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

GREEN INTERNATIONAL HOLDINGS LIMITED
格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2700)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "**Board**") of Green International Holdings Limited (the "**Company**") announces the annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the corresponding year in 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	3	**54,320**	46,960
Direct costs and operating expenses		**(9,819)**	(8,813)
Gross profit		**44,501**	38,147
Other income and gains, net	4	**2,039**	883
Gain on disposal of a subsidiary		**–**	3,005
Selling expenses		**(33,912)**	(29,940)
Administrative expenses		**(69,590)**	(60,995)
Fair value changes of derivative financial instruments			
— Early redemption option		**–**	(9,803)
— Call options		**(11,040)**	(23,999)
— Financial liabilities at fair value through profit or loss		**9,048**	–
Impairment loss of trademark user right and technical know-how		**(62,585)**	(64,972)
Impairment loss of property, plant and equipment		**–**	(406)
Impairment loss of loan and interest receivables		**(30,597)**	–
Impairment loss of promissory note receivables		**(165,617)**	–
Impairment loss of prepayments and other receivables		**(7,774)**	–
Finance (cost)/income, net	6	**(1,387)**	11,090
Loss before income tax		**(326,914)**	(136,990)
Income tax	7	**4,675**	4,047
Loss for the year		**(322,239)**	(132,943)
Loss for the year attributable to:			
— Equity holders of the Company		**(323,029)**	(134,537)
— Non-controlling interests		**790**	1,594
		(322,239)	(132,943)
Loss per share for loss for the year attributable to the equity holders of the Company			
— Basic and diluted *(HK$ cents)*	8	**(16.38)**	(6.82)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(322,239)**	(132,943)
Other comprehensive income/(expense), net of tax		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences		
— Exchange differences arising during the year	**(3,783)**	3,632
— Reclassification adjustments relating to foreign operations disposed of during the year	**460**	(240)
Total comprehensive expenses for the year	**(325,562)**	(129,551)
Total comprehensive (expenses)/income for the year attributable to:		
— Equity holders of the Company	**(326,812)**	(130,722)
— Non-controlling interests	**1,250**	1,171
	(325,562)	(129,551)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
ASSETS			
Non-current Assets			
Property, plant and equipment		**37,291**	30,927
Trademark user right and technical know-how		**94,887**	157,250
Other intangible assets		**1,354**	1,665
		133,532	189,842
Current Assets			
Inventories		**7,899**	3,463
Promissory note receivables		**–**	154,218
Derivative financial instruments — Call options		**–**	11,040
Trade receivables	*10*	**178**	186
Loan receivables		**–**	26,068
Prepayments, deposits and other receivables		**24,087**	24,742
Tax recoverable		**719**	707
Bank balances — trust and segregated accounts		**6,896**	4,007
Bank balances (general accounts) and cash		**26,458**	24,514
		66,237	248,945
Total assets		**199,769**	438,787
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**19,725**	19,725
Share premium		**544,946**	544,946
Other reserves		**29,550**	36,896
Accumulated losses		**(680,968)**	(362,213)
		(86,747)	239,354
Non-controlling interests		**6,678**	5,428
TOTAL EQUITY		**(80,069)**	244,782

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
LIABILITIES			
Non-current Liabilities			
Convertible bonds	*11*	**12,358**	38,965
Bonds payable		**8,516**	16,031
Financial liabilities at fair value through profit or loss	*14*	**13,229**	22,277
Deferred tax liabilities		**9,681**	15,918
		43,784	93,191
Current Liabilities			
Trade payables	*12*	**9,545**	6,558
Other payables, accruals and deposits received		**53,366**	38,054
Convertible bonds	*11*	**63,404**	54,223
Promissory notes payable		**6,287**	–
Loan from a director		**101,772**	–
Tax payable		**1,680**	1,979
		236,054	100,814
Total liabilities		**279,838**	194,005
Total equity and liabilities		**199,769**	438,787
Net current (liabilities)/assets		**(169,817)**	148,131
Total assets less current liabilities		**(36,285)**	337,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. Its registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1–1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2006.

