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QIAN HAI HEALTH

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

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

2018 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. George Lu *(Chairman and Chief Executive Officer)*
Mr. Wong Kwok Ming

NON-EXECUTIVE DIRECTOR

Mr. Yeung Wai Fai Andrew (resigned on 29 June 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Li Wei *(Chairman)*
Mr. George Lu
Mr. Wu Wei Leung Danny

NOMINATION COMMITTEE

Mr. Li Wei *(Chairman)*
Mr. George Lu
Mr. Wu Wei Leung Danny

AUTHORISED REPRESENTATIVES

Mr. George Lu
Ms. Yip Tak Yung Teresa

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa

AUDITOR

BAKER TILLY HONG KONG LIMITED

2nd Floor, 625 King's Road
North Point, Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAWS

CHIU AND PARTNERS

40th Floor, Jardine House
1 Connaught Place
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

CONYERS TRUST COMPANY (CAYMAN) LIMITED

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

HONG KONG BRANCH SHARE REGISTRAR

TRICOR INVESTOR SERVICES LIMITED

Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTORS RELATIONS

ir@qhhl.com.hk

STOCK CODE

0911

WEBSITE

www.qianhaihealth.com.hk

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in sale of health products, which including American ginseng, healthcare wine and Chinese herbal medicines to wholesalers and retailers in Hong Kong.

HEALTH PRODUCTS

During the year ended 31 December 2018 (the "**Year**"), the Group's sale of health products, the majority of which was American ginseng. The American ginseng was mainly imported from Canada to wholesalers and retailers in Hong Kong. The trading of American ginseng business remained competitive. The average wholesale price of American ginseng decreased in 2018, when compared to that of the 2017. The Group was keeping tight control of its operations and focused on enhancing operation efficiency.

The Group would like to deploy the multi-product strategy to broaden its revenue base, which is expected to have a positive future impact on the Group's performance given the positive outlook of the health-related business.

JOINT DEVELOPMENT PROJECT – LIN AN PROJECT

The Group held 51% of equity interests in 杭州湍口眾安滙尊溫泉度假村有限公司 ("**Huizun Hot Spring**"), which engaged in joint development of a land parcel in Lin An city, Hangzhou Province in China (the "**Lin An Project**"), with a total gross floor area of approximately 90,000 square metres. The project includes the development of high-ended hot spring residential resorts, and a medical and healthcare centre, which offers beautiful and comfortable living environment and supported by healthcare concept to the customers. The Li An Project was under development in 2018 and is expected to be completed in 2022.

In 2018, the Group signed a mutual control agreement with another equity-holder of Huizun Hot Spring, while all major decisions of Huizun Hot Spring would require unanimous consent from all its equity-holders, which resulting the Group had a loss in control over Huizun Hot Spring. Accordingly, Huizun Hot Spring ceased to be a subsidiary of the Group and the Group's investment in Huizun Hot Spring was reclassified as investment in a joint venture. However, there were no change in the Group's equity interest in Huizun Hot Spring, and the Group still maintains 51% of equity interests in Huizun Hot Spring.

MATERIAL ACQUISITION AND DISPOSAL

DISPOSAL OF AN ASSOCIATE THROUGH DISPOSAL OF A SUBSIDIARY

During the Year, the Group disposed of a subsidiary, which indirectly owned 49% equity interests in an associate, which is an information technology problem solving service provider, at the consideration of HK$50,000,000. The disposal has enabled the Group to deploy more resources and commitment in other business opportunities. With the disposal of the subsidiary, the Group recognised a gain on disposal of a subsidiary of approximately HK$0.3 million, with included in other (losses)/gains, net.

FUTURE PROSPECTS

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

The Group has always been looking for new and suitable investment or business opportunities and bring valuable returns to the shareholders of the Company.

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

During the Year, the Group's revenue was mainly generated from sale of health products, while the major products were American ginseng. Due to the American ginseng market was volatile in 2018, the Group kept a conscious attitude in the trading of American ginseng. With the Group tightened the trading volume of the American ginseng and the decrease in the average selling price of the American ginseng, the total revenue decreased from approximately HK$197.1 million to approximately HK$78.0 million, representing a decrease of approximately 60.4%, as compared with the same of last year. Resulting a decrease in gross profit amounted to approximately HK$11.9 million, as compared to that of prior year. The Group's gross profit margin decreased to approximately 3.8% for 2018 from approximately 7.5% for 2017.

OTHER INCOME

The Group's other income mainly represented the interest income from the money lending business of approximately HK$22.0 million (2017: approximately HK$15.4 million). Qianhai Health Finance Limited ("**Qianhai Health Finance**"), which is an indirect wholly-owned subsidiary of the Company, has obtained a money lenders licence under the Money Lenders Ordinance since August 2015, which enables Qianhai Health Finance to conduct money lending business in Hong Kong through the provision of secured and unsecured loans to customers.

OTHER (LOSSES)/GAINS, NET

The Group recorded other net losses of approximately HK$5.2 million in 2018, while other net gains for the year of 2017. The turnaround was mainly due to (i) a gain on disposal of property, plant and equipment of approximately HK$6.7 million was recognised in 2018, as compared that of approximately HK$29.9 million was recognised in 2017; (ii) a gain on changes in fair value of the investment property of approximately HK$1.5 million was recognised in the Year, as compared to the same of approximately HK$15.5 million in 2017; (iii) an inventory write down of approximately HK$15.0 million was recognised in 2018, as compared to that of the approximately HK$5.9 million in 2017; and (iv) a gain on disposal of a warehouse through disposal of subsidiaries of approximately HK$3.4 million was recognised in 2018, while no such gain was recognised in 2017.

INVENTORIES

The Group's inventories as at 31 December 2018 was approximately HK$41.1 million (2017: approximately HK$63.7 million). The inventories of the Group were stated at lower of cost or net realisable value. With the lower of selling price of the cultivated American ginseng, a provision of inventories of approximately HK$15.0 million (2017: approximately HK$5.9 million) has been recognised for the Year, after re-assessing the net realisable value of the inventories. The Group considered that the making of provision for inventories can more accurately reflect the financial position of the Group.

LOAN AND INTEREST RECEIVABLES

The loan and interest receivables were mainly arising from the money lending business of Qianhai Health Finance. As at 31 December 2018, the Group's loan and interest receivables was approximately HK$183.7 million (2017:HK$149.2 million), while generated an interest income of approximately HK$22.0 million in the Year (2017:HK$15.4 million).

The Group will continue to maintain cautious attitude in assessing borrowers' ability to repay and approving loans to its borrowers in order to reduce the Group's credit risk.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, cash and cash equivalents of the Group amounted to approximately HK$138.3 million (2017: approximately HK$183.5 million), and the Group's net current assets were approximately HK$389.4 million (2017: approximately HK$376.0 million).

The Directors are of the view that, at the date hereof, the Group's financial resources are sufficient to support its business and operations.

The Group had no interest-bearing loans as at 31 December 2018 (2017: HK$15.0 million).

FOREIGN CURRENCY EXPOSURE

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("**HK$**") and the purchases of health products are mainly made in Canadian dollars ("**CAD**"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the Year, the Group incurred a gain of foreign exchange differences amounted to approximately HK$1.9 million (2017: approximately HK$18,000). The board ("**Board**") of directors ("**Directors**") of the Company will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

CHARGE OF ASSETS

Certain borrowings were secured by the Group's investment property having a carrying value of approximately HK$92.5 million (2017: HK$91.0 million).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had no capital commitments.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2018 and 31 December 2017.

DIVIDEND

The Board does not recommend the payment of final dividend for the Year.

SHARE CONSOLIDATION

On 12 September 2018, the share consolidation of every ten (10) of the existing issued and unissued shares of HK$0.004 each in the share capital of the Company into one consolidated share ("**Share**") of HK$0.04 each in the share capital of the Company has become effective ("**Share Consolidation**"). Upon completion of the Share Consolidation, the authorised share capital of the Company was HK$200,000,000 divided into 5,000,000,000 Shares, of which 1,692,760,000 Shares are in issue and fully paid.

SHARE PREMIUM REDUCTION

In 2018, the Company reduced the entire amount standing to the credit of the share premium account of the Company to nil and the entire amount of approximately HK$1,518 million was credited to the retained earnings/accumulated deficits account of the Company.

The share premium reduction has enabled the Company to eliminate its accumulated deficits, thus enabling the shareholders of the Company ("**Sharehoders**") and investors to have a better appreciation of the financial position of the Company and its current businesses. Furthermore, this would also give the Company the flexibility to declare dividends to the Shareholders at the earliest opportunity in the future when the Board considers appropriate.

HUMAN RESOURCES

As at 31 December 2018, we had a total of 20 employees. The Company determines employee salaries based on each employee's qualifications, position and seniority. The Group has established an annual review system to assess the performance of its employees, which forms the basis of the Group's decisions with respect to salary raises, bonuses and promotions.

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

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

SUBSEQUENT IMPORTANT EVENTS AFTER THE YEAR-CHANGE IN CONTROLLING SHAREHOLDER

On 24 January 2019, Explorer Rosy Limited (the "**Offeror**") as purchaser entered into a sale and purchase agreement (the "**SPA**") with Super Generation Group Limited, pursuant to which Super Generation Group Limited agreed to sell, and the Offeror agreed to purchase 805,688,000 Shares, representing approximately 47.60% of the entire issued share capital of the Company at the consideration of HK$0.25 per Share (i.e. HK$201,422,000 in aggregate).

Completion of the SPA took place on 1 February 2019 in accordance with the terms and provisions of the SPA. Immediately following completion of the SPA and as at the date of this annual report, the Offeror was interested in an aggregate of 805,688,000 Shares, representing approximately 47.60% of the entire issued share capital of the Company. Haitong International Securities Company Limited, on behalf of the Offeror, pursuant to Rule 26.1 of the Code on Takeover and Mergers, made a mandatory unconditional general offer in cash (the "**Offer**") for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it. The Offer period has commenced since 1 February 2019 and not yet closed as at the date of this annual report.

Details of the Offer were set out in the joint announcements issued by the Offeror and the Company dated 1 February 2019, 14 February 2019 and 13 March 2019.

AUDIT COMMITTEE

The Company has established the audit committee of the Company (the "**Audit Committee**") with a specific written terms of reference in accordance with the requirements under Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee is responsible for, among others, reviewing and supervising the Group's financial reporting process, assisting the Board to ensure effective risk management and internal control systems and providing advice and comments to the Board.

As at 31 December 2018 and up to the date of this annual report, the Audit Committee comprised all three independent non-executive Directors, namely, Mr. Yuen Chee Lap Carl (Chairman of the Audit Committee), Mr. Li Wei and Mr. Wu Wai Leung Danny.

The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee together with the management and the external auditors of the Company. The Audit Committee is satisfied that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

Biographical Details of Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

MR. GEORGE LU

Chief executive officer and executive Director, aged 56

Mr. George Lu was appointed as an executive Director, chairman and chief executive officer on 17 May 2016. Mr. Lu has more than 16 years of entrepreneurial experience in strategic planning and general management of trading and manufacturing companies. Mr. George Lu is the founder, director and chairman of Huabang Financial Holdings Limited (stock code: 3638) ("**Huabang Financial**"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), and is responsible for its overall management, operations and strategic development.

MR. WONG KWOK MING

Executive Director, aged 42

Mr. Wong Kwok Ming was appointed as an executive Director on 17 May 2016. Mr. Wong has more than 18 years of experience in the areas of auditing, accounting, taxation, capital markets, business advisory and corporate finance covering various industry sectors. He possesses a Master Degree in Accounting from Curtin University of Technology and is a Practicing Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has worked at PricewaterhouseCoopers Hong Kong for over 10 years in audit and assurance department with his last position as senior manager and has worked at a well-established and sizable manufacturing company as the chief financial officer after he left PricewaterhouseCoopers Hong Kong in 2014. Mr. Wong Kwok Ming is the chief financial officer of Huabang Financial, and is responsible for the overall financial and accounting affairs, treasury management, risk management and the overall company secretarial matters.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. LI WEI

Independent non-executive Director, aged 64

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

MR. WU WAI LEUNG DANNY

Independent non-executive Director, aged 58

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

MR. YUEN CHEE LAP CARL

Independent non-executive Director, aged 45

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

SENIOR MANAGEMENT

MR. YEUNG WING KONG

General manager, aged 48

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

MS. YIP TAK YUNG TERESA

Chief financial officer and company secretary, aged 37

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

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Shareholders and to enhance corporate value and accountability. For the Year, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing (the "**Listing Rules**") the Listing of Securities on the Stock Exchange, except in relation to CG Code provisions A.2.1 and A.6.7, as more particularly described below.

CG CODE PROVISION A.2.1

CG Code provision A.2.1 states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. George Lu. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. George Lu to assume both roles as the chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organisation, the Board will consider splitting the two roles to be assumed by two individuals. With the strong business experience of the Directors, they do not expect any issues would arise due to the combined role of Mr. George Lu.

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

CG CODE PROVISION A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors should attend general meeting. Due to other important business engagements at the relevant time, some independent non-executive Directors did not attend the annual general meeting held on 29 May 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

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

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

EXECUTIVE DIRECTORS

Mr. George Lu *(Chairman and Chief Executive Officer)*
Mr. Wong Kwok Ming

NON-EXECUTIVE DIRECTORS

Mr. Yeung Wai Fai Andrew (resigned on 29 June 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Whereas the role of chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board. These independent non-executive Directors are individuals from diversified backgrounds and industries and one member has appropriate accounting and related financial management expertise.

