of 30% (2019: 30%) on the estimated assessable profits for arising in Australia for the year.

A group entity, which is a non-tax resident enterprise in Australia, is subject to Australia withholding tax at the tax rate of 10% (2019: 10%) on the gross interest income arising from its loans provided to another group entity, which is a tax resident enterprise in Australia.

Corporate income tax in other jurisdictions has been provided at the rates of taxation prevailing in the jurisdictions in which the group entities operate on the estimated assessable profits arising from those jurisdictions for the year.

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the weighted average tax rate of the consolidated companies is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Profit/(loss) before tax	103,587	(5,344)
Tax at the weighted average tax rate of 8.25% to 30% (2019: 8.25% to 30%)	23,140	1,734
Tax effect of share of profits and losses of joint ventures and associates	1,050	5,441
Tax effect of expenses that are not deductible	4,635	7,764
Tax effect of income that is not taxable	(10,105)	(225)
Tax effect of tax losses not recognised	2,300	2,690
Tax effect of utilisation of tax losses not previously recognised	(17)	(73)
Recognition of tax losses previously unrecognised	(6,833)	–
Tax effect of reversal of tax losses previously recognised	1,313	–
Tax effect of reversal of deductible temporary difference previously recognised	899	–
Under-provision in prior years	2,139	143
Others	–	192
Income tax expense	18,521	17,666

12. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2020 *HK$'000*	2019 *HK$'000*
Amortisation of other intangible assets	256	267
Depreciation of property, plant and equipment	782	802
Depreciation of right-of-use assets	6,871	5,123
Gain on partial disposal of investment in an associate	(31,713)	–
Gain on disposals of subsidiaries	(14,072)	–
Fair value losses/(gains) on investment properties	16,869	(21,990)
Auditor's remuneration	1,150	1,783
Cost of inventories sold	123,595	132,647
Impairment losses of receivables, net:		
Trade receivables	173	5,436
Other receivables	371	–
	544	5,436
Impairment of goodwill	–	33,017
Staff costs including directors' emoluments		
Salaries, bonus and allowances	26,775	29,954
Equity-settled share-based payments	4,279	–
Retirement benefits scheme contributions	1,243	790
	32,297	30,744

13. DIRECTORS' EMOLUMENTS

The emoluments of each director were as follows:

Name of director	Fees	Salaries and allowances	Discretionary bonus	Equity-settled share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Mr. Zhou Xuzhou	–	800	–	–	–	800
Dr. Zeng Wentao	–	325	–	592	–	917
Ms. Zhou Wen Chuan	–	1,200	–	989	–	2,189
Non-executive director						
Dr. Mao Zhenhua	180	–	–	–	–	180
Independent non-executive directors						
Professor Chau Chi Wai, Wilton	180	–	–	–	–	180
Mr. Gao Guanjiang	180	–	–	–	–	180
Mr. Wu Peng	120	–	–	–	–	120
Total for 2020	660	2,325	–	1,581	–	4,566
Executive directors						
Mr. Zhou Xuzhou	–	767	–	–	–	767
Dr. Zeng Wentao *(note a)*	–	150	–	–	–	150
Ms. Zhou Wen Chuan	–	800	–	–	–	800
Mr. Liu Lailin *(note b)*	–	128	–	–	–	128
Non-executive director						
Dr. Mao Zhenhua	175	–	–	–	–	175
Independent non-executive directors						
Professor Chau Chi Wai, Wilton	175	–	–	–	–	175
Mr. Gao Guanjiang	175	–	–	–	–	175
Dr. Zeng Wentao *(note a)*	70	–	–	–	–	70
Mr. Wu Peng *(note c)*	72	–	–	–	–	72
Total for 2019	667	1,845	–	–	–	2,512

Notes:

(a) Re-designated from an independent non-executive Director to an executive Director on 27 May 2019.

(b) Resigned on 27 May 2019.

(c) Appointed on 27 May 2019.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

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

During the year ended 31 December 2020, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 44 to the consolidated financial statements.

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included one (2019: one) director, whose emoluments are set out in note 13 to the consolidated financial statements. The emoluments of the remaining four (2019: four) individuals are set out below:

	2020 *HK$'000*	2019 *HK$'000*
Salaries and allowances	6,570	5,120
Discretionary bonus	420	2,238
Equity-settled share-based payments	354	–
Retirement benefit scheme contributions	120	98
	7,464	7,456

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	1	1
HK$3,000,001 to HK$3,500,000	1	–
HK$3,500,001 to HK$4,000,000	–	1

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The Group also operates several defined contribution retirement plans for its overseas subsidiaries and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. Contributions to the schemes by the Group and employees are calculated at fixed percentages of employees' basic salaries or at agreed fixed amounts.

16. DIVIDENDS

The Board has resolved not to declare any dividend for the year ended 31 December 2020 (2019: Nil).

17. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$83,439,000 (2019: loss attributable to owners of the Company of approximately HK$20,174,000) and the weighted average number of ordinary shares of 4,271,752,636 (2019: 4,173,122,499) in issue during the year.

Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as (i) the average market share price of the Company's shares during the period from the date of grant of the share options to 31 December 2020 was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement and, accordingly, the share options in issue during the years ended 31 December 2020 have no dilutive effect on the basic earnings per ordinary shares for the year ended 31 December 2020; and (ii) the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019.

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost			
At 1 January 2019	1,821	6,855	8,676
Additions	135	–	135
Exchange differences	49	258	307
At 31 December 2019 and 1 January 2020	2,005	7,113	9,118
Additions	365	–	365
Disposal of subsidiaries *(notes 45(a), 45(b))*	(1,170)	(4,441)	(5,611)
Exchange differences	61	165	226
At 31 December 2020	1,261	2,837	4,098
Accumulated depreciation			
At 1 January 2019	1,210	4,699	5,909
Charge for the year	231	571	802
Exchange differences	62	285	347
At 31 December 2019 and 1 January 2020	1,503	5,555	7,058
Charge for the year	232	550	782
Disposal of subsidiaries *(notes 45(a), 45(b))*	(1,104)	(4,441)	(5,545)
Exchange differences	30	85	115
At 31 December 2020	661	1,749	2,410
Carrying amount			
At 31 December 2020	600	1,088	1,688
At 31 December 2019	502	1,558	2,060

19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2020 *HK$'000*	2019 *HK$'000*
At 31 December:		
Right-of-use assets		
– Properties	5,118	18,126
Lease commitments of short-term leases	–	275
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	2,539	7,504
– Between 1 and 5 years	1,696	12,440
	4,235	19,944

	2020 *HK$'000*	2019 *HK$'000*
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Properties	6,871	5,123
Interest on lease liabilities	693	444
Expenses related to short-term leases	341	1,490
Expenses related to leases of low-value assets that are not short-term leases	19	28
Total cash outflow for leases	7,074	5,526
Additions to right-of-use assets	2,204	17,721
COVID-19-related concessions	311	–

19. LEASES AND RIGHT-OF-USE ASSETS *(Continued)*

The Group leases various items of properties and other equipments. Lease agreements are typically made for fixed periods of 2 to 5 years (2019: 2 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

During the year ended 31 December 2020, the Group received rent concessions in the form of rent forgiveness from lessors during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments for the year is summarised below:

	2020 *HK$'000*	2019 *HK$'000*
Original fixed lease payments	7,385	5,526
COVID-19 rent concessions	(311)	–
Total cash outflow for leases	7,074	5,526

As disclosed in note 2 to the consolidated financial statements, the Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 December 2020 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK$311,000. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

20. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR SALE

	Investment properties HK$'000	Investment properties held for sale HK$'000	Total HK$'000
At 1 January 2019	586,522	17,583	604,105
Transfer from investment properties held for sale	1,834	(1,834)	–
Transfer to investment properties held for sale	(5,450)	5,450	–
Disposals	(1,397)	(15,578)	(16,975)
Fair value gains	21,990	–	21,990
Exchange differences	(9,322)	(171)	(9,493)
At 31 December 2019 and 1 January 2020	594,177	5,450	599,627
Disposal of a subsidiary *(note 45(b))*	(50,300)	–	(50,300)
Fair value losses	(16,869)	–	(16,869)
Exchange differences	32,677	336	33,013
At 31 December 2020	559,685	5,786	565,471

	2020 HK$'000	2019 HK$'000
Analysed as:		
Current assets *(note e)*	5,786	5,450
Non-current assets	559,685	594,177
	565,471	599,627

20. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR SALE *(Continued)*

Notes:

(a) As at 31 December 2020, the investment properties and investment properties held for sale with the fair value of HK$565,471,000 (2019: HK$537,427,000) were situated in the PRC and were held under medium term lease. As at 31 December 2020 and 2019, the fair value of the investment properties situated in the PRC was arrived at on the basis of a valuation carried out by Asia-Pacific Consulting and Appraisal Limited, an independent professional valuer. The fair values were determined by using the income approach – term and reversionary approach, in which fair value was estimated by taking into account the rental amount in existing agreements of the properties and the reversionary potentials of the tenancies.

(b) As at 31 December 2019, the investment property with fair value of HK$62,200,000 (2020: Nil) was situated in Hong Kong and was held under medium term lease. As at 31 December 2019, the fair value of the investment property situated in Hong Kong was arrived at on the basis of a valuation carried out by Asia-Pacific Consulting and Appraisal Limited, an independent professional valuer. The fair value is based on the direct comparison approach assuming the sale of the property in its existing status with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

(c) The Group leases out certain of its investment properties under operating leases. The lease terms are ranged from 1 to 12 years (2019: 1 to 12 years). All leases are on a fixed rental basis and do not include variable lease payments.

The minimum rent receivables under non-cancellable operating leases are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Not later than one year	**19,911**	18,981
Later than one year and not later than two years	**16,900**	17,243
Later than two years and not later than three years	**14,912**	12,507
Later than three years and not later than four years	**14,311**	12,036
Later than four years and not later than five years	**14,418**	12,366
Later than five years	**56,019**	62,890
	136,471	136,023

(d) At 31 December 2020, the investment properties situated in the PRC with a carrying amount of HK$338,680,000 (2019: the investment property situated in Hong Kong with a carrying amount of HK$62,200,000 and the investment properties situated in the PRC with a carrying amount of HK$503,797,000) pledged as security for the banking facilities granted to the Group (note 38).

(e) As at 31 December 2020 and 2019, the Group had entered into a sale and purchase agreement to sell an investment property with a carrying amount of HK$5,786,000 (2019: HK$5,450,000). Besides, the Group also received deposits of approximately HK$4,274,000 (2019: HK$4,025,000), and the amount received was recognised as accruals and other payables as at 31 December 2020 and 2019.

21. GOODWILL

	HK$'000
Cost	
At 1 January 2019, 31 December 2019 and 1 January 2020	82,790
Disposal of subsidiaries *(note 45(a))*	(35,282)
At 31 December 2020	47,508
Accumulated impairment losses	
At 1 January 2019	17,534
Impairment loss recognised	33,017
At 31 December 2019 and 1 January 2020	50,551
Disposal of subsidiaries *(note 45(a))*	(21,543)
At 31 December 2020	29,008
Carrying amount	
At 31 December 2020	18,500
At 31 December 2019	32,239

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU that are expected to benefit from that business combination. As at 31 December 2020, the carrying amount of goodwill had been allocated to the CGU within the business segment of healthcare-related business in the PRC (2019: Hong Kong and the PRC).

21. GOODWILL *(Continued)*

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method, performed by an independent professional valuer, who has staff members with appropriate experience and qualifications. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 3% (2019: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's healthcare-related business is 23.11% (2019: 22.12%).

At 31 December 2019, before impairment testing, goodwill of HK$65,256,000 was allocated to the CGU within the business segment of healthcare-related business in Hong Kong and the PRC. During the year ended 31 December 2019, the Directors were of the opinion that their previous expectation as at 31 December 2018 on the budgeted revenue needed to be adjusted and the actual revenue had fallen below expectation, therefore the Group had revised its cash flow forecasts for the CGU. The goodwill had therefore been reduced to its recoverable amount of HK$32,239,000 through recognition of an impairment loss against goodwill of HK$33,017,000 during the year ended 31 December 2019.

22. OTHER INTANGIBLE ASSETS

	Customer relationship *HK$'000*	Computer systems *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2019	1,108	842	1,950
Additions – acquired separately	–	4	4
Exchange differences	–	(1)	(1)
At 31 December 2019 and 1 January 2020	1,108	845	1,953
Additions – acquired separately	–	52	52
Disposal of subsidiaries *(note 45(a))*	(1,108)	(771)	(1,879)
Exchange differences	–	71	71
At 31 December 2020	–	197	197
Accumulated amortisation			
At 1 January 2019	572	746	1,318
Amortisation for the year	223	44	267
Exchange differences	–	(1)	(1)
At 31 December 2019 and 1 January 2020	795	789	1,584
Amortisation for the year	203	53	256
Disposal of subsidiaries *(note 45(a))*	(998)	(771)	(1,769)
Exchange differences	–	67	67
At 31 December 2020	–	138	138
Carrying amount			
At 31 December 2020	–	59	59
At 31 December 2019	313	56	369

23. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2020 are as follows:

Name	Place of incorporation/ registration and business	Issued/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Meilleure Hemp International Holdings Limited	BVI	USD50,000	100%	–	Investment holding
Meipro Biological Technology Company Limited	Hong Kong	HK$10,000,000	–	71%	Industrial hemp related business
Mizuryu Bio-technology Co., Ltd.	Japan	JPY90,000,000	–	71%	Industrial hemp related business
Base Affirm International Limited	BVI	USD1,000	–	100%	Investment holding
Meilleure Hemp Health Europe SA	Switzerland	CHF100,000	–	100%	Industrial hemp related business
Green Gold Health SA	Switzerland	CHF100,000	–	100%	Industrial hemp related business
Jiwa International Limited	Hong Kong	HK$1,000,000	–	100%	Provision of management service
Meilleure Hemp Holding Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding
Shenzhen Ruima Technology Co., Ltd. （深圳瑞麻科技有限公司）[1, 4]	PRC	RMB10,000,000	–	100%	Investment holding
Shenzhen Meilleure Health Technology Co., Ltd. （深圳市美瑞健康科技有限公司） (formerly known as Shenzhen Yourui Health Management Co., Ltd. （深圳市優瑞健康管理有限公司）)[2, 4]	PRC	RMB30,000,000	–	100%	Industrial hemp related business

23. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Shenzhen Ruima Biotechnology Co., Ltd. （深圳市瑞麻生物科技有限公司）[2, 3, 4]	PRC	RMB1,000,000	–	100%	Industrial hemp related business
Meilleure Group Development Company Ltd	BVI	USD1	100%	–	Investment holding
Meilleure Enterprise Development Company Limited	Hong Kong	HK$100	–	100%	Investment holding
Wuhu Meilleure Health Management Co., Ltd. （蕪湖美瑞健康管理有限公司）[1, 4]	PRC	RMB150,000,000	–	100%	Property leasing and trading of construction materials
Meilleure Property Management and Consultancy Co. Limited	Hong Kong	HK$100	–	100%	Investment holding
Nanjing Tuoyu Property Management Co., Ltd. （南京拓宇置業管理有限公司）[1, 4]	PRC	RMB2,000,000	–	100%	Agency services
U-Home International Enterprises Limited	BVI	USD1,000	100%	–	Investment holding
U-Home Oceania Pty Limited	Australia	AUD100	–	100%	Property development
Australia Hemp Health Pty Ltd	Australia	AUD100	–	100%	Industrial hemp related business
Meilleure Group Health Service Company Limited	Hong Kong	HK$10,000,000	–	100%	Investment holding
Bairui (Shenzhen) Management Company Limited （柏瑞（深圳）健康管理有限公司）[1, 4]	PRC	RMB5,000,000	–	100%	Health management

23. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Shenzhen Bairui Clinic （深圳柏瑞診所）[2, 4]	PRC	RMB10,000,000	–	80%	Health management
Meilleure Health Investment Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Wuhu Jinmeng Health Management Co., Ltd. （蕪湖金萌健康管理有限公司）[1, 4]	PRC	HK$10,000,000	–	100%	Investment holding
Nanjing Mei Jia Rui Business Information Consulting Co., Ltd. （南京美加瑞商務信息諮詢有限公司）[2, 4]	PRC	RMB8,000,000	–	100%	Property leasing and agency services
Wuhu Xiaozhou Investment Co., Ltd. （蕪湖曉舟投資有限公司）[2, 4]	PRC	RMB1,000,000	–	100%	Investment holding
Meilleure Group Health Service Company Limited	BVI	USD1	100%	–	Investment holding
Meilleure Healthcare Company Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Shenzhen Qianhai Meilleure Health Management Consulting Co., Ltd （深圳市前海美瑞健康管理諮詢有限公司）[1, 4]	PRC	RMB20,000,000	–	100%	Health management

1 These are registered as wholly-foreign owned and limited liability companies under PRC law.

2 These are registered as limited liability companies under PRC law.

3 The subsidiary was established by the Group in 2020.

4 English company names are translated for identification purposes only.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

None of the subsidiaries of the Group had any debt securities outstanding at the end of the reporting period or at any time during the year.

The Directors are of the opinion that none of the Group's subsidiaries that have non-controlling interests are material to the consolidated financial statements as a whole, therefore, the financial information in respect of those subsidiaries that have non-controlling interests are not presented.

24. INVESTMENTS IN ASSOCIATES

	2020 *HK$'000*	2019 *HK$'000*
Unlisted investments in PRC:		
Share of net assets	38,636	74,839
Goodwill	8,691	–
	47,327	74,839

During the year ended 31 December 2019, the Group further acquired a 5.55% equity interest in Yunnan Hansu Biotechnology Co., Ltd.* (雲南漢素生物科技有限公司) ("**Yunnan Hansu**"), by way of participation in a judicial auction at a cash consideration of RMB14,625,268 (equivalent in HK$16,642,000) that represents the fair value of the identifiable net assets of Yunnan Hansu at the acquisition date. After the acquisition, the Group's equity interest in Yunnan Hansu was increased from 20% to 25.55%.

During the year ended 31 December 2020, the Group disposed 4.55% equity interest in Yunnan Hansu for cash consideration of RMB36,000,000 (equivalent to HK$39,876,000), resulting in a gain on partial disposal of investment in an associate in amount of HK$31,713,000. After the disposal, the Group's equity interest in Yunnan Hansu was decreased from 25.55% to 21%. During the year, the Group have received RMB16,000,000 (equivalent to HK$17,723,000). Pursuant to the sale and purchase agreement in relation to the disposal of the 4.55% equity interest in Yunnan Hansu (amended by the supplementary agreement dated 31 December 2020 entered into between the Group and the relevant purchaser), cash consideration of RMB2,000,000 (equivalent to HK$2,375,000) shall be received before 1 March 2021 and the remaining cash consideration of RMB18,000,000 (equivalent to HK$21,377,000) shall be received before 31 December 2021.

During the year ended 31 December 2020, the Group subscribed the registered capital of RMB50,000 (equivalent to HK$55,000) in Beijing Mei Ai Kang Technology Co., Ltd.* (北京美艾康科技有限公司) ("**Mei Ai Kang**") that carried out research and development on application of immune cells in treatment of acquired immune deficiency syndrome, representing 5% equity interest in Mei Ai Kang, with a consideration of RMB50,000 (equivalent to HK$55,000). The Group, Mei Ai Kang and the controlling shareholder of Mei Ai Kang then entered into a capital injection agreement (the "**Capital Injection Agreement**") pursuant to which the Group shall inject RMB10,000,000 (equivalent to HK$11,077,000) in cash into Mei Ai Kang of which RMB200,000 (equivalent to HK$222,000) would be contributed to registered capital of Mei Ai Kang, and the remaining amount would be contributed to its capital reserve. In addition, the registered capital and capital reserve of Mei Ai Kang subscribed by the Group enjoys liquidation preference. After the completion of the capital injection, the Group's equity interest in Mei Ai Kang increased from 5% to 20.83%. Pursuant to the Capital Injection Agreement, Mei Ai Kang also granted the Group the certain rights to subscribe equity interest of Mei Ai Kang, which resulted in the separate recognition of call options amounting to HK$487,000. Further details of the call options are included in note 27 to the consolidated financial statements.

* *For identification purpose only*

24. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	Yunnan Hansu		Mei Ai Kang	
	2020	2019	2020	2019
Principal place of business/country of incorporation	PRC		PRC	
Principal activities	Hemp processing		Immune cells research and development	
% of ownership interests/ voting rights held by the Group	21%/ 21%	25.55%/ 25.55%	20.83%/ 20.83%	0%/ 0%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December:				
Non-current assets	14,021	56,741	2,067	–
Current assets	175,231	318,668	9,245	–
Current liabilities	(16,338)	(82,496)	(159)	–
Net assets	172,914	292,913	11,153	–
Group's share of net assets	36,312	74,839	2,324	–
Goodwill	–	–	8,691	–
Group's share of carrying amount of interests	36,312	74,839	11,015	–
Year ended 31 December:				
Revenue	19,943	74,436	–	–
Loss for the year	(18,737)	(114,283)	(1,853)	–
Other comprehensive loss	–	(6,217)	–	–
Total comprehensive loss	(18,737)	(120,500)	(1,853)	–
Dividends received from associates	28,301	–	–	–

Yunnan Hansu and Mei Ai Kang are strategic investments of the Group, enabling the Group to establish its presence in the industrial hemp market; and immune cells research and development and related business respectively.

24. INVESTMENTS IN ASSOCIATES *(Continued)*

As at 31 December 2020, the bank and cash balances of the Group' associates in the PRC denominated in RMB amounted to HK$11,815,000 (2019: HK$67,346,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

25. INVESTMENTS IN JOINT VENTURES

	2020 *HK$'000*	2019 *HK$'000*
Unlisted investment in PRC:		
Share of net assets	**21,341**	19,989
Goodwill	**47,823**	45,043
	69,164	65,032

During the year ended 31 December 2019, the Group acquired 45% equity interest in Shenzhen Wingor Biotechnology Co, Ltd* (深圳市茵冠生物科技有限公司) ("**Shenzhen Wingor**"), established in the PRC at a cash consideration of RMB55,278,000 (equivalent to HK$64,781,000).

The following tables show information of joint ventures that are material to the Group. These joint ventures are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint ventures.