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

The Directors consider Gold Bless International Invest Limited, a company incorporated in the British Virgin Islands (the "**BVI**"), to be the immediate and ultimate holding company of the Company.

These consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), and all values are rounded to the nearest thousand ("**HK$'000**") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 29 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

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

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

2.2 Basis of preparation of consolidated financial statements

Going concern basis

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in view of the fact that:

- the Group incurred a loss of approximately HK$322,239,000 during the year ended 31 December 2017 and had total liabilities in excess of total assets by an amount of approximately HK$80,069,000 and had net current liabilities of approximately HK$169,817,000 as at 31 December 2017; and

- the Group had promissory notes payable of approximately HK$6,287,000 that were outstanding as at 31 December 2017 and were due for repayment (subject to legal advice, to be obtained from the Company's legal adviser) within the next twelve months after 31 December 2017.

The Directors adopted the going concern basis in the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(1) *Alternative sources of external funding*

On 26 January 2018, the Company entered into (1) a subscription agreement (the "**HK Yinger CB Subscription Agreement**") with Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**") pursuant to which the Company conditionally agreed to issue to HK Yinger convertible bonds in the principal amount of HK$120,000,000 (the "**HK Yinger Convertible Bonds**"); (2) a subscription agreement (the "**Zheyin Tianqin CB Subscription Agreement**") with Zheyin Tianqin (Shenzhen) Investment Limited ("**Zheyin Tianqin**") pursuant to which the Company conditionally agreed to issue to Zheyin Tianqin convertible bonds in the principal amount of HK$60,000,000 (the "**Zheyin Tianqin Convertible Bonds**"); and (3) a subscription agreement (the "**Investor CB Subscription Agreement**") with Mr. Liu Dong (the "**Investor**") pursuant to which the Company conditionally agreed to issue to the Investor convertible bonds in the principal amount of HK$27,200,000 (the "**Investor Convertible Bonds**").

The Investor CB Subscription and the HK Yinger CB Subscription were completed on 8 February 2018 and 23 March 2018, raising net proceeds for the Group in the amount of approximately HK$26,800,000 and HK$118,200,000, respectively. The net proceeds of the Zheyin Tianqin CB Subscription are expected to be in the amount of approximately HK$59,100,000 if it proceeds to completion on or before the long stop date of 19 April 2018 (being one month after the obtaining of shareholders' approval at the Company's general meeting).

(2) *Attainment of profitable and positive cash flow operations*

On 28 November 2017, the Company entered into the acquisition agreement with the vendor of Charm Eastern Limited ("**Charm Eastern**"), pursuant to which the Company conditionally agreed to acquire from the vendor 100% shareholding interest in Charm Eastern for the consideration of HK$75,015,625. The transaction was completed in January 2018 and since then, Charm Eastern has become a subsidiary of the Group. Charm Eastern is an investment holding company and its subsidiaries are principally engaged in the provision of medical services.

(3) *Further debt and equity fund raisings*

The Company is in ongoing negotiations with banks, financial institutions, professional investors and our existing shareholders and creditors with the view to raising additional funds for the Group, whether by way of debt, equity or otherwise. In the light of the successful completion of the Investor CB Subscriptions and the HK Yinger CB Subscriptions in the first quarter of 2018, the Company is generally optimistic on its capability in raising additional funds.

In the opinion of the Directors, in light of the various measures and arrangements implemented before or after the end of the reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements of the Group have been prepared on a going concern basis notwithstanding the fact that the Group incurred a continuous loss of HK$322,239,000 during the year ended 31 December 2017. As at 31 December 2017, the Group has cash and cash equivalent of approximately HK$26,458,000. While this cash level may not be sufficient to support the operating expenses of the Group in the next twelve months, the Directors are nevertheless of the view that the Group is able to maintain itself as a going concern in the coming year by taking into consideration, amongst other things, the following arrangements:

1. Management will continue to control the operating costs and launch new services to attract new customers with an aim to attain better operating cash flows; and

2. The Group is in ongoing negotiations to raise additional funds to support the operation and investment of the Group as necessary and appropriate.