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

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

Details of Directors' attendance records during the year ended 31 December 2018 are set out in the table below:

	Meetings attended/held			
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Directors				
Mr. George Lu	11/11	N/A	1/1	1/1
Mr. Wong Kwok Ming	11/11	N/A	N/A	N/A
Non-executive Director				
Mr. Yeung Wai Fai Andrew (resigned on 29 June 2018)	5/11	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Li Wei	11/11	2/2	1/1	1/1
Mr. Wu Wei Leung Danny	11/11	2/2	1/1	1/1
Mr. Yuen Chee Lap Carl	11/11	2/2	N/A	N/A

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

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

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

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

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

TRAINING AND SUPPORT FOR DIRECTORS

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

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

The Directors received the following training for the year ended 31 December 2018 according to the records provided by the Directors:

Directors	**Training on corporate governance, regulatory development and other relevant topics**
Executive Directors	
Mr. George Lu	✓
Mr. Wong Kwok Ming	✓
Non-executive Director	
Mr. Yeung Wai Fai Andrew (resigned on 29 June 2018)	✓
Independent non-executive Directors	
Mr. Li Wei	✓
Mr. Wu Wei Leung Danny	✓
Mr. Yuen Chee Lap Carl	✓

DIRECTORS' AND OFFICERS' INSURANCE

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee's current members include:

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

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

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

During the year ended 31 December 2018, the Audit Committee held 2 meetings. The attendance records are set out under the section headed, "Number of meetings and Directors' attendance" in this annual report. The Audit Committee performed the following work during the year ended 31 December 2018:

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

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

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

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

The Audit Committee has reviewed the Group's audited annual consolidated financial statement for the year ended 31 December 2017 and audited results for the year ended 31 December 2017 and unaudited interim condensed financial statement for the six months ended 30 June 2018 and had discussed the financial information with the management and the external auditors of the Company during the year ended 31 December 2018 before submission to the Board for its approval.

REMUNERATION COMMITTEE

The Remuneration Committee's current members include:

Mr. Li Wei *(Chairman)*
Mr. George Lu
Mr. Wu Wai Leung Danny

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

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

The Remuneration Committee met once during the year ended 31 December 2018. During the meeting, the Remuneration Committee reviewed the remuneration packages of the executive Directors and independent non-executive Directors and senior management.

Particulars regarding the Directors remuneration and five highest paid employees are set out in note 38 and 9 to the consolidated financial statement respectively.

NOMINATION COMMITTEE

The Nomination Committee's current members include:

Mr. Li Wei *(Chairman)*
Mr. George Lu
Mr. Wu Wai Leung Danny

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

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

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

The Nomination Committee met once during the year ended 31 December 2018. During the meeting, the Nomination Committee reviewed the structure and composition (including the skills, knowledge and experience) of the Board.

CONFLICT OF INTEREST

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

COMPANY SECRETARY

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance and accounts department of the Company are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2018, the Directors have reviewed and applied suitable accounting policies, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which reflect the financial information of the Group with reasonable accuracy.

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

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

EXTERNAL AUDITORS

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

Baker Tilly Hong Kong Limited has been appointed as the Company's external auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The remuneration paid to the Company's external auditor, Baker Tilly Hong Kong Limited, in respect of audit services and non-audit services, for the year ended 31 December 2018 is set out below:

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

INTERNAL CONTROL

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

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

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

REGULATORY COMPLIANCE

As disclosed under the paragraph headed "Training and support for Directors" of the section headed "Corporate governance and other information" in this annual report, the Directors have sufficient up-to-date knowledge of relevant laws and regulations.

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

SHAREHOLDERS' RIGHTS

CONVENING OF SPECIAL GENERAL MEETINGS AND REQUISITION BY SHAREHOLDERS

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

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

CONTACT DETAILS

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

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

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

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's articles of association during the year ended 31 December 2018. A copy of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

Directors' Report

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in sale of health products which including American ginseng, healthcare wine and Chinese herbal medicines to wholesalers and retailers in Hong Kong.

BUSINESS REVIEW

Details of business review and an analysis using financial key performance indicators are set out in the section of "Management discussion and analysis" on pages 3 to 7 of this annual report.

SEGMENTAL INFORMATION

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

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 44 of this annual report.

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

The Board does not recommend the payment of a dividend.

FIVE-YEAR FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the largest one and five largest customers accounted for approximately 39% and 100% respectively of the total sales for the Year. Purchases from the largest one and five largest suppliers accounted for approximately 48% and 100% respectively of the total purchases for the Year.

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

INVESTMENT PROPERTIES

The Group's investment property is a residential property which located at Flat A on 20th Floor, Broadview Villa, No. 20 Broadwood Road, Happy Valley Hong Kong. It is held on medium lease and was revalued at the end of the reporting period. The net fair value increase on investment properties arising on revaluation amounting to approximately HK$1.5 million (2017: approximately HK$15.5 million, has been recognised in profit or loss.

Details of this and other movements in investment properties are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

There were no movement in the authorised share capital of the Company during the Year. Details of the movement in issued share capital of the Company are set out in note 28A to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the Year, the Company repurchased and cancelled the Shares as follows:

Date	Number of Shares repurchased	Method of share repurchase	Prices per Share Highest	Prices per Share Lowest	Total paid
			HK$	HK$	HK$
30 April 2018	221,000*	On the exchange	0.88*	0.84*	188,790
2 May 2018	320,000*	On the exchange	0.89*	0.88*	283,760
11 May 2018	510,000*	On the exchange	0.85*	0.83*	428,586
14 May 2018	105,000*	On the exchange	0.87*	0.86*	90,843
17 May 2018	765,000*	On the exchange	0.87*	0.82*	654,159
24 May 2018	230,000*	On the exchange	0.80*	0.80*	184,387
28 May 2018	252,000*	On the exchange	0.83*	0.80*	205,772
31 May 2018	945,000*	On the exchange	0.83*	0.79*	767,326
27 June 2018	2,744,000*	On the exchange	0.78*	0.72*	2,070,894
12 September 2018	405,000	On the exchange	0.405	0.390	160,473
13 September 2018	725,000	On the exchange	0.415	0.400	291,605
14 September 2018	380,000	On the exchange	0.420	0.405	158,238
18 September 2018	41,000	On the exchange	0.400	0.385	15,987
18 October 2018	2,000	On the exchange	0.400	0.365	875
Total	7,645,000				5,501,695

* No. of shares and price were adjusted as a result of the Share Consolidation

During the Year, the Company repurchased and cancelled a total of 7,645,000 Shares at an aggregate consideration of approximately HK$5,501,695. Accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 49 of the annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands and the Company's Articles of Association, the funds in the share premium and retained profit of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2018, the Company's aggregate amount of reserves available for distribution of shareholders of the Company was approximately HK$555,164,000 (2017: HK$477,272,000).

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. George Lu *(Chairman and chief executive officer)*
Mr. Wong Kwok Ming

NON-EXECUTIVE DIRECTOR

Mr. Yeung Wai Fai Andrew (resigned on 29 June 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Biographical details of Directors of the Company are set out on pages 8 to 9 under the section headed "Biographical details of Directors and senior management" in this annual report.

Each of Mr. George Lu and Mr. Wong Kwok Ming entered into a service contract with the Company for a term of three years to serve as an executive Director, commencing from 17 May 2016. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter and may be terminated by not less than three month's notice in writing served by either party on the other.

Mr. Li Wei entered into a letter of appointment with the Company for a term of three years to serve as an independent non-executive Director with an initial term of two years commencing from the 17 May 2016. The term of Mr. Li Wei is renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment and may be terminated by not less than three month's notice in writing served by either party on the other.

Each of Mr. Wu Wei Leung Danny and Mr. Yuen Chee Lap Carl entered into a renewal letter of appointment with the Company for a term of three years to serve as the independent non-executive Directors, commencing from the 1 March 2019 and may be terminated by not less than three month's notice in writing served by either party on the other.

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

Mr. George Lu and Mr. Li Wei will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for election. According to the Listing Rules, a director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. All other Directors will continue in office.

DIRECTORS' SERVICE CONTRACTS

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

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2018.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in note 35 to the Financial Statements, there was no other contract of significance between the Group and the Company's controlling shareholder or any of its subsidiaries subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and as at 31 December 2018, none of the Directors, directly or indirectly, had an interest in any business which competes or may compete with the business of the Company and/or its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2018 and as at 31 December 2018, the Company has purchased liabilities insurance for the Directors and supervisors, which provides appropriate insurance for the Group's directors and supervisors. At no time during the year ended 31 December 2018 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of Directors or an associated company.

TAX RELIEF

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

REMUNERATION POLICY

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

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 31 December 2018, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code ("**Model Code**") for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the Stock Exchange were as follows:

(I) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Mr. George Lu	Interest of controlled corporations	805,688,000 Shares *(Note)*	47.6%

Note:

These Shares are held by Super Generation Group Limited ("**Super Generation**"), which is wholly owned by Mr. George Lu.

(II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY – SUPER GENERATION

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. George Lu	Beneficial owner	50,000 shares of US$1 each	100%

Save as disclosed above, as at 31 December 2018, no Directors or chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code to be notified to the Company and the Stock Exchange.

CONTROLLING SHAREHOLDERS

As at 31 December 2018, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Ms. Shen Wei	Interest of spouse	805,688,000 Shares *(Note 1)*	47.6%
Super Generation	Beneficial owner	805,688,000 Shares	47.6%
Haitong International Credit Company Limited	Person having a security interest in shares	805,688,000 Shares *(Note 2)*	47.6%
Haitong International Finance Company Limited	Interest of controlled corporations	805,688,000 Shares *(Note 2)*	47.6%
Haitong International (BVI) Limited	Interest of controlled corporations	805,688,000 Shares *(Note 2)*	47.6%
Haitong International Securities Group Limited	Interest of controlled corporations	805,688,000 Shares *(Note 2)*	47.6%
Haitong International Holdings Limited	Interest of controlled corporations	805,688,000 Shares *(Note 2)*	47.6%
Haitong Securities Co., Ltd.	Interest of controlled corporations	805,688,000 Shares *(Note 2)*	47.6%

Notes:

1. Ms. Shen Wei is the wife of Mr. George Lu.

2. Haitong International Credit Company Limited is wholly-owned by Haitong International Finance Company Limited, which in turn is wholly-owned by Haitong International (BVI) Limited. Haitong International (BVI) Limited is wholly owned by Haitong International Securities Group Limited, which in turn is owned by Haitong International Holdings Limited as to approximately 62.43%. Haitong International Holdings Limited is wholly owned by Haitong Securities Co. Ltd., the shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange.

Saved as disclosed above, as at 31 December 2018, so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or has any options in respect of such capital.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 35 to the financial statements. As these related party transactions constitute fully exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, none of them constitutes discloseable connected transactions as defined under the Listing Rules.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The Scheme became effective on 9 June 2014 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 8 June 2024.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be also approved by the Company's shareholders.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme.

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

No options have been granted and no new shares were issued regarding the exercise of share options during the year ended 31 December 2018.

All outstanding options were lapsed during the year ended 31 December 2018 and as at 31 December 2018, no options were remained outstanding.

				Number of options (thousand)				
Type of participants	Date of grant	Exercisable period	Adjusted exercise price	Outstanding as at 1 January 2018	Adjustment on share consolidation during the Year	Exercised during the Year	Lapsed during the Year	Outstanding as at 31 December 2018
Directors								
Mr. Yeung Wai Fai Andrew	1 November 2016	1 November 2016 to 31 October 2019	HK$1.65	53,347	(48,012)	–	(5,335)	–
(resigned on 29 June 2018)		1 November 2017 to 31 October 2019	HK$1.65	53,347	(48,012)	–	(5,335)	–
		1 November 2018 to 31 October 2019	HK$1.65	53,346	(48,012)	–	(5,334)	–
Other employees	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	5,000	–	–	(5,000)	–
		6 January 2016 to 5 January 2018	HK$0.752	525	–	–	(525)	–
		6 January 2017 to 5 January 2018	HK$0.752	525	–	–	(525)	–
Other participants	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	250,000	–	–	(250,000)	–
				416,090	(144,036)	–	(272,054)	–

Details of the movement of the share options are disclosed in note 29 to the consolidated financial statements. The accounting policies adopted for the share options are described in note 2.22 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE AND BUSINESS OPERATION

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES OF THE GROUP

The Directors consider that the principal risks and uncertainties faced by the Group during the year ended 31 December 2018 included credit risk, currency risk and liquidity risk. For further details, please refer to note 3 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2018.

AUDITOR

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

On behalf of the Board

Mr. George Lu
Chairman & Chief Executive Officer
Qianhai Health Holdings Limited
Hong Kong, 29 March 2019

Environment, Social and Governance Report

The Group hereby presents this Environmental, Social and Governance report ("**ESG report**") for the year ended 31 December 2018, in order to comply with the requirements set forth in Appendix 27 to the Listing Rules.

The ESG report mainly covers the trading businesses of the Group and presents the Group's strategic approach to sustainability and performance in the environmental and social aspects of its businesses in the reporting period from 1 January to 31 December 2018 (the "**Year**"). The Group will continue to strengthen its efforts to collect information in order to enhance its performance in the environmental and social subject areas and to disclose related information in its sustainable development.

STAKEHOLDERS' ENGAGEMENT

To conduct the Group's materiality assessment in identifying and understanding the main concerns and material interests of stakeholders, the Group has invited the stakeholders to express their views and concerns on major social and environment issues, while the employees' health, safety measures, benefits & pay, development and training are the material topics of concern to stakeholders.

ENVIRONMENTAL SUSTAINABILITY

The Group strives to save energy and resource through persistent implementation of internal policies and use of advanced technologies.

NATURAL RESOURCES

The Group is committed in building an environmental-friendly corporation that pays close attention to conserve natural resources. To incorporate environmental sustainability into the Group's operations, the Group strives to minimise its environmental impact while ensuring high standards in its product quality.

The Group has active communication with its American ginseng growers in Canada to ensure they have good agriculture practices on food safety and quality assurance. Canada's clean water and minimal pollution helps to ensure the high quality of Canadian ginseng. Ongoing agronomic research enables growers to use biological controls; and recent disease control research has led to the identification of products that will not only reduce the risk of plant disease in Canadian ginseng, but will reduce the environmental risk as well, ensuring agriculture is sustainable in the future.