Name	Shenzhen Wingor		Shenzhen Meiray Vap Technology Co., Ltd.* (深圳市美深瑞科技有限公司) ("Shenzhen Meiray Vap")	
	2020	2019	2020	2019
Principal place of business/country of incorporation	PRC		PRC	
Principal activities	Biological service and storage		Manufacturing of CBD atomisation products and other supplies	
% of ownership interests/ voting rights held by the Group	**45%/45%**	45%/45%	**45%/45%**	45%/45%

* *For identification purpose only*

25. INVESTMENTS IN JOINT VENTURES *(Continued)*

Name	Shenzhen Wingor		Shenzhen Meiray Vap	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
At 31 December:				
Non-current assets	30,017	22,848	6,829	–
Current assets	28,032	26,921	6,239	4,474
Non-current liabilities	(12,287)	(4,341)	(2,002)	–
Current liabilities	(6,918)	(5,532)	(2,919)	(113)
Net assets	38,844	39,896	8,147	4,361
Non-controlling interest	432	162	–	–
	39,276	40,058	8,147	4,361
Group's share of net assets	17,675	18,026	3,666	1,962
Goodwill	47,823	45,043	–	–
Group's share of carrying amount of interests	65,498	63,069	3,666	1,962
Cash and cash equivalents included in current assets	623	1,451	1,674	3,803
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	2,648	1,874	831	–
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	10,623	2,582	2,002	–

25. INVESTMENTS IN JOINT VENTURES *(Continued)*

Name	Shenzhen Wingor		Shenzhen Meiray Vap	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Year ended 31 December:				
Revenue	**12,661**	15,649	**24,782**	–
Depreciation and amortisation	**(5,232)**	(2,522)	**(1,484)**	–
Interest income	**8**	17	**10**	–
Interest expense	**(427)**	–	**(129)**	–
Income tax income/(expense)	**530**	(725)	**(1,638)**	–
(Loss)/profit for the year	**(3,407)**	2,743	**3,412**	(113)
Other comprehensive loss	**–**	(6,548)	**–**	–
Total comprehensive (loss)/income	**(3,407)**	(3,805)	**3,412**	(113)
Dividends received from joint ventures	**–**	–	**–**	–

Shenzhen Wingor and Shenzhen Meiray Vap. are strategic investments of the Group, enabling the Group to solidify its existing competitive position in the health management service field; and establish its presence in CBD atomisation related business respectively.

As at 31 December 2020, the bank and cash balances of the Group' joint ventures in the PRC denominated in RMB amounted to HK$2,297,000 (2019: HK$5,254,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 *HK$'000*	2019 *HK$'000*
Unlisted equity investments	**28,572**	33,825

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

During the year ended 31 December 2020, the Group received dividends in the amounts of HK$346,000 (2019: HK$451,000) from one of its investments.

27. DERIVATIVE FINANCIAL ASSETS

	2020 *HK$'000*	2019 *HK$'000*
Call options	**243**	–

The balance represents the call option arising from subscription of certain equity interest in Mei Ai Kang (note 24). Pursuant to the Capital Injection Agreement (amended by the supplementary agreement dated 28 December 2020 entered into between the Group, Mei Ai Kang and the controlling shareholder of Mei Ai Kang), Mei Ai Kang granted the Group the following rights:

1. right to inject not more than RMB10,000,000 into Mei Ai Kang upon the fulfilment of certain conditions, which resulted in the increase in the Group's equity interest in Mei Ai Kang to 30%; and

2. right to further inject RMB10,000,000 into Mei Ai Kang as the operation requires and the funding needs of Mei Ai Kang, which resulted in the further increase in the Group's equity interest in Mei Ai Kang to 37%.

The amount of derivative financial assets expected to be recovered after more than one year is HK$243,000 (2019: Nil).

The derivative financial assets are not designated for hedge purposes and are measured at fair value through profit or loss. Fair value loss on derivative financial assets amounting to HK$271,000 (2019: Nil) were charged to profit or loss during the year.

28. INVENTORIES

	2020 *HK$'000*	2019 *HK$'000*
Construction materials for sale	**13,672**	6,739
CBD downstream products for sales and other supplies	**2,155**	–
Medicines, consumables and other supplies for healthcare-related business	**336**	1,309
	16,163	8,048

29. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	2020 *HK$'000*	2019 *HK$'000*
Cost		
At 1 January	**216,177**	208,874
Capitalised expenditure	**8,989**	8,886
Exchange differences	**20,178**	(1,583)
At 31 December	**245,344**	216,177

According to the accounting policy of the Group, properties held for sale under development is classified as current asset as the construction period of the relevant property development project is expected to be completed in the normal operating cycle.

The carrying amount of properties held for sale under development of approximately HK$245,344,000 (2019: HK$216,177,000) as at 31 December 2020 is expected not to be realised within the next twelve months from the end of the reporting period.

30. TRADE RECEIVABLES

	2020 *HK$'000*	2019 *HK$'000*
Trade receivables	65,477	110,391
Provision for loss allowance	(2,303)	(5,702)
	63,174	104,689

The Group generally allows a credit period of 0 to 180 days (2019: 0 to 180 days) to its customers in trading business and agency service. Overdue balances are reviewed regularly by the management of the Group. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from fellow subsidiaries of the Group of HK$2,168,000 (2019: HK$1,347,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

The ageing analysis of the trade receivables, based on the invoice date, and net of allowance, is as follows:

	2020 *HK$'000*	2019 *HK$'000*
0 to 30 days	31,376	19,643
31 to 90 days	17,908	45,636
Over 90 days	13,890	39,410
	63,174	104,689

Reconciliation of loss allowance for trade receivables:

	2020 *HK$'000*	2019 *HK$'000*
At 1 January	5,702	266
Increase in loss allowance for the year	173	5,436
Disposal of subsidiaries	(3,691)	–
Exchange difference	119	–
At 31 December	2,303	5,702

30. TRADE RECEIVABLES *(Continued)*

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

		Past due			
	Current	Less than 30 days	30 to 90 days	Over 90 days	Total
At 31 December 2020					
Weighted average expected loss rate	0.72%	1.39%	–	98.71%	3.52%
Receivable amount *(HK$'000)*	63,396	216	–	1,865	65,477
Loss allowance *(HK$'000)*	459	3	–	1,841	2,303
At 31 December 2019					
Weighted average expected loss rate	3.86%	4.42%	4.59%	16.83%	5.17%
Receivable amount *(HK$'000)*	66,221	21,625	13,125	9,420	110,391
Loss allowance *(HK$'000)*	2,559	956	602	1,585	5,702

31. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 *HK$'000*	2019 *HK$'000*
Consideration receivables in relation to:		
– Redemption of unlisted fund investment *(note a)*	212,011	–
– Disposals of subsidiaries *(note b)*	58,840	–
– Partial disposal of investment in an associate *(note c)*	23,752	–
Performance bond receivable *(note d)*	23,752	–
Prepayments	20,446	9,850
Other tax receivables	7,298	8,100
Other receivables	2,573	12,710
Deposits paid	143	1,025
	348,815	31,685
Provision for loss allowance *(note e)*	(383)	–
	348,432	31,685

Notes:

(a) The amount represented consideration receivable in relation to the redemption of the unlisted fund investment classified as investments at fair value through profit or loss, which was fully received in January 2021.

(b) Consideration receivable of HK$43,840,000 (2019: Nil) represented consideration receivable in relation to the disposal of the entire share capital of Tech-Medi Development Limited ("**Tech-Medi**") (the "**Disposal of Tech-Medi**"). Pursuant to relevant sale and purchase agreement, cash consideration of HK$12,600,000 shall be received on or before 30 June 2021. The remaining balance of HK$31,240,000 shall be received on or before 31 December 2021. Details of the Disposal of Tech-Medi are set out in note 45(b) to the consolidated financial statements.