Based on the measures mentioned above, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2.3 Adoption of new standards and amendments

(a) Effect of adopting amendments to existing standards

The following new standards and amendments are mandatory for the first time for the financial year beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the adoption of these new standards and amendments has no material effect on the amounts reported and disclosure set out in the consolidated financial statements of the Group for the current or prior accounting period.

(b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards and amendments to the HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HKFRIC-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HKFRIC-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

The Directors anticipate that the adoption of the above new standards and amendments to existing standards will not result in a significant impact on the results and financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

(a) the health and medical segment engages in the operation of the clubhouse business;

(b) the trading segment engages in the trading of toys, equipment and other materials;

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

(d) the financial segment engages in securities brokerage and asset management business.

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

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

Segment results are presented as operating profit or loss.

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

	Health and medical business *HK$'000*	**Trading business** *HK$'000*	**Beauty and wellness business** *HK$'000*	**Financial business** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 December 2017					
Hong Kong	**–**	**–**	**–**	**51**	**51**
PRC	**16,180**	**–**	**38,089**	**–**	**54,269**
Segment revenue	**16,180**	**–**	**38,089**	**51**	**54,320**

	Health and medical business *HK$'000*	Trading business *HK$'000*	Beauty and wellness business *HK$'000*	Financial business *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2016					
Hong Kong	–	–	–	–	–
PRC	11,237	2,450	33,273	–	46,960
Segment revenue	11,237	2,450	33,273	–	46,960

Geographical analysis of revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for health and medical business, trading business, beauty and wellness business and financial business segments, respectively. There was no revenue from any single customer contributing over 10% of total revenue of the Group for the years ended 31 December 2017 and 2016.

Results by operating segments are as follows:

	2017	2016
	HK$'000	*HK$'000*
Health and medical business *(Note (i))*	**(18,405)**	(22,462)
Trading business	**(5)**	685
Beauty and wellness business *(Note (ii))*	**(51,888)**	(57,481)
Financial business	**(4,040)**	–
Total segment loss	**(74,338)**	(79,258)
Unallocated corporate expenses, net	**(46,240)**	(39,857)
Gain on disposal of trade receivables	**–**	175
Gain on issue of bonds payable	**1,031**	2,622
Gain on disposal of a subsidiary	**–**	3,005
Loss on disposal of other receivables	**–**	(965)
Fair value changes of derivative financial instruments		
— Early redemption option	**–**	(9,803)
— Call options	**(11,040)**	(23,999)
— Financial liabilities at fair value through profit or loss	**9,048**	–
Impairment loss of loan and interest receivables	**(30,597)**	–
Impairment loss of promissory note receivables	**(165,617)**	–
Impairment loss of prepayments and other receivables	**(7,774)**	–
Finance (cost)/income, net	**(1,387)**	11,090
Loss before income tax	**(326,914)**	(136,990)
Income tax credit *(Note 7)*	**4,675**	4,047
Loss for the year	**(322,239)**	(132,943)

Notes:

(i) For the year ended 31 December 2017, impairment loss of property, plant and equipment of approximately HK$Nil (2016: HK$406,000) was included within health and medical business segment.

(ii) For the year ended 31 December 2017, impairment loss of trademark user right and technical know-how of approximately HK$62,585,000 (2016: HK$64,972,000) was included within beauty and wellness business segment.