In addition, Canada is concerned about the conservation of North American ginseng and has rules concerning trade in North American ginseng to ensure that trade does not threaten the continued wild existence of this species in Canada. As such, trade in North American ginseng from Canada requires Convention on International Trade in Endangered Species of Wild Fauna and Flora export permits ("**CITES**"). American ginseng is classified as endangered species under CITES, which has been implemented by legislation in member countries, including Canada, the United States, Hong Kong and the PRC in respect of, among other things, the import and export of American ginseng. As the Group import American ginseng into Hong Kong, for all the Group's imports of American ginseng, a CITES certificate is required to be obtained from the relevant authorities in the country of export. The Group has complied with these requirements.

Another main natural resource consumed by the Group is paper from the documentation printing. To minimise the use of paper, the Group has put great efforts to protect the natural resources, which include: using environmental friendly paper to print the annual reports and interim reports; disseminating information by electronic means, such as email, as much as possible; and re-using the single-sided paper and recycling the doubled-sided used paper.

EMISSIONS

The Group mainly engaged in sale of health products which including American ginseng, healthcare wine and Chinese herbal medicines to wholesalers and retailers in Hong Kong, while it does not constitute any significant impact to the environment and does not generate any material level of greenhouse gas and hazardous waste. The management closely monitors and aims to minimise the environmental effect to its surroundings.

No hazardous waste is generated from the operations of sourcing and trading the American ginseng. Non-hazardous waste generated from the operations are mainly office and warehouse consumables.

There is no non-compliance cases noted in relation to air and greenhouse gas emissions, discharge into water and land and generation of hazardous and non-hazardous waste in the Year.

USE OF RESOURCES

The Group has established "Reduce, Reuse and Recycle" environmental strategies focusing on the water, electricity and pare usage throughout its operational processes. The Group has always devoted in reducing energy consumption. Aside from utilising energy-saving light bulbs and natural light, the Group also educates its employees to be more involved in executing our environmental guidelines in order to raise their awareness on energy conservation and environmental protection. In addition, the Group closely monitors energy consumption at its offices, shops and warehouses and encourage its staff to make use of natural light. Permission is required for lighting and air-conditioning during non-business hours.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

Supply chain management aims to optimise the operation of supply chains at the lowest cost, which enables the efficient operation from procurement to all the procedures that satisfying the end customers, including workflow, physical flow, cash flow and information flow, so as to accurately deliver suitable products to consumers at a reasonable price in a timely manner.

For health products trading process, the Group has strict quality control in each operation step: procurement, production and warehousing. The Group tests quality of product samples by paying on-site visits to suppliers in order to select high-quality product-suppliers and to ensure the quality of products. In respect of warehouse management, the Group has room temperature warehouse and cold warehouse to meet the storage requirement of different products. Warehouse inventory follows the principle of convenient storage and management. Computer management software is used for storage management which can minimise errors.

Supplier management is essential to the Group regarding its management of partners, whereby a good partner ensures the successful launch of property projects. The Company ensures the Group's partners' quality by conducting qualification check and regular review on suppliers based on our own needs, and organise site visits to suppliers in line with the requirements of the Group.

PRODUCT RESPONSIBILITY

The Group is principally engaged in sale of health products which including American ginseng and Chinese herbal medicines. American ginseng is regarded as endangered species of plants under the Protection of Endangered Species of Animals and Plants Ordinance (Chapter 586 of the Laws of Hong Kong) (the "**Protection of Endangered Species Ordinance**"). The Group is strictly in compliance with the related rules and regulation for the year ended 31 December 2018. CITES permits were obtained for importing or re-exporting of all the American ginseng. In addition, members of the Group are registered food importers for Chinese herbs and Chinese herb products under the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong) (the "**Chinese Medicine Ordinance**"). The Group has adequate and suitable facilities for proper storage of products to ensure the products are kept in good conditions. The Group also keeps proper records of relevant information about the acquisition of the products including the date and place that the products were acquired and the name and contact details of the person from whom the products were acquired etc..

ANTI CORRUPTION

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption and bribery irrespective of the area or country where the Group is conducting business. The Group has formulated and strictly enforced anti-corruption policies pursuant to which the Group will not tolerate any form of corruption. All employees are expected to discharge their duties with integrity and self-discipline. They should abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which may exploit their positions against the Group's interests in the course of business.

Employees have to report the declaration of conflict to the Group regularly. In addition, when the Group cooperates with external parties, the Group implements proper internal control process and tendering process to prevent any potential threats on corruption. The Group also arranges regular training to executives and employees for enhancing ethical awareness in conducting businesses.

The management conducts investigations against any suspicious or illegal behaviour which are related to bribery, extortion, fraud and money-laundering to protect the Group's interests. Corresponding internal assessment, consulting, investigation and punishment procedures are introduced. The management shall have in-depth investigation and ensure all the relevant information is kept intact and completely recorded.

Furthermore, the Group has set up internal whistleblowing policy system to enable the employees to lodge complaints and report any suspicious activities either verbally or in writing. The Group advocates a confidentiality mechanism to protect the whistle-blowers from the fear of threats. Where criminality is suspected after investigation, disciplinary actions will be taken, including termination of employment and relevant report is made to the relevant authorities. The Audit Committee shall ensure that proper arrangements are in place so that fair and independent investigation of these matters and appropriate follow-up action can take place.

EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT

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

For the employees in Hong Kong, the Group's human resources policies strictly adhere to the applicable employment laws and regulations in Hong Kong, including, Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group also provides employee benefits, such as medical insurance. The Group's human resources department reviews and updates relevant company policies in accordance with the latest laws and regulations regularly.

For the employees in the PRC, the working hours and break time of the employees of the Group are fixed pursuant to the relevant requirements for working hours and breaks and leaves as provided in the Chapter 4 of the Labour Law of the PRC. The policy on staff diversity is in compliance with the relevant requirements for promoting employment as provided in the Chapter 2 of the Labour Law of the PRC. The policy on termination of employment between employees and the employer is conducted in accordance with the relevant requirements under the Labour Law, the Labour Contract Law and the Implementation Rules for the Labour Law of the PRC. The administration for social insurance and housing provident fund contribution for the employees was conducted in compliance with the relevant regulations under the Social Insurance Law of the PRC and the Regulations on the Management of Housing Provident Fund in Hangzhou.

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

The Group determines working hours and rest period for employees in line with employment laws and employment contracts with employees. In addition to statutory holidays such as the basic paid annual leave, employees may also entitle to maternity leave, marriage leave, paternity leave and birthday leave.

In terms of internal coaching and communication, the effective two-way communication between general staff and managerial staff is highly encouraged. Employees can maintain timely and smooth communication with their colleagues and the management through bulletin board postings, emails, trainings, internal meetings and social networks. The interactive communication system benefits the Group's decision-making process and results in a barrier-free employeremployee relationship.

As an equal opportunity employer, the management of the Company is committed to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of their gender, race, age, disability, family status, marital status, pregnancy status, sexual orientation, religion beliefs, nationality, social and ethnic origin or any other non-job related factors in all business units. The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimisation in accordance to relevant government legislations, ordinances and regulations such as Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong) and Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong). If there is any discrimination incidents, employees can report to human resources department of the Group. Disciplinary actions would be taken against any employee if there is any non-compliance or breach of legislation related to the equal opportunities policies.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the Year.

No non-compliance with law that resulted in significant fines or sanctions had been reported during the Year.

HEALTH AND SAFETY

To provide and maintain a good working conditions and a safe and healthy working environment, the Group's safety and health policies are in line with various laws and regulations stipulated by the local government, including the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

The Group has formulated monitoring and measuring equipment control procedures and other procedures documents in order to meet the specific safety management and comply with the related fire safety regulations, labour protection management regulations and the production site safety regulations.

In addition, the Group prohibits smoking and drinking liquor in workplace and carries out cleaning of the air-conditioning systems, disinfection treatment of carpets, emergency drill and safety inspection at regular intervals with an aim to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment and to examine the health & safety measures' effectiveness.

No violation of relevant employment health and safety laws and regulations laws and was noted for the year ended 31 December 2018.

STAFF DEVELOPMENT AND TRAINING

The Group endeavours to enhance the skills of each employee in various aspects by providing staff trainings. In order to assist employees in reaching the "keep moving" spirit, we support individual learning and self-improvement among of employees at all levels by providing tailor-made training sessions and education subsidies. The trainings are beneficial for our employees in adopting professional knowledge and improving efficiency in processes, which ultimately increase their job satisfaction and morale. In addition, we implemented a fair performance evaluation system to reward employees for their work contributions. The Group has constantly provided on-job education and trainings for its employees to improve their knowledge and expertise.

LABOUR STANDARDS

The Group strictly abides by the Employment Ordinance and other laws and regulations to prohibits any child and forced labour. To combat against illegal employment, the human resources department of the Group responsible for recruitment requires the job applicants to provide valid identity documents prior to the confirmation of employment to ensure that the applicants are lawfully employable. The human resources department of the Group is responsible to monitor and ensure compliance of latest and relevant laws and regulations in relation to the prevention of child labour and forced labour.

No violation of relevant laws and regulations in relation to the prevention of child labour and forced labour was noted for the year ended 31 December 2018.

HARMONIOUS WORKPLACE

The Group believes employees hold strong positions in the success of its business. Therefore, the Group is determined in promoting workplace diversity, protecting employees' rights and encouraging a friendly corporate culture. With the aim of motivating its employees to demonstrate its core values and to ultimately boost their sense of belongings, the Group strictly implements employment practices, internal equality and non-discrimination principles.

To ensure the ability to attract and retain employees, the Group regularly reviews the remuneration and welfare policy. Apart from an attractive bonus system, staff discounts, meal subsidies, housing allowance, the Group has expanded the scope of health assessment in its annual employee health check-ups for our senior management for disease prevention.

COMMUNITY INVESTMENT

The Group emphasises the importance of social responsibility awareness to its staff and encourages them to participate in social activities and charitable activities. During the year ended 31 December 2018, the Group encourages the staff to participate in the blood donations during office hours. The Group will put as much effort as possible on being a socially responsible corporation in the coming future.

CORPORATE GOVERNANCE

The Group has established corporate governance policies to ensure that its business is operated in accordance with its well defined corporate governance principles. The Group conducts efficient communications with our suppliers, customers, business partners and shareholders to ensure they comply with our corporate governance framework. The Group provides competent support, data analysis and updated market insights to our customers, business partners and suppliers for enhance its operations. These measures not only enable the Group to reinforce its continuous relationships with its business partners, but also help all parties comply with the Group's code of business ethics, and importantly, to achieve a win-win outcome.

In order to comply with the changing trends and the Listing Rules, the Group constantly reviews its corporate governance practices in a timely, fair and transparent manner, so as to circulate up-to date information to its investors and to the public. The Group understands effective communication and accurate information disclosure not only give its credibility, but also facilitate the flow of constructive feedback and ideas that are beneficial to good approaches to investor relations and its future corporate development. Besides annual reports, interim reports and announcements, the Group facilitates its communications between stakeholders by explaining financial and operational information through meetings and roadshows. Trade fair and store visits also allow stakeholders to have a deeper understanding of our business.

To enhance information accessibility and efficiency, the Group has a website (www.qianhaihealth.com.hk) so that the stakeholders can obtain the most recent information on the Group anywhere and anytime. The Group not only announces its financial results but also instantly uploads a wide range of relevant information onto its website such as annual and interim reports, press releases, announcements and presentations for interim and annual results.

Independent Auditor's Report

天職國際

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

OPINION

We have audited the consolidated financial statements of Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 44 to 139, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another independent auditor who expressed an unmodified opinion on those consolidated financial statements on 28 March 2018.

KEY AUDIT MATTERS

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

The Key Audit Matter	How the matter was addressed in our audit
Net realisable value of inventories	
Refer to Notes 4(A) and 18 to the consolidated financial statements. At 31 December 2018, the Group held inventories of HK$41,131,000, net of inventory provision of HK$32,311,000 (2017: HK$63,682,000, net of inventory provision of HK$32,975,000). Inventories are carried at the lower of cost and net realisable value ("**NRV**") in the consolidated financial statements. Management estimated the NRV of inventories at 31 December 2018 based on the estimated selling price less cost to sell, which required significant judgements and assumptions to be made to determine the estimated selling price. The determination of estimated selling price of individual products is based on historical experience of sales of different products, expectation of future sales based on current market conditions and latest selling price subsequent to year end date. The estimations may change as a result of future changes of market demand and management's sales and pricing strategy. We focused on this area due to significant management estimates and judgements were involved in determining the NRV for inventories, which was material to the consolidated financial statements.	We understood, evaluated and validated the key controls management adopted to determine the estimated selling price for different products. We evaluated the estimated selling price for different products based on discussion with management about the latest sales pattern and their sales and pricing strategy with reference to our knowledge on market demand and market trend of different products. We compared the estimated selling price with information of historical sales data and orders received subsequent to the year end. We also checked, on a sampling basis, the NRV calculation prepared by management based on the estimated selling price and the inventory quantity as at the year end. Based on the procedures performed, we found management's judgements and assumptions made on the determination of NRV to be supported by the available evidence.

