



前海健康

QIANHAI HEALTH

**Qianhai Health Holdings Limited**

**前海健康控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 911)

2019 Interim Report





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# Corporate Information

## BOARD OF DIRECTORS

### NON-EXECUTIVE DIRECTORS

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

### EXECUTIVE DIRECTORS

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUTHORISED REPRESENTATIVES

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

## COMPANY SECRETARY

Ms. Yip Tak Yung Teresa

## LEGAL ADVISOR AS TO HONG KONG LAWS

### CHIU & PARTNERS

40th Floor, Jardine House  
1 Connaught Place, Central  
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 54, 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 AND PROSPECTS

The Group is principally engaged in sale of health-care products, which including American ginseng, and other health-care products to wholesalers and retailers in Hong Kong.

The Group recorded revenue of approximately HK\$52.6 million during the six months ended 30 June 2019 (the “**Period**”), representing an increase of approximately 35% as compared with that six months ended 30 June 2018 (the “**Prior Period**”). Overall gross profit margin is approximately 20% for the Period which represented a slight increase by approximately 3% when compared to the same of the Prior Period. Profit attributable to shareholders was approximately HK\$8.1 million for the Period, representing a decrease of approximately 33% when compared to the same of the Prior Period. Basic earnings per share amounted to approximately 0.48 HK cents, representing a decrease of approximately 0.23 HK cents as compared with 0.71 HK cents in the Prior Period.

As there is continuous increase level of health consciousness by the public in general, the Group intends to expand its sale of health-care products and expand product range offered to its customers. Furthermore, the Group will continue to implement its tight cost control measures and improve in operating efficiency to maximise its profitability.

The Group will continue to conduct its review on the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. With the aim to continue the existing principal business of the Group, the Group will go on its diversification into other businesses, which include the business of electronic components and international trading, with a view of to broaden its income stream, and to create a long term and sustainable growth of the Group’s business.

## FINANCIAL REVIEW

### *REVENUE AND GROSS PROFIT*

During the six months ended 30 June 2019, the revenue of the Group amounted to approximately HK\$52.6 million, representing an increase of approximately 35% when compared to Prior Period. During the Period, the Group has expanded its health-care product mix, including sale of American ginseng and other health-care products.

The gross profit increased to approximately HK\$10.4 million in the Period, which accounted for approximately 53% increment as compared with that of the Prior Period.

### *OTHER INCOME*

The Group’s other income mainly represented the interest income derived from the money lending activities of approximately HK\$9.3 million during the Period (Prior Period: approximately HK\$11.1 million). The decrease was in line with the decrease in the loan receivables during the Period.



## Management Discussion and Analysis

### *PROFIT FOR THE PERIOD*

The Group recorded profit of the approximately HK\$8.1 million during the Period, representing a decrease of approximately 33% when compared to the same of the Prior Period. The decrease was mainly due to no recognition of share of net profit of an associate accounted for using the equity method during the Period (Prior Period: approximately HK\$5,183,000) as the Company disposed of an associate (the “**Disposed Associate**”) through disposal of a subsidiary (the “**Disposal**”) in 2018. Upon completion of the Disposal, the Group no longer shared profit of the Disposed Associate during the Period.

### *TRADE RECEIVABLES*

The Group’s trade receivables as at 30 June 2019 decreased to approximately HK\$26.1 million from approximately HK\$28.4 million as at 31 December 2018. The management regularly reviews the recoverability, creditworthiness of its customers and the age of the trade receivables. The management considered that the trade receivables are recoverable.

### *LOAN RECEIVABLES*

The loan receivables derived from the money lending activities of an indirect wholly-owned subsidiary of the Company, which is a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). As at 30 June 2019, the loan receivables of approximately HK\$151.0 million (31 December 2018: HK\$170.5 million) are bearing a fixed interest rate at 13.2%-18% per annum (31 December 2018: 0.7%-18%) and are repayable within one year from the respective dates of inception of the loans.

### *FOREIGN EXCHANGE EXPOSURE*

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars (“**HKD**”) and the purchases of cultivated ginseng are mainly denominated in Canadian dollars (“**CAD**”) and United States dollars (“**USD**”). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the Period, the Group incurred a gain of foreign exchange differences amounted to approximately HK\$1.3 million (Prior Period: approximately HK\$0.7 million). The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, cash and cash equivalents of the Group amounted to approximately HK\$159.0 million (31 December 2018: approximately HK\$138.3 million), and the Group’s net current assets were approximately HK\$393.8 million (31 December 2018: approximately HK\$389.4 million).