The remaining consideration receivable of HK$15,000,000 (2019: Nil) represented consideration receivable in relation to the disposal of 60% of the share capital of La Clinique De Paris International Limited ("**LCDPI**") (the "**Disposal of LCDPI**"), which was fully received in January 2021. Details of the Disposal of LCDPI are set out in note 45(a) to the consolidated financial statements.

(c) The amount represented the consideration receivable in relation to the partial disposal of investment in Yunnan Hansu during the year ended 31 December 2020. Pursuant to the relevant sale and purchase agreement (amended by the supplementary agreement dated 31 December 2020 entered into between the Group and the relevant purchaser), cash consideration of RMB2,000,000 (equivalent to HK$2,375,000) shall be received before 1 March 2021 and the remaining cash consideration of RMB18,000,000 (equivalent to HK$21,377,000) shall be received before 31 December 2021. Details of the partial disposal of investment in Yunnan Hansu are set out in note 24 to the consolidated financial statements.

(d) The amount represented performance bond receivable from an associate of a fellow subsidiary of the Group.

(e) The movements in the loss allowance for other receivables during the year are as follows:

	2020 *HK$'000*	2019 *HK$'000*
At 1 January	–	–
Increase in loss allowance for the year	371	–
Exchange differences	12	–
At 31 December	383	–

32. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Unlisted fund investment	–	280,298
Investments in financial products	47,813	5,425
	47,813	285,723

The above investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not SPPI.

33. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits as at 31 December 2019 represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 38 to the consolidated financial statements. The deposits were denominated in RMB and at fixed interest rate and therefore were subject to foreign currency risk and fair value interest rate risk.

As at 31 December 2020, the aggregated amount of pledged bank deposits and bank and cash balances of the Group denominated in RMB amounted to HK$179,034,000 (2019: HK$122,898,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

34. TRADE PAYABLES

The ageing analysis of trade payables, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
0 to 90 days	1,675	1,416
Over 90 days	5	4
	1,680	1,420

35. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000	As at 1 January 2019 HK$'000
Contract liabilities – Sales of CBD downstream products	12,326	–	–
Contract liabilities – Healthcare management services	2,964	16,132	24,423
Contract liabilities – Aesthetic medical services	524	–	–
Total contract liabilities	15,814	16,132	24,423
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2020	–	16,132	
– 2021	15,814	–	
	15,814	16,132	

	2020 HK$'000	2019 HK$'000
Year ended 31 December		
Revenue recognised in the year that was included in contract liabilities at beginning of year	16,132	24,423

Significant changes in contract liabilities during the year:

	2020 HK$'000	2019 HK$'000
Increase/(decrease) due to operations in the year	7,619	(8,119)
Decrease due to disposal of subsidiaries *(note 45(a))*	(8,686)	–

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

Included in the Group's contract liabilities balance are aggregate amount of HK$812,000 received from related parties which are (i) fellow subsidiaries of the Group; (ii) an associate of a fellow subsidiary of the Group and (iii) certain members of key management personnel of the Group (including one of the Directors).

36. ACCRUALS AND OTHER PAYABLES

	2020 *HK$'000*	2019 *HK$'000*
Deposit received for disposal of an unlisted investment	13,087	3,356
Rental deposits received	6,898	6,497
Other tax payables	5,596	3,218
Deposit received for disposal of investment property held for sale	4,274	4,025
Rental income received in advance	3,225	5,301
Accruals and other payables	3,053	5,129
Payroll payables	1,734	3,590
Interest payables	–	236
	37,867	31,352
Analysed as:		
Current liabilities	31,929	25,759
Non-current liabilities	5,938	5,593
	37,867	31,352

37. AMOUNTS DUE TO RELATED PARTIES

The balances are unsecured, interest-free and have no fixed terms of repayable.

38. BANK BORROWINGS

	2020 *HK$'000*	2019 *HK$'000*
Secured bank loans	**150,825**	310,631
The carrying amounts of bank loans are repayable*:		
Within one year	**30,575**	109,276
In the second year	**19,629**	11,745
In the third to fifth years, inclusive	**54,837**	44,743
Beyond five years	**45,784**	75,367
	150,825	241,131
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**–**	19,000
In the second year	**–**	30,000
In the third to fifth years, inclusive	**–**	20,500
	–	69,500
	150,825	310,631
Less: Amounts due within one year shown under current liabilities	**(30,575)**	(178,776)
Amounts shown under non-current liabilities	**120,250**	131,855

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2020, certain of the Group's bank loans were secured by:

(a) the Group's investment property situated in Hong Kong with a carrying amount of Nil (2019: HK$62,200,000) (note 20);

(b) the Group's investment properties situated in the PRC with a carrying amount of HK$338,680,000 (2019: HK$503,797,000) (note 20);

(c) a pledged deposit with a carrying amount of Nil (2019: HK$80,276,000) (note 33);

(d) a personal guarantee provided by Mr. Zhou (2019: a personal guarantee provided by Mr. Zhou) (note 47(b)(i)); and

(e) certain properties owned by a fellow subsidiary of the Group (note 47(b)(i)).

38. BANK BORROWINGS *(Continued)*

Secured bank loans comprise:

	2020 *HK$'000*	2019 *HK$'000*
Fixed-rate borrowings:		
RMB bank loan at 6.09% p.a.[1]	–	23,490
RMB bank loan at 6.09% p.a.[2]	10,688	–
Floating-rate borrowings:		
HK$ bank loan at HK$ prime rate minus 2.125%[3, 6, 8]	–	38,000
HK$ bank loan at HK$ prime rate minus 2%[4, 6, 8]	–	31,500
HK$ bank loan at 3 months HIBOR plus 1.5%[1, 6]	–	76,210
RMB bank loan at 22.449% higher than the benchmark interest rate for RMB loans for more than five years published by People's Bank of China for the same period[5, 7]	140,137	141,431
	150,825	310,631

1 Repayable in full in 2020.
2 Repayable in full in 2021.
3 Repayable by instalments commencing in 2018 to 2021.
4 Repayable by instalments commencing in 2019 to 2023.
5 Repayable by instalments commencing in 2019 to 2029.
6 The interest rate will be reset every three months.
7 The interest rate will be reset every month.
8 Contain a repayment on demand clause.

39. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2020 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	2019 *HK$'000*
Within one year	2,539	7,504	2,474	7,349
In the second to fifth years, inclusive	1,696	12,440	1,538	11,390
	4,235	19,944		
Less: Future finance charges	(223)	(1,205)		
Present value of lease liabilities	4,012	18,739	4,012	18,739
Less: Amount due for settlement within 12 months (shown under current liabilities)			(2,474)	(7,349)
Amount due for settlement after 12 months			1,538	11,390

At 31 December 2020, the average effective borrowing rate was ranging from 2% to 6% (2019: from 3% to 6%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

40. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

	Fair value change of investment properties HK$'000	Fair value adjustment on intangible assets HK$'000	Withholding tax HK$'000	Impairment of assets HK$'000	Unrealised revenue received in advance HK$'000	Accrued expense HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2019	49,674	88	1,507	(67)	–	(187)	(449)	50,566
Charge/(credit) to profit or loss for the year *(note 11)*								
– origination and reversal of temporary differences	6,585	(37)	–	(1,124)	(537)	(159)	(879)	3,849
Exchange differences	(925)	–	(26)	9	5	5	11	(921)
At 31 December 2019 and 1 January 2020	55,334	51	1,481	(1,182)	(532)	(341)	(1,317)	53,494
Charge/(credit) to profit or loss for the year *(note 11)*								
– origination and reversal of temporary differences	2,574	(33)	–	886	547	351	(10,349)	(6,024)
Disposal of subsidiaries *(note 45(a))*	–	(18)	–	213	–	–	–	195
Exchange differences	3,494	–	91	(32)	(15)	(10)	(544)	2,984
At 31 December 2020	61,402	–	1,572	(115)	–	–	(12,210)	50,649

The following is the analysis of the deferred tax balances for consolidated statement of financial position purposes:

	2020 HK$'000	2019 HK$'000
Deferred tax liabilities	62,974	56,866
Deferred tax assets	(12,325)	(3,372)
	50,649	53,494

At the end of the reporting period, the Group has unused tax losses of HK$60,034,000 (2019: HK$41,353,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$40,700,000 (2019: HK$5,960,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$19,334,000 (2019: HK$35,393,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are (i) losses arising in the PRC and Switzerland (2019: PRC) of HK$7,399,000 (2019: HK$10,435,000) that will expire within 5 years; and (ii) losses arising in Japan of HK$2,726,000 (2019: Nil) that will expire within 7 years. Other tax losses may be carried forward indefinitely.