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

	Health and medical business	**Trading business**	**Beauty and wellness business**	**Financial business**	**Unallocated corporate assets**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
As at 31 December 2017						
Hong Kong	**–**	**2,172**	**–**	**14,421**	**31,374**	**47,967**
PRC	**8,082**	**–**	**140,546**	**–**	**3,174**	**151,802**
Segment total assets	**8,082**	**2,172**	**140,546**	**14,421**	**34,548**	**199,769**

	Health and medical business	Trading business	Beauty and wellness business	Financial business	Unallocated corporate assets	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016						
Hong Kong	–	2,172	–	–	231,448	233,620
PRC	5,758	–	199,409	–	–	205,167
Segment total assets	5,758	2,172	199,409	–	231,448	438,787

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

	Health and medical business	**Trading business**	**Beauty and wellness business**	**Financial business**	**Unallocated corporate assets**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
As at 31 December 2017						
Hong Kong	**–**	**–**	**–**	**308**	**1,740**	**2,048**
PRC	**1,909**	**–**	**129,100**	**–**	**475**	**131,484**
Segment total non-current assets (excluding financial instruments)	**1,909**	**–**	**129,100**	**308**	**2,215**	**133,532**

	Health and medical business	Trading business	Beauty and wellness business	Financial business	Unallocated corporate assets	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016						
Hong Kong	–	–	–	–	6,250	6,250
PRC	–	–	183,592	–	–	183,592
Segment total non-current assets (excluding financial instruments)	–	–	183,592	–	6,250	189,842

4. OTHER INCOME AND GAINS, NET

	2017	2016
	HK$'000	*HK$'000*
Sundry income	**1,131**	1,150
Exchange gain/(loss), net	**6**	(2,099)
Gain on disposal of trade receivables	**–**	175
Gain on issue of bonds payable	**1,031**	2,622
Loss on disposal of other receivables	**–**	(965)
Loss on disposal of property, plant and equipment	**(129)**	–
	2,039	883

5. LOSS BEFORE TAX

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration	**1,000**	902
Depreciation of property, plant and equipment	**7,489**	5,081
Merchandise purchased and changes in inventories	**8,346**	7,492
Employee benefit expenses	**37,518**	33,496
Operating lease rental expenses	**18,143**	18,019

6. FINANCE (COST)/INCOME, NET

	2017	2016
	HK$'000	*HK$'000*
Interest income:		
— Bank deposits	**30**	28
— Loans receivable	**3,769**	7,812
— Promissory note receivables	**11,399**	14,776
Fair value change of contingent consideration payables	**–**	(5,752)
Interest expense:		
— Convertible bonds *(Note 11)*	**(8,450)**	(17,659)
— Bonds payable	**(6,262)**	(2,448)
— Other borrowings	**(1,873)**	(24)
Written bank/(Reversal) pursuant to profit guarantee:		
— Convertible bonds	**–**	24,424
— Convertible considerable payables	**–**	(10,067)
Finance (cost)/income, net	**(1,387)**	11,090

7. INCOME TAX

Hong Kong profits tax and the PRC enterprise income tax have been provided at the rate of 16.5% (2016: 16.5%) and 25% (2016: 25%), respectively, on the estimated assessable profits during the year, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax credit charged to the consolidated statement of profit or loss represent:

	2017	2016
	HK$'000	*HK$'000*
Current taxation		
PRC enterprise income tax		
— Current year	**1,561**	2,122
— Under-provision in respect of prior year	**–**	135
	1,561	2,257
Deferred taxation	**(6,236)**	(6,304)
	(4,675)	(4,047)

8. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share, loss for the year attributable to owners of the Company	**(323,029)**	(134,537)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,972,453**	1,972,453

Diluted

For the year ended 31 December 2017 and 2016, the effect of the Company's share option and convertible bonds was anti-dilutive and therefore did not include in the calculation of the diluted loss per share.

9. DIVIDENDS

No dividend in respect of the year ended 31 December 2017 (2016: HK$Nil) is to be proposed at the forthcoming annual general meeting.

10. TRADE RECEIVABLES

The Group's trade receivables are generally with credit periods of 90 days (2016: 90 days). The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise the credit risk.