The Key Audit Matter	How the matter was addressed in our audit
Impairment assessment of loan and interest receivables	
Refer to Note 4(B) and 20 to the consolidated financial statements As at 31 December 2018, the Group's loan and interest receivables amounted to HK$170,500,000 (2017: HK$143,000,000) and HK$13,166,000 (2017: HK$6,200,000), respectively. The adoption of HKFRS 9 has fundamentally changed the Group's accounting for loss impairment by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models for exposures assessed individually, such as the expected future cash flows and forward-looking macroeconomic factors. We focused on this area because the carrying amount of loan and interest receivables is significant to the consolidated financial statements, the identification of whether exposures triggered deterioration in credit quality and the estimation of the individual impairment amount require the use of significant judgments and estimates.	We understood, evaluated and validated the key controls over impairment assessment of loan and interest receivables, which relates to management's identification of possible events that triggered the provision for impairment of loan and interest receivables and estimation of the amount of provisions. We inspected the loan and pledged agreements entered into between the Group and the borrowers, and other relevant information relating to the borrowers as assessed by the Group. We circulated auditor's confirmations to test the existence of the loan and interest receivables as at the end of the reporting period. We also checked the accuracy of the aging of loan and interest receivables as at the end of the reporting period by tracing to loan agreements. We assessed the reasonableness of the Group's ECL model and the criteria for assessing if there has been a significant increase in credit risk and loss allowances for financial assets should be measured on a lifetime ECL basis. We also assessed recoverability of the loan and interest receivables with reference to the sufficiency of collateral value, borrowers' interest repayment records and principal repayment subsequent to the year end date and up to the date of this report, and traced the repayments to the bank statements. Based on the procedures described above, we considered key judgments and estimates applied by management in the impairment assessment of loan and interest receivables were supportable by available evidence.

OTHER INFORMATION

The directors of the Company ("**Directors**") are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon (the "**other information**").

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

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

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

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

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

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

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

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

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

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

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

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

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

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

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

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

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

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

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

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	*5*	**78,047**	197,062
Cost of sales	*6*	**(75,044)**	(182,194)
Gross profit		**3,003**	14,868
Other income	*7*	**23,277**	18,327
Other (losses)/gains, net	*8*	**(5,241)**	31,630
Selling and distribution expenses	*6*	**(3,678)**	(1,643)
Administrative expenses	*6*	**(30,961)**	(33,316)
Finance costs	*10*	**(233)**	(76)
Operation (loss)/profit		**(13,833)**	29,790
Share of profit of an associate accounted for using the equity method	*17(A)*	**8,830**	6,130
Share of loss of a joint venture accounted for using the equity method	*17(B)*	**(13)**	–
(Loss)/profit before income tax		**(5,016)**	35,920
Income tax credit/(expense)	*11*	**10,049**	(59)
Profit for the year		**5,033**	35,861
Profit for the year attributable to:			
– Owners of the Company		**5,071**	35,861
– Non-controlling interests		**(38)**	–
		5,033	35,861
		HK cents	HK cents (restated)
Earnings per share			
Basic and diluted	*13*	**0.30**	2.11

The notes on pages 52 to 139 are on integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Profit for the year		**5,033**	35,861
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations, net of nil tax		**(14,372)**	7,694
Reclassification adjustment on exchange differences released upon disposal of subsidiaries, net of nil tax	*31*	**541**	–
Other comprehensive (loss)/income for the year		**(13,831)**	7,694
Total comprehensive (loss)/income for the year		**(8,798)**	43,555
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company		**(7,440)**	43,273
– Non-controlling interests		**(1,358)**	282
		(8,798)	43,555

The notes on pages 52 to 139 are on integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**4,017**	61,415
Land use rights	*15*	**–**	97,274
Investment properties	*16*	**92,500**	91,000
Interests in an associate	*17(A)*	**–**	43,300
Interests in a joint venture	*17(B)*	**115,823**	–
Loan to a joint venture	*19*	**33,900**	–
Prepayment	*19*	**–**	12,000
Total non-current assets		**246,240**	304,989
Current assets			
Inventories	*18*	**41,131**	63,682
Trade and other receivables	*19*	**75,901**	27,069
Loan and interest receivables	*20*	**183,666**	149,200
Financial assets at fair value through profit or loss	*21*	**7,290**	8,030
Cash and cash equivalents	*22*	**138,304**	183,453
		446,292	431,434
Assets classified as held for sale		**–**	59,311
Total current assets		**446,292**	490,745
Total assets		**692,532**	795,734
EQUITY			
Equity attributable to owners of the Company			
Share capital	*28(A)*	**67,710**	68,016
Reserves	*28(B)*	**567,847**	597,487
		635,557	665,503
Non-controlling interests		**–**	7,200
Total equity		**635,557**	672,703

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	*23*	**68**	159
Deferred income tax liabilities	*24*	**–**	8,124
Total non-current liabilities		**68**	8,283
Current liabilities			
Trade and other payables	*25*	**49,816**	97,631
Contract liabilities	*26*	**7,000**	–
Obligations under finance leases	*23*	**91**	91
Bank borrowings	*27*	**–**	15,032
Current income tax liabilities		**–**	1,817
		56,907	114,571
Liabilities directly associated with assets classified as held for sale		**–**	177
Total current liabilities		**56,907**	114,748
Total liabilities		**56,975**	123,031
Total equity and liabilities		**692,532**	795,734

The consolidated financial statements on pages 44 to 139 were approved by the Board of Directors on 29 March 2019 and were signed on its behalf by:

George Lu
DIRECTOR

Wong Kwok Ming
DIRECTOR

The notes on pages 52 to 139 are on integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Accumulated deficits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	68,016	1,523,446	8,249	400	71,999	(1,052,206)	619,904	(3)	619,901
Comprehensive income									
Profit for the year	–	–	–	–	–	35,861	35,861	–	35,861
Other comprehensive income for the year									
Exchange differences arising from translation of foreign operations, net of nil tax	–	–	–	7,412	–	–	7,412	282	7,694
Total comprehensive income for the year	–	–	–	7,412	–	35,861	43,273	282	43,555
Transactions with owners in their capacity as owners									
Derecognition of non-controlling interests on dissolution of a subsidiary	–	–	–	–	–	–	–	3	3
Capital injection from non-controlling interests	–	–	–	–	–	–	–	6,918	6,918
Recognition of equity-settled share-based payments	–	–	–	–	2,326	–	2,326	–	2,326
Lapse of share options	–	–	–	–	(1,849)	1,849	–	–	–
Total transactions with owners in their capacity as owners	–	–	–	–	477	1,849	2,326	6,921	9,247
At 31 December 2017	68,016	1,523,446	8,249	7,812	72,476	(1,014,496)	665,503	7,200	672,703

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated deficits) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	68,016	1,523,446	8,249	7,812	72,476	(1,014,496)	665,503	7,200	672,703
Comprehensive income									
Profit for the year	–	–	–	–	–	5,071	5,071	(38)	5,033
Other comprehensive income									
Exchange differences arising from translation of foreign operations, net of nil tax	–	–	–	(13,052)	–	–	(13,052)	(1,320)	(14,372)
Reclassification adjustment on exchange differences released upon disposal of subsidiaries, net of nil tax	–	–	–	541	–	–	541	–	541
Other comprehensive loss for the year	–	–	–	(12,511)	–	–	(12,511)	(1,320)	(13,831)
Total comprehensive loss for the year	–	–	–	(12,511)	–	5,071	(7,440)	(1,358)	(8,798)
Transactions with owners in their capacity as owners									
Repurchase of shares *(Note 28(A)(II))*	(306)	(5,196)	–	–	–	–	(5,502)	–	(5,502)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	12,200	12,200
Deemed disposal of a subsidiary *(Note 32)*	–	–	–	–	–	–	–	(18,042)	(18,042)
Dividend declared and paid *(Note 12)*	–	–	–	–	–	(17,004)	(17,004)	–	(17,004)
Transfer between reserves *(Note 28(B)(I))*	–	(1,518,250)	–	–	–	1,518,250	–	–	–
Lapse of share options	–	–	–	–	(72,476)	72,476	–	–	–
Total transactions with owners in their capacity as owners	(306)	(1,523,446)	–	–	(72,476)	1,573,722	(22,506)	(5,842)	(28,348)
At 31 December 2018	67,710	–	8,249	(4,699)	–	564,297	635,557	–	635,557

The notes on pages 52 to 139 are on integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
(Loss)/profit before income tax	**(5,016)**	35,920
Adjustments for:		
Depreciation of property, plant and equipment	**1,867**	3,169
Interest expense	**233**	76
Changes in fair value of investment properties	**(1,500)**	(15,499)
Gain on disposal of property, plant and equipment	**(6,685)**	(29,877)
Interest income	**(22,587)**	(15,428)
Share-based payments	**–**	2,326
Changes in fair value of financial assets at fair value through profit or loss	**3,388**	8,024
Reversal of rebates and discounts	**–**	(2,754)
Reversal of investment project deposit	**–**	(123)
Gain on disposal of subsidiaries	**(3,722)**	–
Gain on deemed disposal of a subsidiary	**(616)**	–
Gain on dissolution of subsidiaries	**–**	(84)
Realised loss on disposal of financial assets at fair value through profit or loss	**1,203**	–
Share of profit of an associate accounted for using the equity method	**(8,830)**	(6,130)
Share of loss of a joint venture accounted for using the equity method	**13**	–
Provision for inventory write-down	**15,027**	5,947
Operating cash outflows before changes in working capital	**(27,225)**	(14,433)
(Increase)/decrease in trade and other receivables	**(11,456)**	38,065
Decrease in inventories	**7,524**	96,765
Increase in trade and other payables	**3,187**	46,735
Decrease in contract liabilities	**(2,862)**	–
Cash (used in)/generated from operations	**(30,832)**	167,132
Hong Kong Profits Tax refunded/(paid), net	**108**	(1,722)
Net cash (used in)/generated from operating activities	**(30,724)**	165,410

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Cash flows from investing activities		
Interest received from banks	**433**	3
Interest received from a joint venture	**171**	–
Interest received from loan receivables	**15,017**	9,225
Purchases of property, plant and equipment	**(28,505)**	(6,235)
Purchases of land use rights	**–**	(104,619)
Purchases of financial assets at fair value through profit or loss	**(10,099)**	(16,054)
Capital injection to an associate accounted for using the equity method	**–**	(34,740)
Loans to third parties	**(150,500)**	(143,000)
Repayments from third parties	**123,000**	–
Proceeds from disposal of property, plant and equipment	**20,145**	43,540
Proceeds from disposal of investment properties	**–**	2,961
Proceeds from disposal of financial assets at fair value through profit or loss	**6,248**	–
Deposit refunded from a proposed acquisition	**–**	123
Net cash inflow on disposal of subsidiaries	**72,500**	–
Net cash outflow on deemed disposal of a subsidiary	**(35,622)**	–
Net cash generated from/(used in) investing activities	**12,788**	(248,796)
Cash flows from financing activities		
Interest paid	**(309)**	–
Proceeds from bank borrowings	**–**	15,032
Repayments of bank borrowings	**(15,032)**	–
Repayments of obligations under finance leases	**(91)**	(91)
Capital injection from non-controlling interests	**12,200**	6,918
Share repurchased	**(5,502)**	–
Dividends paid	**(17,004)**	–
Net cash (used in)/generated from financing activities	**(25,738)**	21,859
Net decrease in cash and cash equivalents	**(43,674)**	(61,527)
Cash and cash equivalents at beginning of the year	**183,453**	244,523
Effect of change of foreign exchange rate	**(1,475)**	457
Cash and cash equivalents at end of the year	**138,304**	183,453

The notes on pages 52 to 139 are on integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1 GENERAL INFORMATION

Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in sales of health-care products which include American ginseng, health-care wine and Chinese herbal medicines to wholesalers and retailers in Hong Kong.

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

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 29 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

(A) COMPLIANCE WITH HKFRS AND HKCO

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

(B) HISTORICAL COST CONVENTION

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION (CONTINUED)

(C) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards, amendments to standards and annual improvements for the first time for their annual reporting period commencing 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 40	Transfer to Investment Property
Annum Improvements Project	Annual Improvements 2014-2016 cycle
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15. For details, please refer to Note 2.2. The other amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2018 and have not been early adopted by the Group are as follows:

Standards	**Key requirements**	**Effective for annual periods beginning on or after**
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS	Annual Improvement to HKFRS 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 *BASIS OF PREPARATION (CONTINUED)*

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

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation.

IFRS 16, LEASES

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the lessee's statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group's future aggregate minimum lease payments under non-cancellable operating leases is approximately HK$9,376,000, among which less than one year is HK$2,900,000; more than one year and less than five years is HK$4,857,000; and over five years is HK$1,619,000. HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. Operating expenses under otherwise identical circumstances will decrease, and depreciation, amortisation and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-to-use assets and lease liabilities.

The Group expects to the recognise right-to-use assets and lease liabilities for the non-cancellable operating lease commitments which are more than one year. The Group expects no material impact to the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION (CONTINUED)

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

IFRS 16, LEASES *(CONTINUED)*

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease).

Apart from HKFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") on the Group's consolidated financial statements and the new accounting policies as disclosed in Note 2.12 and Note 2.24 that have been applied from 1 January 2018, where they are different to those applied in prior periods.

Certain of the Group's accounting policies have been changed to comply with the adoption of HFKRS 9 and HKFRS 15. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("**HKAS 39**") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments – Disclosures". HKFRS 15 replaces the provisions of HKAS 18 "Revenue" ("**HKAS 18**") and HKAS 11 "Construction Contracts" ("**HKAS 11**") that relate to the recognition, classification and measurement of revenue and costs.

(A) HKFRS 9 – IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 9 was generally adopted without restating any comparative information. The adoption of HKFRS 9 in the current period results in the adjustment for the beginning of financial position at 1 January 2018 as the Group has adopted the accounting policies on financial instruments with effect from 1 January 2018.

(I) CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 9 – IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP *(CONTINUED)*

(I) CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS *(CONTINUED)*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost, and financial assets at fair value through profit or loss remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(II) CREDIT LOSSES

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade and other receivables, loan and interest receivables and cash and cash equivalents).

For further details on the Group's accounting policy for accounting for impairment, see Note 2.12 (D).

There is no impact of transition to HKFRS 9 on accumulated deficits as at 1 January 2018.

(B) HKFRS 15 — IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for revenue from construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(B) HKFRS 15 — IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP *(CONTINUED)*

There is no significant impact on the Group's financial position and financial performance upon initial application at 1 January 2018. Comparative information continues to be reported under HKAS 18.