The gearing ratio of the Group as at 30 June 2019, calculated as bank borrowing divided by total equity, was approximately 4.3% (31 December 2018: 0%).



## Management Discussion and Analysis

### CHARGE OF ASSETS

As at 30 June 2019, certain borrowings were secured by the Group's investment properties having a carrying value of approximately HK\$92.5 million (31 December 2018: HK\$92.5 million).

### CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2019 and 31 December 2018.

### INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019.

# Corporate Governance and Other Information

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 30 June 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Stock Exchange were as follows:

### (I) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Mr. Huang Guanchao	Interest of controlled corporations	892,485,771 Shares (Note)	52.72%
Mr. Lim Tzea	Interest of controlled corporations	892,485,771 Shares (Note)	52.72%

Note:

The shares are held by Explorer Rosy Limited ("Explorer Rosy"). Mr. Huang Guanchao and Mr. Lim Tzea are the directors and ultimate beneficial owners of Explorer Rosy. Mr. Huang Guanchao and Mr. Lim Tzea are deemed to be parties acting in concert pursuant to the SFO.

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

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

Save as disclosed above, as at 30 June 2019, no Directors or chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## Corporate Governance and Other Information

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

#### LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Ms. Du Balong ( <i>Note 1</i> )	Interest of spouse	892,485,771 Shares	52.72%
Ms. Chong Siew Hoong ( <i>Note 2</i> )	Interest of spouse	892,485,771 Shares	52.72%
Explorer Rosy	Beneficial owner	892,485,771 Shares	52.72%
Great Prosperous Limited	Interest of controlled corporation ( <i>Note 3</i> )	892,485,771 Shares	52.72%
Noble Stand Global Limited	Interest of controlled corporation ( <i>Note 3</i> )	892,485,771 Shares	52.72%
Thousands Beauties Limited	Interest of controlled corporation ( <i>Note 3</i> )	892,485,771 Shares	52.72%

*Note:*

1. Ms. Du Balong is the wife of Mr. Huang Guanchao.
2. Ms. Chong Siew Hoong is the wife of Mr. Lim Tzea.
3. Great Prosperous Limited, Noble Stand Global Limited and Thousands Beauties Limited holds 80%, 10% and 10% of Explorer Rosy respectively. Great Prosperous Limited is wholly owned by Mr. Huang Guanchao, while Noble Stand Global Limited and Thousands Beauties Limited are wholly owned by Mr. Lim Tzea. Mr. Huang Guanchao and Mr. Lim Tzea are deemed to be parties acting in concert pursuant to the SFO.





## Corporate Governance and Other Information

Saved as disclosed above, as at 30 June 2019, so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or has any options in respect of such capital.

### SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted for a period of 10 years commencing 9 June 2014 (which will expire on 8 June 2024) pursuant to an Ordinary Resolution passed at the special general meeting of the Shareholders held on 9 June 2014 for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible suppliers, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the Board.

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.

## Corporate Governance and Other Information

As at 30 June 2019, options to subscribe for an aggregate of 16,925,000 shares granted to a supplier pursuant to the Scheme remained outstanding, details of which are as follows:

Type of participant	Date of grant	Exercisable period	Exercise price	Number of options (thousands)		
				Outstanding as at 1 January 2019	Granted during the period	Outstanding as at 30 June 2019
A supplier	20 May 2019	20 May 2019 to 19 May 2022	HK\$0.25	-	16,925	16,925
				-	16,925	16,925

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

## CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. During the six months ended 30 June 2019, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except in relation to CG Code Provision A.2.1, as more particularly described below.

### CG CODE PROVISION A.2.1

CG Code provision A.2.1 states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by the following Directors during the Period:

Period	Chairman and the chief executive officer
1 January 2018 to 2 May 2019	Mr. George Lu
3 May 2019 to 30 June 2019	Mr. Huang Guanchao

The Board considers that the Company was still in its growing stage and it would be beneficial to the Group for Mr. George Lu or Mr. Huang Guanchao (when applicable) 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 did not expect any issues would arise due to the combined role of Mr. George Lu or Mr. Huang Guanchao (when applicable).



## Corporate Governance and Other Information

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

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct rules (the “**Model Code**”) regarding securities transactions by 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 during the six months ended 30 June 2019.

### AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial statements for the Period with the Directors.

The Audit Committee comprises 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.

By order of the Board  
**Qianhai Health Holdings Limited**  
**Mr. Huang Guanchao**  
*Chairman*

Hong Kong, 29 August 2019

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4	52,647	38,990
Costs of sales		(42,284)	(32,233)
Gross profit		10,363	6,757
Other income	5	9,960	11,837
Other gains, net	6	901	5,457
Administrative expenses		(12,037)	(16,802)
Finance costs	7	(283)	(233)
Operating profit		8,904	7,016
Share of profit of an associate accounted for using the equity method		–	5,183
Share of loss of a joint venture accounted for using the equity method		(438)	–
Profit before income tax	8	8,466	12,199
Income tax expense	9	(365)	(85)
Profit for the period		8,101	12,114
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operation		749	(5,169)
Total comprehensive income for the period		8,850	6,945
Profit for the period attributable to:			
– owners of the Company		8,101	12,114
– non-controlling interests		–	–
		8,101	12,114
Total comprehensive income attributable to:			
– owners of the Company		8,850	6,084
– non-controlling interests		–	861
		8,850	6,945
			(Restated)
Earnings per share			
– basic	11	0.48 cents	0.71 cents
– diluted	11	0.48 cents	0.71 cents

# Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	<i>Notes</i>	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	9,203	4,017
Investment properties	13	92,500	92,500
Interest in a joint venture		115,394	115,823
Loan to a joint venture	14	33,900	33,900
Deposit for acquisition of property, plant and equipment		4,865	–
		<b>255,862</b>	<b>246,240</b>
<b>Current assets</b>			
Inventories		46,009	41,131
Trade and other receivables	14	78,502	75,901
Loan and interest receivables	15	156,588	183,666
Financial assets at fair value through profit or loss	16	–	7,290
Cash and cash equivalents		158,970	138,304
		<b>440,069</b>	<b>446,292</b>
<b>Total current assets</b>		<b>440,069</b>	<b>446,292</b>
<b>Total assets</b>		<b>695,931</b>	<b>692,532</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	18	67,710	67,710
Reserves		577,757	567,847
<b>Total equity</b>		<b>645,467</b>	<b>635,557</b>

## Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	<i>Notes</i>	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		4,189	–
Obligations under finance lease		–	68
		<b>4,189</b>	<b>68</b>
<b>Current liabilities</b>			
Trade and other payables	17	15,852	49,816
Contract liabilities		–	7,000
Lease liabilities		2,519	–
Obligations under finance leases		–	91
Bank borrowings		27,539	–
Current income tax liabilities		365	–
Total current liabilities		<b>46,275</b>	<b>56,907</b>
<b>Total liabilities</b>		<b>50,464</b>	<b>56,975</b>
<b>Total equity and liabilities</b>		<b>695,931</b>	<b>692,532</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000 <i>(Note)</i>	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained earnings/ (accumulated deficits) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance as at 1 January 2019 (audited)	67,710	-	8,249	(4,699)	-	564,297	635,557	-	635,557
Profit and total comprehensive income for the period	-	-	-	749	-	8,101	8,850	-	8,850
Recognition of equity-settled share-based payments	-	-	-	-	1,060	-	1,060	-	1,060
Balance as at 30 June 2019 (unaudited)	67,710	-	8,249	(3,950)	1,060	572,398	645,467	-	645,467
Balance as at 1 January 2018 (audited)	68,016	1,523,446	8,249	7,812	72,476	(1,014,496)	665,503	7,200	672,703
Profit and total comprehensive income for the period	-	-	-	(6,312)	-	12,113	5,801	1,143	6,944
Payment of dividend	-	-	-	-	-	(17,004)	(17,004)	-	(17,004)
Repurchase of ordinary shares <i>(Note 18)</i>	(134)	(2,670)	-	-	-	-	(2,804)	-	(2,804)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	12,200	12,200
Recognition of equity-settled share-based payments	-	-	-	-	1,091	-	1,091	-	1,091
Lapse of share option	-	-	-	-	(68,113)	68,113	-	-	-
Balance as at 30 June 2018 (unaudited)	67,882	1,520,776	8,249	1,500	5,454	(951,274)	652,587	20,543	673,130