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**52,157**	52,165
Less: Provision for discount on past due balances	**(51,979)**	(51,979)
	178	186

The maximum exposure to credit risk at the end of the reporting period was the carrying amounts of the trade receivables. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values. The ageing analysis of gross carrying amount of trade receivables, based on invoice dates, as at 31 December 2017 and 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**178**	31
31–60 days	**–**	6
61–90 days	**–**	5
91–180 days	**–**	4
Over 180 days	**51,979**	52,119
	52,157	52,165

Management assessed the credit quality of those trade receivables of approximately HK$178,000 (2016: HK$42,000) that are neither past due nor impaired by reference to the repayment history and current financial position of those customers. Those receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and those balances are expected to be fully recoverable.

11. CONVERTIBLE BONDS

The liability components of the convertible bonds recognised in the consolidated statement of financial position were calculated as follows:

Convertible bonds issued by the Group and outstanding during the years ended 31 December 2017 and 2016 were as follows:

	1st Tai Cheng CB	Zheyin Tianqin 2017 CB	2nd Tai Cheng CB	2015 CB	1st Marsa CB	3rd Tai Cheng CB	1st 2016 CB	Qianhai CB	2nd Marsa CB	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	5,482	–	4,380	23,570	16,398	321	–	–	–	50,151
Issue of convertible bonds	–	–	–	–	–	–	40,000	12,000	26,295	78,295
Equity component on initial recognition	–	–	–	–	–	–	(1,312)	(1,225)	–	(2,537)
Written back pursuant to profit guarantee *(Note 6)*	–	–	–	–	(5,209)	–	–	–	(19,215)	(24,424)
Interest expenses *(Note 6)*	681	–	666	3,391	4,910	51	4,326	857	2,777	17,659
At 31 December 2016, as previously stated	6,163	–	5,046	26,961	16,099	372	43,014	11,632	9,857	119,144
Effects of prior year adjustments *(Note 14)*	–	–	–	–	(16,099)	–	–	–	(9,857)	(25,956)
At 31 December 2016, as restated	6,163	–	5,046	26,961	–	372	43,014	11,632	–	93,188
Analysed by maturity date as:										
Within one year and included under current liabilities (restated)	6,163	–	5,046	–	–	–	43,014	–	–	54,223
Over one year and included under non-current liabilities (restated)	–	–	–	26,961	–	372	–	11,632	–	38,965
	6,163	–	5,046	26,961	–	372	43,014	11,632	–	93,188
At 1 January 2017, as restated	**6,163**	**–**	**5,046**	**26,961**	**–**	**372**	**43,014**	**11,632**	**–**	**93,188**
Issue of convertible bonds	**–**	**25,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,000**
Equity component on initial recognition	**–**	**(713)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(713)**
Lapsed convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**(44,000)**	**–**	**–**	**(44,000)**
Transfer to promissory note	**(6,163)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,163)**
Interest expenses *(Note 6)*	**–**	**2,217**	**582**	**3,880**	**–**	**59**	**986**	**726**	**–**	**8,450**
At 31 December 2017	**–**	**26,504**	**5,628**	**30,841**	**–**	**431**	**–**	**12,358**	**–**	**75,762**
Analysed by maturity date as:										
Within one year and included under current liabilities	**–**	**26,504**	**5,628**	**30,841**	**–**	**431**	**–**	**–**	**–**	**63,404**
Over one year and included under non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,358**	**–**	**12,358**
	–	**26,504**	**5,628**	**30,841**	**–**	**431**	**–**	**12,358**	**–**	**75,762**

12. TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables arising from the ordinary course of business of dealing in securities transactions:		
— Cash clients	**6,895**	4,007
— Clearing house	**1**	—
Trade payables from purchase of goods other ordinary course of business, except for business of dealing in securities transactions	**2,649**	2,551
	9,545	6,558

Trade payables arising from the business of dealing in securities

The trade payables balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No ageing analysis is disclosed as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of this business.

Trade payables arising from other businesses

The ageing analysis of trade payables, based on invoice dates, as at 31 December 2017 and 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
0–30 days	**50**	–
31–60 days	**36**	6
61–90 days	**139**	–
91–180 days	**30**	288
Over 180 days	**2,394**	2,257
	2,649	2,551

The carrying amounts of trade payables approximate their fair values.