Further details of the nature and effect of the changes of accounting policies and the transition approach are set out below:

(I) TIMING OF REVENUE RECOGNITION

Previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identified 3 situations in which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

– When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and

– When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has been passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach does not materially affect the point in time when revenue is recognised under the Group's current contract terms, business practice and accounting policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(B) HKFRS 15 — IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP *(CONTINUED)*

(I) TIMING OF REVENUE RECOGNITION *(CONTINUED)*

Revenue from sales of health-care products continues to be recognised at a point in time. Currently the Group recognises revenue at the point in time when the risks and rewards of ownership of the health-care products have been transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue is generally recognised at point in time when the promised goods have been delivered to customers who accept the goods that means the control over the goods has been passed to customers and they have the ability to direct the use of the finished goods and obtain substantially all of the remaining benefits of the finished goods.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy has no material impact on opening balances as at 1 January 2018.

(II) SIGNIFICANT FINANCING COMPONENT

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact on when the Group adjusts for a significant financing component and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(B) HKFRS 15 — IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP *(CONTINUED)*

(III) PRESENTATION OF CONTRACT LIABILITIES

Under HKFRS 15, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. To reflect this change in presentation, the Group has made an adjustment at 1 January 2018 as a result of adoption of HKFRS 15 in which contract liabilities regarding receipts in advance from customers, with an amount of approximately HK$9,862,000, which were previously included in trade and other payables, are now separately presented under contract liabilities.

2.3 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(A) SUBSIDIARIES

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (CONTINUED)

(B) ASSOCIATE

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

(C) JOINT VENTURE

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a joint venture is accounted for using the equity method of accounting (see (D) below), after initially being recognised at cost.

(D) EQUITY ACCOUNTING

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (CONTINUED)

(D) EQUITY ACCOUNTING *(CONTINUED)*

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

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

2.4 SEPARATE FINANCIAL STATEMENTS

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

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

2.5 SEGMENT REPORTING

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

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

2.6 FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL AND PRESENTATION CURRENCY

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(B) TRANSACTIONS AND BALANCES

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

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

(C) GROUP COMPANIES

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(D) DISPOSAL OF FOREIGN OPERATION AND PARTIAL DISPOSAL

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

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

2.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 CONSTRUCTION-IN-PROGRESS

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.7 above.

2.9 LAND USE RIGHT

Land use right is stated at cost less accumulated amortisation and impairment losses. Cost represents upfront prepayments made for the rights to use the land. Amortisation of leasehold land is expensed in the statement of profit or loss on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the statement of profit or loss.

2.10 INVESTMENT PROPERTIES

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

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS

(A) CLASSIFICATION

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

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

(B) RECOGNITION AND DERECOGNITION

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

(C) MEASUREMENT

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 *INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)*

(C) MEASUREMENT *(CONTINUED)*

DEBT INSTRUMENTS

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

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

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

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

EQUITY INSTRUMENTS

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(D) IMPAIRMENT

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including trade and other receivables, loan and interest receivables, cash and cash equivalents).

MEASUREMENT OF ECLS

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 *INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)*

(D) IMPAIRMENT *(CONTINUED)*

SIGNIFICANT INCREASES IN CREDIT RISK

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- Failure to make payments of principal or interest on their contractually due dates;
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- An actual or expected significant deterioration in the operating results of the debtor; and
- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS *(CONTINUED)*

(D) IMPAIRMENT *(CONTINUED)*

BASIS OF CALCULATION OF INTEREST INCOME

Interest income recognised in accordance with Note 2.25 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

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

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

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

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

WRITE-OFF POLICY

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(E) ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2017

The Group has applied HKFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

CLASSIFICATION

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

(ii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The Group's receivables comprise "trade and other receivables", "loan and interest receivables", "cash and cash equivalents" and "loan to a joint venture" in the consolidated statements of financial position (Notes 19, 20 and 22).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group's available-for-sale financial assets included wealth management products, which are non-derivatives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(E) ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2017 *(CONTINUED)*

RECOGNITION AND MEASUREMENT

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statements of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statements of profit or loss within 'Other gains or losses, net' in the period in which they arise. Investment income from financial assets at fair value through profit or loss and available for sale is recognised in the consolidated statements of profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statements of profit or loss as "Other gains or losses, net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statements of profit or loss as part of other income.

IMPAIRMENT

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 OFFSETTING FINANCIAL INSTRUMENTS

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

2.14 INVENTORIES

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

2.15 TRADE AND OTHER RECEIVABLES

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contains significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.12(B) for further information about the Group's accounting for trade receivables and Note 2.12(D) and 3.1(C) for a description of the Group's impairment policies.

2.16 CASH AND CASH EQUIVALENTS

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

2.17 SHARE CAPITAL

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 TRADE AND OTHER PAYABLES, AND CONTRACT LIABILITIES

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

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (Note 2.24). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (Note 2.15).

2.19 BORROWINGS

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 BORROWINGS (CONTINUED)

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

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

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

2.20 CURRENT AND DEFERRED INCOME TAX

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

(A) CURRENT INCOME TAX

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

(B) DEFERRED INCOME TAX

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

(B) DEFERRED INCOME TAX *(CONTINUED)*

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

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

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

2.21 EMPLOYEE BENEFITS

(A) SHORT-TERM OBLIGATIONS

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

(B) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 EMPLOYEE BENEFITS (CONTINUED)

(C) POST-EMPLOYMENT OBLIGATIONS

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

DEFINED CONTRIBUTION PLAN

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

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

(D) PROFIT-SHARING AND BONUS PLANS

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

(E) TERMINATION BENEFITS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 SHARE-BASED PAYMENT

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

SHARE OPTIONS

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

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

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

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

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

2.23 PROVISIONS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 REVENUE RECOGNITION

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

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

(A) SALE OF GOODS

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

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

Revenue from sale of goods was recognised on a similar basis in the comparative period under HKAS 18. The Group has applied HKFRS 15, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(B) RENTAL INCOME

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

2.25 INTEREST INCOME

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.26 LEASES

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

(A) FOREIGN EXCHANGE RISK

The Group primarily operated in Hong Kong. It is also exposed to foreign exchange risk arising from Canadian Dollars ("**CAD**"). Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the functional currency of the entities within the Group. During the year ended 31 December 2018, majority of the Group's purchases are denominated in CAD (2017: 100%), which is not the functional currency of the Group's entities.

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(A) FOREIGN EXCHANGE RISK *(CONTINUED)*

The analysis has been determined assuming that the depreciation trend in foreign exchange rates against HK$ had occurred at the date of consolidated statement of financial position, and that all other variables remain constant. The potential effects on the consolidated statement of profit or loss include the impacts from translation on assets or liabilities recognised as at the end of reporting period.

As at 31 December 2018, if CAD had strengthened/weakened by 5% (2017: 5%) against HK$, with all other variables held constant, post-tax profit (2017: profit) for the year would have been approximately HK$1,818,000 lower/higher (2017: HK$2,161,000 lower/higher) as a result of foreign exchange losses/gains (2017: losses/gains) on translation of CAD denominated assets and liabilities.

(B) INTEREST RATE RISK

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from loan to a joint venture, cash at banks, bank borrowings and loan receivables. Other financial assets and financial liabilities are non-interest-bearing and are measured at amortised cost.

As at 31 December 2018, if interest rates on interest-bearing loan to a joint venture, cash at banks and bank borrowings had been 30 basis points (2017: 30 basis points) higher/lower with all other variables held constant, post-tax profit (2017: profit) for the year of the Group would have been approximately HK$524,000 higher/lower (2017: HK$437,000 higher/lower) due to net interest income earned on market interest rate.

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(C) CREDIT RISK

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

	2018 **HK$'000**	2017 HK$'000
Trade and other receivables		
– Trade receivables	**28,392**	16,432
– Loan to a joint venture	**33,900**	–
– Consideration receivable	**40,000**	–
– Other receivables	**593**	2,927
Loan and interest receivables	**183,666**	149,200
Cash deposited at banks	**138,304**	183,442
	424,855	352,001

TRADE RECEIVABLES

Sales to customers are required to be settled by partial prepayment in advance following a 30 to 60 days credit period. In order to minimise the credit risk, management is responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade receivables. Normally, the Group does not hold any collateral over trade receivables. In addition, the management reviews the recoverable amount of each individual debt regularly. The Group considered the associated credit risk of trade receivables and debtors are manageable in general.

The Group has a concentration of credit risk from trade receivables from certain customers. For the year ended 31 December 2018, the top customer accounted for approximately 38% (2017: 41%) of the Group's revenue. As at 31 December 2018, all the Group's trade receivables were contributed from four (2017: four) customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs which based on the factors stated in Note 4(C). As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(C) CREDIT RISK *(CONTINUED)*

TRADE RECEIVABLES *(CONTINUED)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018 and 2017:

	2018	2017
	HK$'000	HK$'000
Current (not past due)	**2,634**	1,568
Within 30 days past due	**19,226**	5,815
31 to 90 days past due	**–**	4,049
91 to 180 days past due	**–**	5,000
181 to 365 days past due	**6,532**	–
	28,392	16,432

Included in the Group's trade receivable balance as at 31 December 2018 are debtors with aggregate carrying amount of HK$25,758,000 (2017: HK$14,864,000), which were past due at the reporting date of which HK$6,532,000 (2017: HK$5,000,000) were determined as indication to trigger a significant increase in credit risk.

The management of the Group has assessed the profile of each customer regarding trade receivables as at 31 December 2018 and note that they had a good trading relationship with satisfactory settlement history and no actual default experience over the past 3 years. The directors of the Company are of the opinion that aggregate risks arising from the possibility of credit losses are not significant and no allowance for credit losses were made as at 31 December 2018.

Prior to 1 January 2018, an impairment loss was recognised based on incurred loss model only when there was objective evidence of impairment (Note 2.12(E) – Impairment).

The impact of transition to HKFRS 9 on 1 January 2018 as a result of applying the expected credit loss mode was immaterial.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(C) CREDIT RISK *(CONTINUED)*

LOAN AND INTEREST RECEIVABLES

The Group manages and analyses the credit risk for each of their new borrowers before making loans to them and offering the terms and conditions. The directors of the Company would evaluate the credit quality of the borrower by assessing the identity, background, financial position, listed equity investments held in a security service company, purpose of borrowings, etc. The Group may request for collateral after granting the loan, if necessary. Over the terms of the loans, management of the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis by reference to each of the borrower's financial capabilities and their repayment history, and adjustments with current and forward looking economic conditions. As at 31 December 2018, the Group has made loans to five (2017: three) third parties.

The following table provides information about the Group's exposure to credit risk and ECLs for loan and interest receivables as at 31 December 2018 and 2017:

	2018 **HK$'000**	2017 HK$'000
Current (not past due)	**157,854**	149,200
31 to 90 days past due	**25,812**	–
	183,666	149,200

Included in the Group's loan and interest receivables balance as at 31 December 2018 are borrowers with aggregate carrying amount of HK$25,812,000 (2017: Nil), which were past due at the reporting date, and regarded as occasional delay and did not constitute a significant increase in credit risk as the management has reviewed those borrowers with strong capacity to meet the contractual cash flow and satisfactory repayment history.

In addition, all the loan and interest receivables as at 31 December 2018 were secured by certain of listed and unlisted equity securities held by the borrowers. The management of the Group has assessed the ECL with the estimates of value of these collaterals being realised with adjustment, in which it has been taken into accounts possibility of deterioration in the future collateral value, and considered most of those adjusted collaterals are sufficient to cover the shortfall of ECL exposure from recovering debts. The directors of the Company are of the opinion that aggregate risks arising from the possibility of credit losses are not significant and no allowance for credit losses were made as at 31 December 2018.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(C) CREDIT RISK *(CONTINUED)*

CASH DEPOSITED AT BANKS AND OTHER RECEIVABLES

As at 31 December 2018 and 2017, all cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses by these counterparties.

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

(D) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash. As at 31 December 2018, the Group maintained cash and cash equivalents of HK$138,304,000 (2017: HK$183,453,000) that is expected to be readily available to meet the cash outflows of its financial liabilities.

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(D) LIQUIDITY RISK *(CONTINUED)*

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

	Within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000
As at 31 December 2018			
Trade and other payables	**49,816**	**–**	**49,816**
Obligations under finance leases	**91**	**68**	**159**
	49,907	**68**	**49,975**
As at 31 December 2017			
Trade and other payables	87,769	–	87,769
Obligations under finance leases	91	159	250
Bank borrowings and interest payables	15,264	–	15,264
	103,124	159	103,283

3.2 *CAPITAL MANAGEMENT*

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

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 CAPITAL MANAGEMENT *(CONTINUED)*

The Group monitors capital on the basis of the gearing ratio as at 31 December 2018 and 2017. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings, if any, and obligations under finance leases, less the cash and cash equivalents, as shown in the consolidated statement of financial position. Total capital is calculated as "Total equity" as shown in the consolidated statement of financial position plus net debt or less net cash.

	2018	2017
	HK$'000	HK$'000
Obligations under finance leases *(Note 23)*	**159**	250
Bank borrowings *(Note 27)*	**–**	15,032
Less: cash and cash equivalents	**(138,304)**	(183,453)
Net cash	**(138,145)**	(168,171)
Total equity	**635,557**	672,703
Total capital	**497,412**	504,532
Gearing ratio	**N/A**	N/A

Net cash position is noted as at 31 December 2018 and 2017.