*Note:* 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.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Net cash used in operating activities	(46,433)	(35,798)
<b>Cash flows from investing activities</b>		
Interest received from banks	656	78
Interest received from loan receivables	16,880	9,617
Decrease (Increase) in loan receivables	19,500	(2,500)
Purchases of property, plant and equipment	(15)	(19,110)
Deposit paid on acquisition of property, plant and equipment	(4,865)	–
Proceeds from disposal of financial assets at fair value through profit or loss	6,845	–
Proceeds from disposal of subsidiaries	–	61,624
Net cash generated from investing activities	39,001	49,709
<b>Cash flows from financing activities</b>		
Interest paid	(112)	(233)
Dividend paid	–	(17,004)
Cash paid for repurchase of ordinary shares	–	(4,875)
Repayments of bank borrowings	–	(15,032)
Proceeds from bank borrowings	27,539	–
Repayments of obligations under finance leases	–	(45)
Repayments under lease liabilities	(45)	–
Capital injection from non-controlling interests	–	12,200
Net cash generated from/(used in) financing activities	27,382	(24,989)
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>19,950</b>	<b>(11,078)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>138,304</b>	<b>183,453</b>
<b>Effect of change of foreign exchange rate</b>	<b>716</b>	<b>(150)</b>
<b>Cash and cash equivalents at end of the year</b>	<b>158,970</b>	<b>172,225</b>





# Notes to the Consolidated Financial Statements

## 1. GENERAL INFORMATION

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 the Cayman Islands. The Company's immediate and ultimate holding company is Explorer Rosy Limited ("**Explorer Rosy**"), a company incorporated in the British Virgin Islands. The address of the Company's registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The ultimate beneficial owners of Explorer Rosy are Mr. Huang Guanchao and Mr. Lim Tzea. The address of its principal place of business is Room 301-3, 3/F, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Sheung Wan, Hong Kong.

The condensed consolidated financial statements ("**Financial Statements**") are presented in Hong Kong dollars ("**HK\$**"), which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

These Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

The accounting policies and methods of computation used in the preparation of these Financial Statements are consistent with the consolidated financial statements of the Group for the year ended 31 December 2018, except for the adoption of new and revised standards with effect from 1 January 2019 as detailed in note 3 below.

## Notes to the Consolidated Financial Statements

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015 – 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised HKFRSs have had no significant financial impact on these Financial Statements. The nature and impact of the HKFRS 16 are described as below:

#### *HKFRS 16 LEASES*

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17. Since the Group recognised the right-of-use assets at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payment, there was no impact to the retained earnings.

#### **NEW DEFINITION OF A LEASE**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

## Notes to the Consolidated Financial Statements

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

#### HKFRS 16 LEASES (CONTINUED)

##### NEW DEFINITION OF A LEASE (CONTINUED)

##### AS A LESSEE – LEASES PREVIOUSLY CLASSIFIED AS OPERATING LEASES

##### Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of plant and machinery and land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

##### Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. Such right-of-use assets were included in the property, plant and equipment in the condensed consolidated statement of financial position.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	HK\$'000 (unaudited)
<b>Assets</b>	
Increase in right-of-use assets	6,586
Decrease in property, plant and equipment	(159)
Increase in total assets	6,427
<b>Liabilities</b>	
Increase in lease liabilities	6,586
Decrease in finance lease payables	(159)
Increase in total liabilities	6,427

## Notes to the Consolidated Financial Statements

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

#### HKFRS 16 LEASES (CONTINUED)

#### NEW DEFINITION OF A LEASE (CONTINUED)

#### AS A LESSEE – LEASES PREVIOUSLY CLASSIFIED AS OPERATING LEASES (CONTINUED)

Impacts on transition (Continued)

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	HK\$'000 (unaudited)
<b>Operating lease commitments as at 31 December 2018</b>	9,376
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments at 1 January 2019	9,327
<i>Less:</i>	
Recognition exemption – short-term leases	(2,900)
<i>Add:</i>	
Commitments relating to leases previously classified as finance leases	159
<b>Lease liabilities as at 1 January 2019</b>	<b>6,586</b>

#### SUMMARY OF NEW ACCOUNTING POLICIES

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

##### Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.



## Notes to the Consolidated Financial Statements

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

#### *HKFRS 16 LEASES (CONTINUED)*

#### *NEW DEFINITION OF A LEASE (CONTINUED)*

#### *SUMMARY OF NEW ACCOUNTING POLICIES (CONTINUED)*

##### Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### 4. 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. The health-care products include American ginseng and other health-care products.