40. DEFERRED TAX *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. As at 31 December 2020, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK$29,609,000 (2019: HK$23,809,000). No liability has been recognised in respect of these differences because the Group controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.

41. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2019	3,911,752,636	39,118
Placing of shares *(note a)*	360,000,000	3,600
At 31 December 2019, 1 January 2020 and 31 December 2020	4,271,752,636	42,718

Note:

(a) In April 2019, the Company completed the placing of new shares under general mandate. A total of 360,000,000 ordinary shares had been issued with a par value of HK$0.01 each. The placing price of HK$0.91 per share had led to the increase in share capital and share premium of approximately HK$3,600,000 and HK$324,000,000 (before deduction of share issue expenses) respectively.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 *HK$'000*	2019 *HK$'000*
Non-current assets			
Investments in subsidiaries		85,096	82,398
		85,096	82,398
Current assets			
Prepayments, deposits and other receivables		212,376	6,068
Amounts due from subsidiaries		902,932	585,329
Investments at fair value through profit or loss		–	280,298
Bank and cash balances		36,080	101,808
		1,151,388	973,503
Current liabilities			
Accruals and other payables		2,514	60
Amounts due to subsidiaries		195,822	–
Bank borrowings		–	76,210
Current tax liabilities		–	1,915
		198,336	78,185
Net current assets		953,052	895,318
NET ASSETS		1,038,148	977,716
Equity			
Share capital	*41*	42,718	42,718
Reserves	*43(b)*	995,430	934,998
TOTAL EQUITY		1,038,148	977,716

43. RESERVES

(a) Nature and purpose of reserves of the Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 108 of the consolidated financial statements.

(i) Share premium

This represents the premium arising from the issue of shares at a price in excess in of their par value per share, less expense incurred in connection with the issue of shares.

(ii) Contributed surplus

The contributed surplus of the Group consists of:

– Pursuant to the corporate reorganisation of the Group during the period from 2002 to 2003 (the "**Reorganisation**"), the Company became the holding company of the Group on 24 September 2003. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in the exchange under the Reorganisation was transferred to contributed surplus.

– In the annual general meeting held at 24 May 2017, shareholders duly passed a special resolution to adopt a share premium reduction. Accordingly, the share premium of HK$408,621,000 was credited to the contributed surplus.

According to Bermuda law, the Company can make a distribution out of the contributed surplus, provided that the Company is, or would after the payment be, able to pay its liabilities as they become due or the realisable value of the Company's assets exceeds the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(y) to the consolidated financial statements.

(iv) Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

43. RESERVES *(Continued)*

(a) Nature and purpose of reserves of the Group *(Continued)*

(v) Other reserve

This represents the present value of the redemption price of the cash-settled written put option. During the year ended 31 December 2019, the cash-settled written put option was cancelled. Accordingly, the cash-settled written put option of HK$150,328,000 had been derecognised with corresponding credit to other reserve and retained profits.

(vi) Equity investment revaluation reserve

The equity investment revaluation reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3(n)(ii) to the consolidated financial statements.

(vii) Property revaluation reserve

This represents fair value adjustment upon transfer of owner-occupied property to investment property in 2012. During the year ended 31 December 2020, the investment property was disposed upon the Disposal of Tech-Medi as disclosed in note 45(b) to the consolidated financial statements. Accordingly, the asset valuation reserve of HK$22,353,000 was transferred to retained profits directly.

(viii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(e) to the consolidated financial statements.

(b) Reserves of the Company

	Share premium account *HK$'000*	Contributed surplus account *HK$'000*	Share-based payment reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2019	326,382	490,801	–	(217,808)	599,375
Total comprehensive income for the year	–	–	–	13,516	13,516
Placing of shares *(note 41(a))*	324,000	–	–	–	324,000
Share issue expenses	(1,893)	–	–	–	(1,893)
At 31 December 2019	648,489	490,801	–	(204,292)	934,998
At 1 January 2020	648,489	490,801	–	(204,292)	934,998
Total comprehensive income for the year	–	–	–	56,153	56,153
Recognition of equity-settled share-based payments	–	–	4,279	–	4,279
At 31 December 2020	648,489	490,801	4,279	(148,139)	995,430

44. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 20 June 2019, which will expire on 19 June 2029, for the primary purpose of providing incentives to employees, executives, officers or directors of the Group, its invested entities and substantial shareholders; and advisors, consultants, agents, suppliers, customers, distributors, contractors, business partners and joint venture partners of the Group (collectively the "**Eligible Participants**").

The maximum number of shares which may be issued upon exercise of all outstanding share options to be granted and yet to be exercised under the Share Option Scheme and other schemes of the Company at any time shall not exceed 10% of the total number of the shares of the Company in issue from time to time. The total number of shares issued and may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Any grant of share options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the share options). In addition, any share options granted to a substantial shareholder of the Company or any independent non-executive Directors, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. A share option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the share option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which a share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted and accepted.

The exercise price in relation to each share option offered to an Eligible Participant shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange on the date of the grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and

(iii) the nominal value of the Company's share.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

44. SHARE-BASED PAYMENTS *(Continued)*

Details of the movements of share options are as follows:

Category of participants	Date of grant *(note a)*	Exercise period	Exercise price HK$	Number of share options: Outstanding as at 01/01/2019, 31/12/2019 and 1/1/2020	Granted during the year	Forfeited during the year	Outstanding as at 31/12/2020
Directors	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note d)*	0.33	–	10,002,000	–	10,002,000
	24.6.2020 *(note c)*	24.6.2021 – 23.6.2030 *(note e)*	0.33	–	18,000,000	–	18,000,000
Employees	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note d)*	0.33	–	4,008,000	–	4,008,000
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note f)*	0.33	–	3,000,000	–	3,000,000
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note g)*	0.33	–	2,004,000	–	2,004,000
	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note h)*	0.33	–	11,646,000	(408,000)	11,238,000
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note i)*	0.33	–	3,024,000	(204,000)	2,820,000
	12.5.2020 *(note b)*	12.5.2020 – 11.5.2030 *(note j)*	0.33	–	996,000	–	996,000
Others	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note d)*	0.33	–	5,004,000	–	5,004,000
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note f)*	0.33	–	1,998,000	–	1,998,000
	12.5.2020 *(note b)*	12.5.2021 – 11.5.2030 *(note h)*	0.33	–	13,056,000	–	13,056,000
	12.5.2020 *(note b)*	12.5.2022 – 11.5.2030 *(note i)*	0.33	–	504,000	–	504,000
	12.5.2020 *(note b)*	12.5.2020 – 11.5.2030 *(note j)*	0.33	–	6,006,000	–	6,006,000
Total for Scheme				–	79,248,000	(612,000)	78,636,000
Exercisable at the end of the year				–			–
Weighted average exercise price *(HK$)*				–	0.33	0.33	0.33

Notes:

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

(b) On 12 May 2020, the Company granted 61,248,000 share options to certain Eligible Participants pursuant to the Share Option Scheme. Further details are set out in the announcement of the Company dated 12 May 2020 and the circular of the Company dated 3 June 2020.