3.3 FAIR VALUE ESTIMATION

(A) FINANCIAL ASSETS AND LIABILITIES

(I) FAIR VALUE HIERARCHY

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 *FAIR VALUE ESTIMATION (CONTINUED)*

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

(I) FAIR VALUE HIERARCHY *(CONTINUED)*

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements				
At 31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss				
– listed equity securities	8,030	–	–	8,030

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

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

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(B) NON-FINANCIAL ASSETS AND LIABILITIES

(I) FAIR VALUE HIERARCHY

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

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2017				
Investment property				
– residential property in Hong Kong ("**Property I**")	–	–	91,000	91,000
Assets classified as held for sale				
– industrial property in Hong Kong ("**Property II**")	–	–	15,168	15,168
Total non-financial assets	–	–	106,168	106,168

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION *(CONTINUED)*

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

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

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

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

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

The following table presents the changes in level 3 items for the years ended 31 December 2018 and 2017 for recurring fair value measurements:

	Property I HK$'000	**Property II** HK$'000	**Total** HK$'000
At 1 January 2017	77,000	16,630	93,630
Disposal	–	(2,961)	(2,961)
Change in fair value	14,000	1,499	15,499
At 31 December 2017 and 1 January 2018	**91,000**	**15,168**	**106,168**
Disposal	**–**	**(15,168)**	**(15,168)**
Change in fair value	**1,500**	**–**	**1,500**
At 31 December 2018	**92,500**	**–**	**92,500**

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION *(CONTINUED)*

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

(IV) VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE

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

Properties	HK$'000	Valuation techniques(s) and key input(s)	Significant unobservable input(s)	Range of unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2018					
Property in Hong Kong – property in Hong Kong	92,500	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: (1) Property size (2) Property floor level	Price per square feet, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	Property I: HK$27,590 – HK$40,593 per square feet	(1) The larger the property size, the higher the fair value. (2) The higher the floor level, the higher the price per square feet and the fair value.
At 31 December 2017					
Properties I and II – properties in Hong Kong	106,168	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: (1) Property size (2) Property floor level	Price per square feet, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	Property I: HK$27,609 – HK$38,162 per square feet Property II: HK$2,000 – HK$2,144 per square feet	(1) The larger the property size, the higher the fair value. (2) The higher the floor level, the higher the price per square feet and the fair value.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.4 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Assets as per consolidated statement of financial position			
At 31 December 2018			
Trade and other receivables	**102,885**	**–**	**102,885**
Loan and interest receivables	**183,666**	**–**	**183,666**
Financial assets at fair value through profit or loss	**–**	**7,290**	**7,290**
Cash and cash equivalents	**138,304**	**–**	**138,304**
Total	**424,855**	**7,290**	**432,145**
At 31 December 2017			
Trade and other receivables	19,359	–	19,359
Loan and interest receivables	149,200	–	149,200
Financial assets at fair value through profit or loss	–	8,030	8,030
Cash and cash equivalents	183,453	–	183,453
Total	352,012	8,030	360,042

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.4 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
At 31 December 2018	
Trade and other payables	**49,816**
Obligations under finance leases	**159**
Total	**49,975**
At 31 December 2017	
Trade and other payables	87,769
Obligations under finance leases	250
Bank borrowings	15,032
Total	103,051

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(A) NET REALISABLE VALUE OF INVENTORIES

Determining whether a write-down is necessary in the carrying amount of inventories is based on a comparison of whether the historical value of the inventories is greater than their estimated selling price less all the related costs related to the selling process. In addition, a detailed physical examination and quality tests are also carried out in order to obtain an indication of realisable values. Once the carrying amount of the inventories is higher than their net realisable values, a write-down will be made so that the carrying amount of inventories would not be higher than their net realisable values. As at 31 December 2018, the carrying amount of inventories was HK$41,131,000 (2017: HK$63,682,000).

(B) IMPAIRMENT OF LOAN AND INTEREST RECEIVABLES

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan and interest receivables are disclosed in Notes 3.1(C) and 20 respectively. As at 31 December 2018, the carrying amount of loan and interest receivables was HK$183,666,000 (2017: HK$149,200,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(C) IMPAIRMENT OF TRADE RECEIVABLES

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

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's trade receivables are disclosed in notes 3.1(C) and 19 respectively. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

As at 31 December 2018, the carrying amount of trade receivables is HK$28,392,000 (2017: HK$16,432,000).

5 REVENUE AND SEGMENT INFORMATION

(A) REVENUE

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

(B) SEGMENT INFORMATION

The Group conducts its business within one business segment, sale of health-care products. All of the Group's products is of a similar nature and subject to similar risk and returns. Following the business operation review with effect from 1 January 2018, for management purpose, the management does not review the performance of the business in cultivated ginseng, wild ginseng, ginseng wine and trading of other food separately, but review the performance of the business in health-care products as a whole, as those segments have continued to be downsized. Accordingly, the Group's operating activities are attributable to a single operating segment, such changes have been restated for comparative amounts in prior year.

Revenue is generated from external customers. There were no inter-segment sales during the years ended 31 December 2018 and 2017.

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(B) SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

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

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

	2018 HK$'000	2017 HK$'000
Non-current assets		
The People's Republic of China (the "**PRC**")	**119,566**	199,762
Hong Kong	**92,774**	105,227
	212,340	304,989

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2018 HK$'000	2017 HK$'000
Customer A	**29,984**	79,934
Customer B	**16,457**	37,143
Customer C	**–**	28,252
Customer D	**12,541**	–
Customer E	**9,862**	–
Customer F	**8,897**	N/A*

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

6 EXPENSES BY NATURE

	2018 HK$'000	2017 HK$'000
Auditor's remuneration		
– Audit services	**880**	2,080
– Non-audit services	**–**	20
Cost of inventories sold	**75,044**	182,194
Employee benefit expense *(Note 9)*	**11,525**	17,136
Depreciation of property, plant and equipment *(Note 14)*	**1,867**	3,169
Operating lease payments in respect of rented premises	**5,834**	2,547
Transportation expenses	**418**	516
Legal and professional fee	**1,867**	3,079
Insurance expense	**534**	437
Office expense	**4,738**	1,682
Consultancy fee	**1,200**	1,200
Others	**5,776**	3,093
Total cost of sales, selling and distribution expenses and administrative expenses	**109,683**	217,153

7 OTHER INCOME

	2018 HK$'000	2017 HK$'000
Interest income from loan receivables	**21,983**	15,425
Interest income from bank deposits	**433**	3
Interest income from a joint venture	**171**	–
Rental income	**666**	2,649
Sundry income	**24**	250
	23,277	18,327

8 OTHER (LOSSES)/GAINS, NET

	2018 HK$'000	2017 HK$'000
Gain on disposal of property, plant and equipment	**6,685**	29,877
Gain on disposal of subsidiaries *(Note 31)*	**3,722**	–
Gain on deemed disposal of a subsidiary *(Note 32)*	**616**	–
Gain on dissolution of subsidiaries	**–**	84
Fair value gain of investment properties *(Note 16)*	**1,500**	15,499
Fair value loss of financial assets at fair value through profit or loss	**(3,388)**	(8,024)
Inventory write down *(Note 18)*	**(15,027)**	(5,947)
Realised loss on disposal of financial assets at fair value through profit or loss	**(1,203)**	–
Exchange gain, net	**1,854**	18
Reversal of investment project deposit	**–**	123
	(5,241)	31,630

9 EMPLOYEE BENEFIT EXPENSE

	2018 HK$'000	2017 HK$'000
Wages and salaries	**11,315**	14,512
Share options granted to directors and employees	**–**	2,326
Pension costs – defined contribution plans	**210**	298
Total employee benefit expense	**11,525**	17,136

Note: Total employee benefit expense includes directors' emoluments as disclosed in Note 38(A).

Note:

Five highest paid individuals

Among the five individuals with the highest emoluments in the Group, two (2017: three) were the directors of the Company for the year ended 31 December 2018 whose emoluments are included in the disclosures in Note 38(A).

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

9 EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

Note: (Continued)

The emoluments of the remaining three (2017: two) individuals and the above-mentioned resigned director (in the capacity of an employee since the date of employment), were as follows:

	2018 HK$'000	2017 HK$'000
Wages and salaries	2,738	2,758
Share options granted to directors and employees	–	144
Pension costs – defined contribution plans	54	42
	2,792	2,944

The emoluments of the above-mentioned resigned director and the remaining three (2017: two) individuals fell within the following bands:

	2018 HK$'000	2017 HK$'000
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	1	–

10 FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expense on:		
– Bank loans and overdrafts	233	76

11 INCOME TAX CREDIT/(EXPENSE)

	2018 HK$'000	2017 HK$'000
Hong Kong Profits Tax		
Current income tax	–	(65)
Over-provision in respect of prior years	1,925	90
	1,925	25
Deferred tax credit/(charges) *(Note 24)*	8,124	(84)
Income tax credit/(expense)	10,049	(59)

(I) HONG KONG PROFITS TAX

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries incorporated in Hong Kong as they have no assessable profits or sufficient tax losses brought forward to set off estimate assessable profits for the year.

(II) PRC ENTERPRISE INCOME TAX

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") rate of 25% (2017: 25%) during the year.

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

(III) INCOME TAX FROM OTHER TAX JURISDICTIONS

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

11 INCOME TAX CREDIT/(EXPENSE) *(CONTINUED)*

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

	2018 HK$'000	2017 HK$'000
(Loss)/profit before income tax	**(5,016)**	35,920
Tax credit/(expense) at the applicable income tax rate (2017: 16.5%)	**828**	(5,927)
Tax effect of different income tax rates in other jurisdictions	**1,961**	(206)
Tax effect of expenses not deductible for tax purposes	**(1,332)**	(2,659)
Tax effect of income not taxable for tax purpose	**2,697**	9,914
Tax effect of temporary difference not recognised	**(18)**	202
Tax effect of tax loss not recognised	**(4,960)**	(1,488)
Tax effect of tax loss utilised	**845**	–
Over-provision in respect of prior years	**1,925**	90
Reversal of deferred income tax liabilities in respect of prior years	**8,103**	–
Tax reduction	**–**	15
Tax credit/(expense) for the year	**10,049**	(59)

12 DIVIDEND

	2018 HK$'000	2017 HK$'000
Final dividend to equity shareholders of the Company in respect of the previous financial year, approved and paid during the year, of HK$1 cent per share* (2017: Nil)	**17,004**	–

* adjusted as a result of the share consolidation as stated in Note 28 (A)(i).

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 December 2018.

13 EARNINGS PER SHARE

(A) BASIC

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

	2018 **HK$'000**	2017 HK$'000
Profit for the year attributable to owners of the Company	**5,071**	35,861
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**1,697,052**	1,700,405

The weighted average number of ordinary shares for the year ended 31 December 2018 has included the effect of share consolidation and repurchase of shares as disclosed in Notes 28(A)(i) and (ii).

The weighted average number of ordinary shares for the purpose of calculation of basic earning per share for the year ended 31 December 2017 has been retrospectively adjusted to reflect the share consolidation as mentioned above and disclosed in Note 28(A)(i).

(B) DILUTED

Diluted earnings per share is the same amount as the basic earnings per share for the years ended 31 December 2018 and 2017 because the exercise of the outstanding share options would be anti-dilutive.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Fixtures and office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost						
At 1 January 2017	76,603	4,904	1,446	2,112	–	85,065
Exchange differences	–	158	42	11	1,768	1,979
Additions	–	3,681	977	277	40,836	45,771
Disposals	(15,227)	(3,085)	(810)	(1,435)	–	(20,557)
Transfer to assets classified as held for sale	(46,767)	(757)	–	–	–	(47,524)
At 31 December 2017	14,609	4,901	1,655	965	42,604	64,734
At 1 January 2018	14,609	4,901	1,655	965	42,604	64,734
Exchange differences	–	(224)	(59)	(40)	(3,309)	(3,632)
Additions	–	213	–	563	21,245	22,021
Disposals	(14,609)	(1,062)	–	(222)	–	(15,893)
Deemed disposal of a subsidiary *(Note 32)*	–	–	–	–	(60,540)	(60,540)
At 31 December 2018	–	3,828	1,596	1,266	–	6,690
Accumulated depreciation and impairment loss						
At 1 January 2017	5,171	3,337	907	1,616	–	11,031
Exchange differences	–	16	6	–	–	22
Charge for the year	1,931	874	208	156	–	3,169
Disposals	(2,378)	(2,759)	(337)	(1,420)	–	(6,894)
Transfer to assets classified as held for sale	(3,628)	(381)	–	–	–	(4,009)
At 31 December 2017	1,096	1,087	784	352	–	3,319
At 1 January 2018	1,096	1,087	784	352	–	3,319
Exchange differences	–	(53)	(19)	(8)	–	(80)
Charge for the year	268	1,056	251	292	–	1,867
Disposals	(1,364)	(899)	–	(170)	–	(2,433)
At 31 December 2018	–	1,191	1,016	466	–	2,673
Net carrying amount						
At 31 December 2018	–	2,637	580	800	–	4,017
At 31 December 2017	13,513	3,814	871	613	42,604	61,415

14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Note:

The net book amount of equipment held under finance lease obligations comprise (refer to Note 23 for further details):

	2018	2017
	HK$'000	HK$'000
Leased equipment		
Cost	**455**	455
Accumulated depreciation	**(296)**	(205)
Net book amount	**159**	250

All depreciation charge has been charged in "administrative expenses".

15 LAND USE RIGHTS

	2018 HK$'000	2017 HK$'000
At 1 January		
Cost	97,274	–
Accumulated amortisation	–	–
Net book amount	97,274	–
Year ended 31 December 2018 and 2017		
Opening net book amount	97,274	–
Additions	–	93,237
Amortisation capitalised in construction in progress	(1,793)	–
Exchange difference	(5,674)	4,037
Deemed disposal of a subsidiary *(Note 32)*	(89,807)	–
Closing net book amount	–	97,274
At 31 December		
Cost	–	97,274
Accumulated amortisation	–	–
Net book amount	–	97,274

All of the Group's land use rights situated in the PRC with the lease terms of 40 years, on which certain construction works for the properties to be occupied by the Group are in progress, was deconsolidated from the consolidated statement of financial position arising from deemed disposal of a subsidiary.