#### *(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. The management reviews the performance of the business in health-care products as a whole. Accordingly, the Group's operating activities are attributable to a single operating segment, such changes have been restated for comparative amounts in prior period.

Revenue is generated from external customers. There were no inter-segment sales during the six months ended 30 June 2019 and 2018.

## Notes to the Consolidated Financial Statements

### 4. 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 by geographical location, which are determined by the geographical locations in which the asset is located, is as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Non-current assets		
The People's Republic of China (the "PRC")	158,309	153,466
Hong Kong	97,553	92,774
	<b>255,862</b>	<b>246,240</b>

### 5. OTHER INCOME

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest income from loan receivables	9,302	11,093
Interest income on bank deposits	656	78
Rental income	-	666
Sundry income	2	-
	<b>9,960</b>	<b>11,837</b>

## Notes to the Consolidated Financial Statements

### 6. OTHER GAINS, NET

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Fair value gain of investment properties	–	7,000
Exchange gain, net	1,346	713
Gain on disposal of subsidiaries	–	2,490
Fair value loss of finance assets at fair value through profit or loss	–	(4,605)
Realised loss on disposal of financial assets at fair value through profit or loss	(445)	–
Others	–	(141)
<b>TOTAL</b>	<b>901</b>	<b>5,457</b>

### 7. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest on:		
Bank loans	112	233
Lease liabilities	171	–
<b>TOTAL</b>	<b>283</b>	<b>233</b>

## Notes to the Consolidated Financial Statements

### 8. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories sold	42,284	32,233
Depreciation*	1,275	974
Operating lease payment in respect of rented premises	1,513	1,207

\* Being included the depreciation of right-of-use assets of approximately HK\$658,000 for the six months ended 30 June 2019 (2018: nil).

### 9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current – Hong Kong		
Charge for the period	365	–
Under provision in prior years	–	85
<b>Total tax charge for the period</b>	<b>365</b>	<b>85</b>

### 10. DIVIDENDS

No dividend has been proposed by the Directors during the six months ended 30 June 2019 and subsequent to the end of the reporting period.



## Notes to the Consolidated Financial Statements

### 11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company	<b>8,101</b>	12,114

	Six months ended 30 June	
	2019 ( '000)	2018 ( '000)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>1,692,760</b>	1,700,202*

\* The weighted average number of ordinary shares for the purpose of calculation of basic earning per share for the six months ended 30 June 2018 has been retrospectively adjusted to reflect the share consolidation on the basis of 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 share of HK\$0.04 each with effective on 12 September 2018 (the "Share Consolidation").

Diluted earnings per share is the same amount as the basic earnings per share for the six months ended 30 June 2019 and 2018 because the exercise of the outstanding share options would be anti-dilutive.

### 12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$15,000 (six months ended 30 June 2018: approximately HK\$17,143,000).

During the six months ended 30 June 2018, the Group disposed of certain property, plant and equipment through disposal of subsidiaries with the aggregate carrying amount of approximately HK\$43,515,000. During the six months ended 30 June 2019, the Group has adopted HKFRS 16. The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 was stated in Note 3.

## Notes to the Consolidated Financial Statements

### 13. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 June 2019 and 31 December 2018 was the same with the value of approximately HK\$92,500,000. The fair value has been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer which is not connected to the Group. The fair value of the investment properties was 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. The resulting increase in fair value of the investment properties of approximately HK\$7,000,000 has been recognised directly in profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2019: nil).

### 14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Trade receivables	26,054	28,392
Loan to a joint venture	33,900	33,900
Consideration receivable in relation to disposal of subsidiaries	40,000	40,000
Prepayment for inventory purchase	11,493	6,000
Other prepayments	367	916
Deposits	527	527
Others	61	66
	<b>86,348</b>	81,409
Total trade and other receivables	<b>112,402</b>	109,801
<i>Less: Non-current prepayment</i>	<b>(33,900)</b>	(33,900)
Current portion	<b>78,502</b>	75,901

The Group generally grants credit periods ranging from 30 days to 60 days to its customers. Before accepting any new customer, the Group will internally assess the potential customer's credit quality and define an appropriate credit limit. The management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

## Notes to the Consolidated Financial Statements

### 14. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an aged analysis of trade receivables based on the invoice date, which approximates the respective revenue recognition dates, at the end of each reporting period:

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Within 30 days	–	2,634
31 to 90 days	26,054	19,226
91 to 180 days	–	–
181 to 365 days	–	6,532
	<b>26,054</b>	<b>28,392</b>

### 15. LOAN AND INTEREST RECEIVABLES

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Loan receivables	151,000	170,500
Interest receivables	5,588	13,166
	<b>156,588</b>	<b>183,666</b>

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

The loan receivables of HK\$151,000,000 (31 December 2018: HK\$170,500,000) are bearing fixed interest rate at 13.2%-18% (2018: 0.7% to 18%) per annum and are repayable within one year from the dates of inception of the loans. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan and interest receivables mentioned above.

As at 30 June 2019, none of the loan and interest receivables were past due or impaired.

## Notes to the Consolidated Financial Statements

### 16. 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. Fair value loss resulting from the change in fair value of HK\$Nil (six months ended 30 June 2018: HK\$4,605,000) and realised loss on disposal of approximately HK\$445,000 (six months ended 30 June 2018: Nil) of financial assets at fair value through profit or loss was recognised in other gains, net in profit or loss during the period.

### 17. TRADE AND OTHER PAYABLES

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Trade payables	11,054	43,603
Other payables		
– Accrued expenses	4,797	6,113
– Others	1	100
	4,798	6,213
	15,852	49,816

## Notes to the Consolidated Financial Statements

### 18. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares</b> (thousands)	<b>Nominal value</b> HK\$'000
Ordinary shares			
Authorised:			
At 1 January 2018		50,000,000	200,000
Share consolidation	<i>(i)</i>	(45,000,000)	–
At 31 December 2018 and 30 June 2019		5,000,000	200,000

		<b>Number of shares</b> (thousands)	<b>Share capital</b> HK\$'000
Issued and fully paid:			
At 1 January 2018		17,004,050	68,016
Share repurchased in April and May 2018	<i>(ii)</i>	(33,480)	(134)
Share repurchased in June 2018	<i>(ii)</i>	(27,440)	(110)
Share consolidation	<i>(i)</i>	(15,248,817)	–
Share repurchase in September and October 2018	<i>(ii)</i>	(1,553)	(62)
At 31 December 2018 and 30 June 2019		1,692,760	67,710

*Notes:*

**(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.

## Notes to the Consolidated Financial Statements

### 18. SHARE CAPITAL (CONTINUED)

(ii) Repurchase of shares

Month/year	Number of shares repurchased (thousands)	Aggregate amount paid HK\$'000	Price paid per share	
			Highest HK\$	Lowest 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 November 2018 has taken place after the share consolidation as disclosed in Note (i) above.

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

Save as above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019 and 30 June 2018. All shares issued by the Company rank pari passu with the then existing ordinary shares in all respects.

The shares issued rank pari passu with other shares in issue in all respects.

## Notes to the Consolidated Financial Statements

### 19. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was approved on 9 June 2014. The Board of Directors of the Company may, under the share option scheme, grant options to directors, non-executive directors or employees of the Group and third parties for settlement in respect of goods or services provided to the Group.

During the six months ended 30 June 2019, 16,925,000 shares in respect of which options has been granted (six months ended 30 June 2018: nil). As at 30 June 2019, the number of shares in respect of which options has been granted and remained outstanding under the Scheme was 16,925,000 (31 December 2018: Nil), representing 1% (31 December 2018: 0%) of the shares of the Company in issue at that date. 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 movements in the number of share options outstanding were as follows:

Type of participants	Date of grant	Exercisable period	Exercise price	Number of options (thousands)		
				Outstanding as at 1 January 2019	Granted during the period	Outstanding as at 30 June 2019
A supplier	20 May 2019	20 May 2019 to 19 May 2022	HK\$0.25	–	16,925	16,925
				–	16,925	16,925

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

	20 May 2019
Share price on grant date	HK\$0.25
Exercise price	HK\$0.25
Expected volatility	67.681%
Expected life	3 years
Risk-free rate	1.6780%
Expected dividend yield	1.2195%
Early exercise multiple	
– Directors:	N/A
– Supplier:	2.2X

During the six months ended 30 June 2019, the Group recognized the total share-based payment expenses of approximately HK\$1,060,000 (six months ended 30 June 2018: nil) in relation to share options granted by the Company, which were recorded in "administrative expenses".