(c) On 12 May 2020, the Company proposed to grant 18,000,000 share options to Ms. Zhou Wen Chuan pursuant to the Share Option Scheme. At the special general meeting held on 24 June 2020 (the "**Date of SGM 2020**"), the resolution in respect of approving the proposed grant of share options to Ms. Zhou Wen Chuan was duly passed by the independent shareholders of the Company by the way of poll. Further details are set out in the announcements of the Company dated 12 May 2020 and 24 June 2020 and the circular of the Company dated 3 June 2020.

44. SHARE-BASED PAYMENTS *(Continued)*

Notes: (Continued)

(d) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the date of acceptance of the offer of share option (the "**Date of Acceptance**"); (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.

(e) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of SGM 2020; (ii) another 25% of which shall be vested after 24 months of the Date of SGM 2020; (iii) another 25% of which shall be vested after 36 months of the Date of SGM 2020; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of SGM 2020.

(f) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 3 tranches: (i) one-third of which shall be vested after 24 months of the Date of Acceptance; (ii) another one-third of which shall be vested after 36 months of the Date of Acceptance; and (iii) the remaining one-third of which shall be vested after 48 months of the Date of Acceptance.

(g) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.

(h) The share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.

(i) The share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.

(j) The share option granted shall be vested immediately upon the fulfilment of certain vesting conditions including the achievement of certain research and development milestones for certain pharmaceutical products, completion of designated tasks and satisfactory business performance of the relevant entities (subject to the Board's opinion).

No options were exercised or expired during the year ended 31 December 2020. During the year ended 31 December 2020, 61,248,000 share options and 18,000,000 share options were granted on 12 May 2020 and 24 June 2020 respectively. The estimated fair values of the options on those dates are HK$10,696,000 and HK$3,505,000 respectively.

44. SHARE-BASED PAYMENTS *(Continued)*

These fair values were calculated using the Binomial model. The inputs into the model are as follows:

Grant date	12 May 2020	24 June 2020
Share price on grant date	HK$0.33	HK$0.33
Exercise price	HK$0.33	HK$0.33
Expected life	10 years	10 years
Expected volatility	58.66%	58.74%
Expected dividend yield	Nil	Nil
Annual risk-free interest rate	0.66%	0.70%
Suboptimal factor	2.2 to 2.8	2.8
Expected post-vesting forfeiture rate	0% to 8.57%	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Share options granted to consultants were incentives for their contributions or potential contributions to the Group, so as to motivate them to optimise their performance efficiency for the benefit of the Group. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries and purchase of non-controlling interests

On 14 December 2020, (i) Meilleure Group Health Service Company Limited ("**Meilleure Group Health**") an indirect wholly-owned subsidiary of the Company; (ii) Taiyue Inc., ("**Taiyue**") a non-controlling shareholder of LCDPI which was then an indirect non-wholly owned subsidiary of the Company; and (iii) La Clinique de Paris Health Group Limited ("**LCDP Health Group**"), an indirect wholly-owned subsidiary of LCDPI, entered into the sale and purchase agreement, pursuant to which (i) Meilleure Group Health agreed to sell and Taiyue agreed to acquire 60% of the issued share capital of LCDPI at an aggregate consideration of HK$25,200,000; and (ii) LCDP Health Group agreed to sell and Meilleure Group Health agreed to acquire the entire equity interest of Bairui (Shenzhen) Health Management Company Limited* (柏瑞(深圳)健康管理有限公司) ("**Shenzhen Bairui**"), which was then an indirect non-wholly owned subsidiary of the Company, at an aggregate consideration of HK$7,200,000.

In addition, Meilleure Group Health, Taiyue and LCDP Health Group agreed that the consideration of HK$7,200,000 payable to LCDP Health Group by Meilleure Group Health in relation of the Acquisition of Shenzhen Bairui was set off against the consideration receivable from Meilleure Group Health to Taiyue in relation of the Disposal of LCDPI.

After the completion of the Disposal of LCDPI, the Group obtained cash consideration of HK$18,000,000 and non-controlling interests of Shenzhen Bairui and its subsidiary from the non-controlling shareholders of LCDPI, which constituted an addition of 40% and 32% effective ownership interests of Shenzhen Bairui and its subsidiary held by the Group respectively.

* *For identification purpose only*

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Disposal of subsidiaries and purchase of non-controlling interests *(Continued)*

Net assets of LCDPI and its subsidiaries disposed at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	9
Right-of-use assets	8,833
Goodwill	13,739
Other intangible assets	110
Equity investments at fair value through other comprehensive income	167
Deferred tax assets	213
Trade receivables	3,821
Prepayments, deposits and other receivables	9,962
Bank and cash balances	7,788
Trade payables	(227)
Contract liabilities	(8,686)
Accruals and other payables	(2,837)
Amounts due to related parties	(1,215)
Lease liabilities	(9,047)
Current tax liabilities	(451)
Deferred tax liabilities	(18)
Net assets disposed of	22,161
Release of foreign currency translation reserve	(967)
Non-controlling interests	(2,299)
Gain on disposal of subsidiaries	430
Total consideration	19,325
Consideration received:	
Cash received	3,000
Deferred cash consideration	15,000
Deemed cost of non-controlling interests of Shenzhen Bairui and its subsidiary received	1,325
Total consideration received	19,325
Net cash outflow arising on disposal:	
Cash consideration received	3,000
Cash and cash equivalents disposed of	(7,788)
	(4,788)

The effect of the acquisition of non-controlling interests of Shenzhen Bairui and its subsidiary on the equity attributable to the owners of the Company is as follows:

	HK$'000
Share of net assets in the subsidiaries acquired	1,295
Deemed consideration	(1,325)
Loss on acquisition recognised directly in equity	(30)

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of a subsidiary

On 20 November 2020, the Group and Yee Sheng Enterprises Company Limited ("**Yee Sheng**"), which is a fellow subsidiary of the Group, entered into the sale and purchase agreement, pursuant to which the Group agreed to sell and Yee Sheng agreed to acquire entire share capital of Tech-Medi which held an investment property situated in Hong Kong (the "**Property**") at a consideration of HK$64,462,000. Pursuant to the agreement, Yee Sheng undertook to deliver to the Group a duly executed tenancy agreement in relation to the Property in a form of satisfactory to the Group, whereby the Tech-Medi as the landlord agreed to lease the Property to the Group for a term of two years with two years' rent-free period.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	57
Investment property	50,300
Trade receivables	545
Prepayments, deposits and other receivables	208
Bank and cash balances	114
Trade payables	(22)
Accruals and other payables	(380)
Net assets disposed of	50,822
Gain on disposal of a subsidiary	13,640
Total consideration	64,462
Consideration received:	
Cash received	18,900
Deferred cash consideration	43,840
Fair value of right-of-use asset received	1,722
Total consideration received	64,462
Net cash inflow arising on disposal:	
Cash consideration received	18,900
Cash and cash equivalents disposed of	(114)
	18,786

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Purchase of non-controlling interests

During the year, the Group further acquired 20% equity interests in Meipro Biological Technology Company Limited ("**Meipro Biological**") from a non-controlling shareholder at a cash consideration of HK$2,000,000. After the completion of the acquisition, the shareholding of the Group in Meipro Biological increased from 51% to 71%.