16 INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
At fair value		
At 1 January	**91,000**	93,630
Disposal	**–**	(2,961)
Changes in fair value	**1,500**	15,499
Transfer to assets classified as held for sale	**–**	(15,168)
At 31 December	**92,500**	91,000

The Group's investment property as at 31 December 2018 and 2017 have been pledged to secure the banking facilities as set out in Note 27.

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

(A) AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Gross rental income	**666**	2,649
Direct operating expenses from properties which generated rental income	**(427)**	(388)
	239	2,261

(B) LEASING ARRANGEMENTS

Minimum lease payments receivable on leases of investment properties are as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**–**	2,294
In the second to fifth years inclusive	**–**	3,773
	–	6,067

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(A) INTERESTS IN AN ASSOCIATE

Set out below is the associate of the Group as at 31 December 2018 and 2017 which, in the opinion of the directors, are material to the Group. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of establishment	Proportion of ownership interest held by the Company		Principal activities	Measurement method	Carrying amount	
		2018	2017			**2018**	2017
		%	%			**HK$'000**	HK$'000
浙江滙尊網絡科技有限公司（"**HJIT**"）	The PRC	**–**	49	Provision for information technology problem-solving service	Equity method	**–**	43,300

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

	2018	2017
	HK$'000	HK$'000
At 1 January	**43,300**	–
Capital injection to an associate	**–**	34,740
Share of profit of an associate	**8,830**	6,130
Exchange difference	**(2,971)**	2,430
Disposal *(Note)*	**(49,159)**	–
At 31 December	**–**	43,300

Note:

Previously, the associate was indirectly held by one of the subsidiaries within the Group, Wealthy Harvest Enterprises Limited ("**Wealthy Harvest**"). During the year, following the disposal of Wealthy Harvest, HJIT ceased to be an associate of the Group and relevant interests in an associate were derecognised from the consolidated statement of financial position.

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

(A) INTERESTS IN AN ASSOCIATE (CONTINUED)

SUMMARISED FINANCIAL INFORMATION OF THE ASSOCIATE

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

	At 31 December 2017 HK$'000
Summarised statement of financial position	
Non-current assets	21,579
Current assets	37,817
Current liabilities	(3,379)
Net assets	56,017
Cash and cash equivalents included in current assets	61

SUMMARISED PROFIT OR LOSS

	Period from 1 January 2018 to 30 November 2018 (date of disposal) HK$'000	**Period from 20 January 2017 (date of establishment) to 31 December 2017** HK$'000
Revenue	234,875	43,405
Interest income	1,209	1,228
Depreciation	6,547	3,557
Profit and total comprehensive income	18,020	12,509

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

(A) INTERESTS IN AN ASSOCIATE (CONTINUED)

SUMMARISED FINANCIAL INFORMATION OF THE ASSOCIATE *(CONTINUED)*

RECONCILIATION TO CARRYING AMOUNT

	2017 HK$'000
Gross amount of net assets of the associate	56,017
Group's share in %	49%
Group's share of net assets of the associate	27,449
Additional capital injection	15,851
Carrying amount	43,300

(B) INTERESTS IN A JOINT VENTURE

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

Name of entity	Place of business/country of establishment	Proportion of ownership interest held by the Company		Principal activities	Measurement method	Carrying amount	
		2018 **%**	2017 %			**2018** **HK$'000**	2017 HK$'000
杭州湍口眾安滙尊溫泉度假村有限公司 (“**HJHS**”)	The PRC	**51** *(Note)*	–	Property development and investment	Equity method	**115,823**	–

Note:

With the virture of the contractual agreement as disclosed in Note 32, it constitutes a joint arrangement by both equity holders as a joint venture.

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

(B) INTERESTS IN A JOINT VENTURE (CONTINUED)

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

	2018 HK$'000
At 1 January	–
Deemed cost of investment *(Note 32)*	115,836
Share of loss of a joint venture	(13)
At 31 December	115,823

SUMMARISED FINANCIAL INFORMATION OF THE JOINT VENTURE

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

	2018 HK$'000
Summarised statement of financial position	
Non-current assets	221,476
Current assets	112,097
Current liabilities	(107,676)
Net assets	225,897
Cash and cash equivalents included in current assets	14,082

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

(B) INTERESTS IN A JOINT VENTURE (CONTINUED)

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

SUMMARISED PROFIT OR LOSS

	Period from 10 October 2018 (date of initial recognition of a joint venture) to 31 December 2018 HK$'000
Revenue	–
Interest income	23
Depreciation	–
Loss and total comprehensive loss	25

RECONCILIATION TO CARRYING AMOUNT

	2018 **HK$'000**
Gross amount of net assets of the joint venture	**225,897**
Group's share in %	**51%**
Group's share of net assets of the joint venture	**115,207**
Increase in fair value arising from deemed disposal *(Note 32)*	**616**
Carrying amount	**115,823**

18 INVENTORIES

	2018 HK$'000	2017 HK$'000
Finished goods	**16,435**	12,476
Goods in transits	**24,696**	51,206
	41,131	63,682

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$75,044,000 (2017: HK$182,194,000). During the year ended 31 December 2018, the Group recognised provision for inventory write-down totaling HK$15,027,000 (2017: HK$5,947,000), which were included in "other (loss)/gain, net".

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

	2018 HK$'000	2017 HK$'000
At 1 January	**32,975**	154,079
Provision for the year	**15,027**	5,947
Utilisation for the year	**(15,691)**	(127,051)
At 31 December	**32,311**	32,975

19 TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**28,392**	16,432
Amount due from an associate	**–**	2,316
Loan to a joint venture	**33,900**	–
Consideration receivable in relation to disposal of subsidiaries	**40,000**	–
Prepayment for acquisition of land use rights	**–**	12,000
Prepayment for inventory purchase	**6,000**	6,220
Other prepayments	**916**	1,414
Deposits	**527**	545
Value-added tax recoverable	**–**	76
Others	**66**	66
	81,409	22,637
Total trade and other receivables	**109,801**	39,069
Less: Non-current loan/prepayment	**(33,900)**	(12,000)
Current portion	**75,901**	27,069

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

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

	2018 HK$'000	2017 HK$'000
Within 30 days	**2,634**	–
31 to 90 days	**19,226**	7,383
91 to 180 days	**–**	9,049
181 to 365 days	**6,532**	–
	28,392	16,432

20 LOAN AND INTEREST RECEIVABLES

	2018 HK$'000	2017 HK$'000
Loan receivables	**170,500**	143,000
Interest receivables	**13,166**	6,200
	183,666	149,200

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

The loan receivables are bearing a fixed interest rate at ranging from 0.7% to 18% (2017: 15%) per annum, and are repayable within half year or one year from the dates of inception of the loans. All the interests of loans are payable in every 6 months in arrears or at the expiry date of principal repayment.

As at 31 December 2018, all the loan receivables were secured by certain of listed and unlisted shares held by the borrowers (2017: unsecured).

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Fair value loss resulting from the change in fair value of HK$3,388,000 (2017: HK$8,024,000) and realised loss on disposal of HK$1,203,000 (2017: Nil) of financial assets at fair value through profit or loss was recognised in other (losses)/gains, net in profit or loss during the year.

22 CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents comprises cash at banks and on hand. As at 31 December 2018, included in cash and cash equivalents is the significant balance of HK$6,451,000 (2017: HK$6,473,000) denominated in United States dollars which is a foreign currency, other than functional currencies of entities within the Group.

23 OBLIGATIONS UNDER FINANCE LEASES

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**91**	91
Non-current liabilities	**68**	159
	159	250

The Group has leased certain office equipment under finance leases. The lease term is 5 years and no interest charge for the remaining lease. These leases have purchase options upon expiring of the leases.

	2018 HK$'000	2017 HK$'000
Amounts payable under finance leases		
Within one year	**91**	91
After one year but within two years	**68**	91
After two years but within five years	**–**	68
Present value of lease obligations	**159**	250
Less: Amount due for settlement within one year (shown under current liabilities)	**(91)**	(91)
Amount due for settlement after one year	**68**	159

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

24 DEFERRED INCOME TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movement during the year:

	Accelerated tax depreciation HK$'000	**Fair value changes of investment properties** HK$'000	**Total** HK$'000
At 1 January 2017	28	8,103	8,131
Transfer to liabilities directly associated with assets classified as held for sale	(91)	–	(91)
Charged to profit or loss	84	–	84
At 31 December 2017 and 1 January 2018	21	8,103	8,124
Credited to profit or loss *(Note (i))*	(21)	(8,103)	(8,124)
At 31 December 2018	–	–	–

Note:

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

(ii) The Group did not recognise deferred income tax assets of approximately HK$144,023,000 (2017: HK$130,282,000) in respect of unutilised tax losses amounting to approximately HK$872,869,000 (2017: HK$789,589,000) that can be carried forward against future taxable income without expiry dates due to the unpredictability of future profit streams.

25 TRADE AND OTHER PAYABLES

	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Trade payables	**43,603**	36,117	36,117
Receipts in advance from customers	**–**	–	9,862
Other payables			
– Payables for construction works	**–**	41,008	41,008
– Payables for property, plant and equipment	**–**	2,316	2,316
– Accrued expenses	**6,113**	7,888	7,888
– Rental deposit	**–**	320	320
– Others	**100**	120	120
	6,213	51,652	61,514
Total trade and other payables	**49,816**	87,769	97,631

As a result of adoption of HKFRS 15, using the cumulative effect transition chosen, receipts in advance from customers have been presented separately as contract liabilities (Note 26) and opening balance at 1 January 2018 has been adjusted accordingly.

The Group normally receives credit terms of 90 to 150 days from its suppliers. All of the trade payables as at 31 December 2018 and 2017, based on invoice date, were due within 30 days.

As at 31 December 2018, included in trade and other payables is the significant balance of HK$43,603,000 (2017: HK$36,777,000) denominated in CAD which is a foreign currency, other than functional currencies of entities within the Group.

26 CONTRACT LIABILITIES

	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Receipts in advance regarding sale of health-care products	**7,000**	9,862	–

Note:

(a) As a result of adoption of HKFRS 15, receipts in advance from customers have been reclassified from trade and other payables (Note 25) and opening balance at 1 January 2018 has been adjusted accordingly.

(b) Typical payment practice

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

(c) Movements in contract liabilities

	HK$'000
At 1 January 2018	**9,862**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in contract liabilities at 1 January 2018	**(9,862)**
Increase in contract liabilities as a result of receiving deposits from customers during the year in respect of supply of products in progress	**7,000**
At 31 December 2018	**7,000**

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

27 BANK BORROWINGS

Bank borrowings of HK$15,032,000 as at 31 December 2017 were related to import invoice financing loans which were interest-bearing at LIBOR plus 2.75% and secured by the banking facilities as mentioned below. All of the Group's bank borrowings were settled during the year.

As at 31 December 2018, the banking facilities of approximately HK$48,500,000 (2017: HK$69,000,000) were secured by an investment property held by the Group, with the carrying amount of approximately HK$92,500,000 (2017: HK$91,000,000), and the corporate guarantee provided by the Company.

28 SHARE CAPITAL AND RESERVES

(A) SHARE CAPITAL

	Note	**Number of shares** (thousands)	**Nominal value** HK$'000
Ordinary shares			
Authorised:			
At 1 January 2017, 31 December 2017 and 1 January 2018		50,000,000	200,000
Share consolidation	*(i)*	(45,000,000)	–
At 31 December 2018		5,000,000	200,000
Issued and fully paid:			
At 1 January 2017, 31 December 2017 and 1 January 2018		17,004,050	68,016
Shares repurchased in April and May 2018	*(ii)*	(33,480)	(134)
Shares repurchased in June 2018	*(ii)*	(27,440)	(110)
Share consolidation	*(i)*	(15,248,817)	–
Shares repurchased in September and October 2018	*(ii)*	(1,553)	(62)
At 31 December 2018		1,692,760	67,710

28 SHARE CAPITAL AND RESERVES *(CONTINUED)*

(A) SHARE CAPITAL *(CONTINUED)*

Note:

(i) Share consolidation

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

(ii) Repurchase of shares

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

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

The repurchase was governed by the applicable laws of the Cayman Islands. During the year ended 31 December 2018, the issued share capital of the Company was cancelled by the nominal value of these shares of HK$306 (2017: HK$Nil) and the premium paid on the repurchase of the shares of HK$5,196 (2017: HK$Nil) was charged to share premium account.

28 SHARE CAPITAL AND RESERVES *(CONTINUED)*

(B) NATURE AND PURPOSE OF RESERVES

(I) SHARE PREMIUM

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

Pursuant to the directors' resolution, the board of directors resolved to reduce the entire balance of share premium, with the amount of approximately HK$1,518,250,000. Upon the share premium reduction, share premium account of the Company was cancelled in full and the relevant balance of approximately HK$1,518,250,000 was credited to the retained profits/accumulated deficits account of the Company.

(II) CAPITAL RESERVE

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

(III) EXCHANGE RESERVE

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

(IV) SHARE OPTION RESERVE

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible participants under the share option scheme of the Company recognised in accordance with the accounting policy set out in Note 2.22.

29 SHARE-BASED PAYMENT TRANSACTIONS

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

As at 31 December 2018, none (2017: 416,090,000, representing 2.5% of the shares of the Company in issue) of share options had been remained outstanding. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

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

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

29 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

Note:

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

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

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

The following table discloses movements of the Company's outstanding share options held by directors and its associates, employees and consultants during the year ended 31 December 2017:

				Number of Share Options (thousands)		
Type of participates	Date of grant	Exercise period	(Note) Adjusted exercise price HK$	Outstanding at 1 January 2017	Forfeited during the year	Outstanding at 31 December 2017
Directors and its associates	6 January 2015	6 January 2015 to 5 January 2018	0.752	8,333	(3,333)	5,000
	6 January 2015	6 January 2015 to 5 January 2018	0.752	3,333	(3,333)	–
	6 January 2015	6 January 2015 to 5 January 2018	0.752	3,334	(3,334)	–
	1 November 2016	1 November 2016 to 31 October 2019	0.165	53,347	–	53,347
		1 November 2017 to 31 October 2019	0.165	53,347	–	53,347
		1 November 2018 to 31 October 2019	0.165	53,346	–	53,346
Employees	6 January 2015	6 January 2015 to 5 January 2018	0.752	–	–	–
	6 January 2015	6 January 2016 to 5 January 2018	0.752	550	(25)	525
	6 January 2015	6 January 2017 to 5 January 2018	0.752	550	(25)	525
Consultants	6 January 2015	6 January 2015 to 5 January 2018	0.752	250,000	–	250,000
				426,140	(10,050)	416,090

Note: The exercise price has not been adjusted to reflect the effect of share consolidation with effect from 12 September 2018.

29 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

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

	2018		2017	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1 January	**0.526**	**416,090**	0.532	426,140
Lapsed before share consolidation	**0.526**	**(256,050)**	0.752	(10,050)
Share consolidation	**N/A**	**(144,036)**	N/A	N/A
Lapsed after share consolidation	**1.65**	**(16,004)**	–	–
At 31 December	**–**	**–**	0.526	416,090

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

	6 January 2015	**1 November 2016**
Share price on grant date	HK$0.752 (before share consolidation)	HK$1.62 (after share consolidation)
Exercise price	HK$0.752 (before share consolidation)	HK$1.65 (after share consolidation)
Expected volatility	58.69%	37.24%
Expected life	3 years	3 years
Risk-free rate	0.92%	0.63%
Expected dividend yield	1.7%	0.00%
Early exercise multiple		
– Directors:	N/A	N/A
– Employees, consultants and service provider:	2.2X	3.09X

29 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

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

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

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

During the year ended 31 December 2018, none of share-based payment expenses (2017: approximately HK$2,326,000) in relation to share options granted by the Company was recognised.

During the year ended 31 December 2018, share options of 256,050,000 (before share consolidation) and 16,004,000 (after share consolidation) (2017: share options of 10,050,000 (before share consolidation)) with unit value of HK$0.752 and HK$1.65 respectively (2017: HK$0.752) lapsed by the reason of expiration and resignation from the Grantee's position of the Company under the Scheme. The total value of the share options lapsed of approximately HK$72,476,000 (2017: HK$1,849,000) was transferred to retained profits during the year.

30 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Obligations under finance leases	**159**	250
Borrowings – repayable within one year and interest bearing at variable interest rates	**–**	15,032
	159	15,282

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

	Other payables – Accrued interest HK$'000	Obligations under finance leases HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 January 2017	–	341	–	341
Interest accrued	76	–	–	76
Cash flows	–	(91)	15,032	14,941
At 31 December 2017 and 1 January 2018	76	250	15,032	15,358
Cash flows	(76)	(91)	(15,032)	(15,199)
At 31 December 2018	–	159	–	159

31 DISPOSAL OF SUBSIDIARIES

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

On 30 November 2018, the Group disposed of its entired interests in Wealthy Harvest and its subsidiaries (together "**Wealthy Harvest Group**"), which principally invested in an associate, HJIT (Note 17(A)), at a consideration of HK$50,000,000 to an independent third party, of which amount of HK$10,000,000 was paid during the year, and the remainder of HK$40,000,000 would be repayable in 2019 in accordance with the terms of a sale and purchase agreement, which was included in other receivables (Note 19).

31 DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

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

32 DEEMED DISPOSAL OF A SUBSIDIARY

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

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

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

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

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

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

32 DEEMED DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

DEEMED GAIN ON DISPOSAL OF HJHS

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

33 OPERATING LEASE COMMITMENTS

The Group leases various office and warehouses under non-cancellable operating leases expiring within one to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**2,900**	1,759
In the second to fifth years inclusive	**4,857**	6,241
Over five years	**1,619**	3,009
	9,376	11,009

Note: In respect of one of leases for the office occupied by the Group in the PRC, pursuant to a supplementary lease agreement, the Group is committed to pay additional rent each year if the Group cannot meet certain conditions stated in the agreement which the terms are valid over the period from May 2017 to April 2025. Such contingent rental is subject to review by respective landlord each financial year.

34 CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the construction and acquisition of property, plant and equipment	–	55,320

As at 31 December 2017, all capital commitments were derived from operations of HJHS. Following the deemed disposal of HJHS (Note 32), all the related capital commitments are regarded as the capital commitments of a joint venture of the Group. As at 31 December 2018, share of the capital commitments of the Group's joint venture, which were contracted for but not provided for regarding construction and acquisition of property, plant and equipment, amounted to approximately HK$32,620,000.

35 RELATED PARTY TRANSACTIONS

(A) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

During the year, the Group had the following significant transactions with its related parties which were carried out based on the terms agreed between the parties, as follows:

	2018 HK$'000	2017 HK$'000
Interest income from a joint venture *(Note (i))*	171	–
Rental expense	–	147

Note:

(i) Terms of loan is stated in Note 35(B)(i) below.

(ii) During the year ended 31 December 2017, the Group shared certain area of a leased premise in the PRC with HJIT, the associate of the Group without charging any expenses to HJIT. The Group also transferred leasehold improvement of HK$2,316,000 to HJIT at cost, without mark-up.

35 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(B) YEAR-END BALANCES

	2018 HK$'000	2017 HK$'000
Loan to a joint venture (i)	33,900	–
Receivable from an associate (ii)	–	2,316

Note:

(i) The loan is unsecured, interest-bearing at the People's Bank of China Benchmark interest rate minus 2.75% per annum and repayable by instalments from 2021 to 2023.

(ii) The amount is unsecured, interest-free and repayable on demand.

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

	2018 HK$'000	2017 HK$'000
Salaries and other short-term employee benefits	7,875	10,377
Post-employment benefits	104	107
Share-based payments	–	2,319
	7,979	12,803

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

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 31 December 2018 and 2017, the details of the Group's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital		Proportion of ownership interest held by the Company		Principal activities
		2018	2017	**2018**	2017	
Flying Century Limited	Hong Kong	**HK$10**	HK$10	**100%**	100%	Property and other assets holding
Fortune Gaining Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Property holding and leasing
Luck Power Development Limited	Hong Kong	**Nil** *(Note)*	HK$10	**100%**	100%	Property holding and leasing
Luck Power (Hong Kong) Limited	Hong Kong	**Nil** *(Note)*	HK$10	**100%**	100%	Property holding and leasing
Hang Fat Ginseng Global Importer Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food
Qianhai Health Finance Limited	Hong Kong	**HK$3,000,000**	HK$3,000,000	**100%**	100%	Money lending

Note: The Group disposed of the entire equity interests of these companies during the year.

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

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

NON-CONTROLLING INTERESTS

Set out below was summarised financial information for HJHS, the former subsidiary that had non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	2017 HK$'000
Summarised statement of financial position	
Current assets	18,850
Current liabilities	(41,128)
Current net liabilities	(22,278)
Non-current assets	151,878
Net assets	129,600
Accumulated non-controlling interests	7,200

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

NON-CONTROLLING INTERESTS (CONTINUED)

SUMMARISED PROFIT OR LOSS

	Period from 1 January 2018 to 9 October 2018 (date of cessation as a subsidiary of the Group) HK$'000	Period from 12 July 2017 (date of establishment) to 31 December 2017 HK$'000
Revenue	–	–
Loss and total comprehensive loss	78	–
Loss allocated to non-controlling interests	38	–
Summarised cash flows		
Cash flows from investing activities	(27,833)	(106,228)
Cash flows from financing activities	47,200	124,524
Effect of change of foreign exchange rate	(821)	477
Net increase in cash and cash equivalents	18,546	18,773

37 FINANCIAL INFORMATION OF THE COMPANY

(A) STATEMENT OF FINANCIAL POSITION

	2018 HK$'000	2017 HK$'000
Non-current assets		
Interest in subsidiaries *(Note)*	**567,964**	615,093
Current assets		
Other receivables	**40,233**	1,128
Cash and cash equivalents	**16,237**	8,083
Total current assets	**56,470**	9,211
Total assets	**624,434**	624,304
Equity		
Equity attributable to owners of the Company		
Capital and reserves		
Share capital	**67,710**	68,016
Reserves	**555,164**	549,748
Total equity	**622,874**	617,764
Current liabilities		
Other payables	**1,560**	6,540
Total liabilities	**1,560**	6,540
Total equity and liabilities	**624,434**	624,304

The statement of financial position of the Company was approved by the Board of Directors on 29 March 2019 and are signed on its behalf by:

George Lu
Director

Wong Kwok Ming
Director

Note:

The interests in subsidiaries included investment cost in an unlisted subsidiary of HK$1,000 (2017: HK$1,000) and deemed contribution to subsidiaries with aggregate amount of HK$1,597,964,000 (2017: HK$1,645,093,000), net of provision of impairment loss on interests in subsidiaries of HK$1,030,000,000 (2017: HK$1,030,000,000).

37 FINANCIAL INFORMATION OF THE COMPANY *(CONTINUED)*

(B) MOVEMENT OF RESERVES:

	Share premium HK$'000	Share options reserve HK$'000	Retained profits/ (accumulated deficits) HK$'000	Total HK$'000
At 1 January 2017	1,523,446	71,999	(1,044,300)	551,145
Loss and total comprehensive loss for the year	–	–	(3,723)	(3,723)
Recognition of equity-settled share-based payments	–	2,326	–	2,326
Lapse of share options	–	(1,849)	1,849	–
At 31 December 2017 and 1 January 2018	1,523,446	72,476	(1,046,174)	549,748
Profit and total comprehensive income for the year	–	–	27,616	27,616
Repurchase of shares	(5,196)	–	–	(5,196)
Dividend declared and paid	–	–	(17,004)	(17,004)
Transfer between reserves	(1,518,250)	–	1,518,250	–
Lapse of share options	–	(72,476)	72,476	–
At 31 December 2018	–	–	555,164	555,164

38 BENEFITS AND INTEREST OF DIRECTORS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kinds	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
		(Note (iv))		*(Note (v))*			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman and the Chief Executive Officer							
George Lu	–	1,800	500	–	18	–	2,318
Executive directors							
Wong Kwok Ming	–	374	–	–	18	–	392
Non-executive director							
Yeung Wai Fai Andrew *(Note (ii))*	–	1,248	–	–	9	–	1,257
Independent non-executive directors							
Li Wei	176	–	–	–	–	–	176
Wu Wai Leung Danny	176	–	–	–	–	–	176
Yuen Chee Lap Carl	176	–	–	–	–	–	176
Total	528	3,422	500	–	45	–	4,495

38 BENEFITS AND INTEREST OF DIRECTORS *(CONTINUED)*

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

The remuneration of every director and the chief executive for the year ended 31 December 2017 is set out below:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kinds	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
		(Note (iv))		*(Note (v))*			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman and the Chief Executive Officer							
George Lu	–	624	1,326	–	18	–	1,968
Executive directors							
Yeung Wing Kong *(Note (iii))*	–	1,526	–	245	12	–	1,783
Wong Kwok Ming	–	374	–	–	18	–	392
Non-executive directors							
Yeung Wai Fai Andrew *(Note (ii))*	–	2,496	1,040	2,182	18	–	5,736
Shen Wei *(Note (i))*	30	–	–	–	–	–	30
Independent non-executive directors							
Li Wei	176	–	–	–	–	–	176
Wu Wai Leung Danny	176	–	–	–	–	–	176
Yuen Chee Lap Carl	176	–	–	–	–	–	176
Total	558	5,020	2,366	2,427	66	–	10,437

38 BENEFITS AND INTEREST OF DIRECTORS *(CONTINUED)*

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

Note:

(i) The director resigned on 23 January 2017.

(ii) The director was appointed on 23 January 2017 and resigned on 29 June 2018.

(iii) The director resigned on 31 August 2017.

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

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

(B) DIRECTORS' RETIREMENT BENEFITS AND TERMINATION BENEFITS

None of the directors received or will receive any retirement benefits or termination benefits during the year (2017: nil).

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

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: nil).

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

As at 31 December 2018, there were no loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors (2017: Nil).

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

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).

39 PRIOR YEAR RECLASSIFICATIONS

The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.2.

The Group has made certain reclassifications in the comparative information to conform to the current year presentation.

40 EVENT AFTER THE REPORTING PERIOD

On 24 January 2019, Explorer Rosy, an independent third party of the Group, entered into a sale and purchase agreement with Super Generation Group Limited, the former controlling shareholder of the Company, to acquire 47.6% of issued share capital of the Company at a consideration of approximately HK$201,422,000 (the "**Share Transfer**").

Upon the completion of Share Transfer on 1 February 2019, Explorer Rosy held 47.6% of issued share capital of the Company and has become the immediate and ultimate holding company of the Company.

Five-year Financial Summary

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note)	(Note)	(Note)	
RESULTS					
Revenue	**78,047**	197,062	354,385	835,531	1,219,651
Profit/(loss) before income tax	**(5,016)**	35,920	(564,487)	(396,856)	230,740
Income tax credit/(expense)	**10,049**	(59)	38,625	(41,664)	(25,416)
Profit/(loss) for the year	**5,033**	35,861	(525,862)	(438,520)	205,324
Attributable to:					
– Owners of the Company	**5,071**	35,861	(525,710)	(438,396)	205,353
– Non-controlling interests	**(38)**	–	(152)	(124)	(29)
	5,033	35,861	(525,862)	(438,520)	205,324

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**692,532**	795,734	639,222	2,333,556	3,152,184
Total liabilities	**(56,975)**	(123,031)	(19,321)	(1,823,290)	(2,063,142)
Net assets	**635,557**	672,703	619,901	510,266	1,089,042
Equity attributable to owners of the Company	**635,557**	665,503	619,904	507,390	1,089,070
Non-controlling interests	**–**	7,200	(3)	2,876	(28)
	635,557	672,703	619,901	510,266	1,089,042

Note:

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