The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	HK$'000
Share of net assets in the subsidiary acquired	1,169
Consideration	(2,000)
Loss on acquisition recognised directly in equity	(831)

(d) Major non-cash transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

(i) Pursuant to the agreements entered into between the Group and non-controlling shareholders of LCDPI (the "**Non-Controlling Shareholders**"), the put option granted to the Non-Controlling Shareholders to require the Group to purchase all or part of the shares of LCDPI owned by them (the "**Put Option**") from year 2020 to 2030 was cancelled at a consideration of HK$1.00. Such obligation arising from the Put Option of HK$150,328,000 had been accordingly derecognised with corresponding credit to other reserve and retained profits during the year ended 31 December 2019 (2020: N/A).

(ii) During the year ended 31 December 2020, the Group entered into new lease agreements for the use of leased properties for 2 years (2019: 2 to 5 years). On the lease commencement, the Group recognised HK$2,204,000 (2019: HK$17,721,000) of right-of-use assets and HK$482,000 (2019: HK$17,721,000) lease liability respectively.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(e) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Amounts due to related parties HK$'000	Pledged bank deposits HK$'000	Bank borrowings HK$'000	Interest payables HK$'000	Lease liabilities HK$'000
At 1 January 2019	830	(6,857)	219,563	132	6,244
Change in cash flows					
– financing activities	(833)	(73,419)	92,864	(15,913)	(5,526)
– operating activities	7,064	–	–	–	–
Non-cash changes					
– additions	–	–	–	–	17,721
– interest charged	–	–	–	15,949	444
– exchange differences	1	–	(1,796)	68	(144)
At 31 December 2019 and 1 January 2020	7,062	(80,276)	310,631	236	18,739
Change in cash flows					
– financing activities	–	82,679	(169,327)	(13,155)	(7,074)
– operating activities	(200)	–	–	–	–
Non-cash changes					
– additions	–	–	–	–	482
– interest charged	–	–	–	12,989	693
– disposal of subsidiaries *(note 45(a))*	–	–	–	–	(9,047)
– COVID-19-related concessions	–	–	–	–	(311)
– exchange differences	594	(2,403)	9,521	(70)	530
At 31 December 2020	7,456	–	150,825	–	4,012

46. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2020 HK$'000	2019 HK$'000
Contracted, but not provided for:		
Capital contribution to a joint venture	3,207	3,020
Capital contribution to an associate	10,688	–
Capital contribution to an unlisted long-term investment	14,251	–
Acquisition of equity interest of an unlisted long-term investment	7,126	–

47. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	Notes	2020 HK$'000	2019 HK$'000
Fellow subsidiaries of the Group:	*(i)*		
Property sale and consultancy service income paid to the Group	*(ii)*	29,805	29,287
Healthcare management service income paid to the Group	*(iii)*	1,576	–
Rental income paid to the Group	*(iii)*	486	480
Aesthetic medical service income paid to the Group	*(iii)*	204	–
Purchase from the Group	*(iii)*	39	–
Associate of a fellow subsidiary of the Group:			
Purchases from the Group		510	–
Associate of the Group:			
Sales to the Group		33	–
Joint ventures of the Group:			
Service income paid to the Group		–	2,141
Sales to the Group		545	–
The Directors:			
Healthcare management service income paid to the Group	*(iii)*	–	118
Purchases from the Group	*(iii)*	2	–
Members of key management personnel of the Group (excluding the Directors):			
Healthcare management service income paid to the Group		197	–
Aesthetic medical service income paid to the Group		55	–
Purchases from the Group		2	–
Other related parties	*(i)*		
Purchase from the Group	*(iii)*	516	–

47. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) The related parties are (i) a company owned and controlled by one of the Directors; and (ii) an entity of which one of the Directors is a member of key management personnel.

(ii) The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in sub-section "Connected Transactions and Continuing Connected Transactions" of the Directors' Report contained in this annual report.

(iii) The related party transactions constitute connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are sales of goods or services on normal commercial terms in ordinary and usual course of business under Rule 14A.97 or below the de minimis threshold under Rule 14A.76(1).

(b) Other transactions with related parties:

(i) As at 31 December 2020, certain of the Group's bank loans were secured by a personal guarantee provided by Mr. Zhou and certain properties owned by a fellow subsidiary of the Group (2019: a personal guarantee provided by Mr. Zhou), as further detailed in note 38 to the consolidated financial statements.

(ii) During the year ended 31 December 2020, the Group disposed the entire share capital of Tech-Medi, an indirect wholly-owned subsidiary of the Company, to a fellow subsidiary of the Group, at a consideration of HK$64,462,000. After the completion of the disposal, the Group entered into an agreement with Tech-Medi, which became a fellow subsidiary of the Group after the completion of the disposal, for leasing of the Property as office premise in Hong Kong to the Group with a term of two years with two years' rent-free period. At the commencement date of the lease, the Group recognised a right-of-use asset of HK$1,722,000. Further details are given in note 45(b) to the consolidated financial statements.

(iii) Except share options granted to the Directors as disclosed in note 44 to the consolidated financial statements, the Company also granted 14,322,000 share options to the key management personnel of the Group (other than the Directors) during the year at an exercise price of HK$0.33 each.

(iv) In 2019, the Group acted as a receiving agent of its joint venture to receive proceeds from customers of its joint venture and then pay to such joint venture the proceeds (after deduction of service income charged). During the year ended 31 December 2019, the aggregated amount received on behalf of the joint venture was HK$8,262,000 (2020: N/A).

47. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group:

	2020 *HK$'000*	2019 *HK$'000*
Short term employee benefits	9,653	6,985
Post-employment benefits	216	192
Equity-settled share based-payments	2,458	–
Total compensation paid to key management personnel	12,327	7,177

Further details of directors' emoluments are included in note 13 to the consolidated financial statements.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 19 March 2021.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)				
RESULTS					
Revenue	66,658	68,705	230,542	234,779	**265,135**
Profit/(loss) before tax	49,888	103,561	106,583	(5,344)	**103,587**
Income tax expense	(14,672)	(23,817)	(25,059)	(17,666)	**(18,521)**
Profit/(loss) for the year	35,216	79,744	81,524	(23,010)	**85,066**
Attributable to:					
Owners of the Company	34,380	80,066	80,537	(20,174)	**83,439**
Non-controlling interests	836	(322)	987	(2,836)	**1,627**
	35,216	79,744	81,524	(23,010)	**85,066**

	As at 31 December				
	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)				
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	790,565	1,073,490	1,296,586	1,713,853	**1,702,860**
Total liabilities	(228,401)	(387,031)	(474,954)	(448,193)	**(299,597)**
Non-controlling interests	(2,895)	(4,059)	(4,629)	(6,055)	**(2,341)**
	559,269	682,400	817,003	1,259,605	**1,400,922**

PARTICULARS OF PROPERTIES

As at 31 December 2020

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Certain shops of Commercial Pedestrian Street of Dong Fang Hong County, New Zone of East Town, Wuhu City, Anhui Province, the PRC	Shop	Medium term lease	100%
(i) 10/F and 11/F at Building No. 18; and (ii) part of the 1/F, 2/F to 11/F and basement at Building No. 19, Dongfanghong County Garden, 128 Yue Min Street, Qi Lin Street, Jiangning District, Nanjing City, Jiangsu Province, the PRC	Hotel/Shop	Medium term lease	100%

PROPERTIES UNDER DEVELOPMENT

Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Stage of completion	Expected completion date	Attributable interest of the Group
Lot A & B, 626 Heidelberg Road, Alphington, VIC, 3078, Australia	Residential	11,488	18,752	Early works completed	2023	100%