13. EVENTS AFTER THE REPORTING PERIOD

The following subsequent events occurred between the end of the financial year ended 31 December 2017 and the date hereof:

(i) On 26 January 2018, the Company entered into subscription agreements in respect of the issue by the Company of (1) 3% per annum convertible bonds in the principal amount of HK$120,000,000 ("**HK Yinger CB**") to HK Yinger under specific mandate; (2) 6% per annum convertible bonds in the principal amount of HK$60,000,000 ("**Zheyin Tianqin 2018 CB**") to Zheyin Tianqin under specific mandate; and (3) 6% per annum convertible bonds in the principal amount of HK$27,200,000 (the "**Investor CB**") to the Investor (Mr. Liu Dong) under general mandate. The maturity date of the above convertible bonds is the day falling on the second anniversary of the date of issue of the convertible bonds. The subscription of Investor CB was completed on 8 February 2018, raising net proceeds in the amount of approximately HK$26,800,000. The subscription of HK Yinger CB was completed on 23 March 2018, raising net proceeds in the amount of approximately HK$118,200,000. The net proceeds expected to be raised from the issue of the Zheyin Tianqin 2018 CB are approximately HK$59,100,000, if it proceeds to completion on or before the long stop date of 19 April 2018 (being one month after the obtaining of shareholders' approval at the Company's general meeting).

(ii) Pursuant to the Hospital Acquisition, the acquisition of Charm Eastern Limited (in turn owning 70% equity interest of Phoenix Hospital and Zizhong Hospital) for a total consideration of HK$75,015,625 was completed on January 2018. On completion, part of the total consideration amounting to HK$34,000,000 was settled in cash and the remaining HK$41,015,625 was settled by the issue of three equal tranches of zero-coupon convertible bonds in the principal amount of HK$13,671,875 each and maturing respectively on 30 September 2018, 30 April 2019 and 30 September 2019 (collectively, the "**Ample Reach CB**") in favour of the vendor, Ample Reach Limited ("**Ample Reach**"), a controlled corporation which is 100% owned by Mr. Huang Zhenxia.

(iii) Pursuant to the exercise of the conversion rights attaching to the Investor CB on 2 March 2018, 160,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of the Investor based on the conversion price of HK$0.17 per conversion share. Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CB on 1 March 2018, 125,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of Zheyin Tianqin based on the conversion price of HK$0.20 per conversion share at maturity. As a result of the above conversions, the issued share capital of the Company increased from 1,972,452,606 shares to 2,257,452,606 shares.

(iv) On 6 March 2018, the 3% per annum convertible bonds in the aggregate principal amount of HK$29,000,000 ("**2015 CB**") matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holders.

(v) At the extraordinary general meeting of the Company dated 19 March 2018, the increase of authorised share capital of the Company from HK$40,000,000 divided into 4,000,000,000 shares to HK$200,000,000 divided into 20,000,000,000 shares was approved by shareholders of the Company.

(vi) On 23 March 2018, the Company repaid the First and Second HK Yinger Loans in the aggregate principal amount of HK$120,000,000 due to HK Yinger by off-setting the net proceeds from the issue of HK Yinger CB by the Company in the aggregate amount of HK$118,200,000.

14. PRIOR YEAR ADJUSTMENT

During the course of preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2017, the new management performed a reassessment of the terms and conditions of the convertible bonds issued and issuable by the Company under the contractual terms of the sale and purchase agreement (the "**Marsa SPA**") dated 21 November 2014 entered into by the Company as purchaser in relation to the acquisition (the "**Acquisition**") by the Company of 100% shareholding in Rainbow Star Global Limited ("**Rainbow Star**"). The consideration for the Acquisition included three equal tranches of convertible bonds issuable by the Company in the principal sum of HK$54,250,000 each (the "**1st Marsa CB**", the "**2nd Marsa CB**" and the "**3rd Marsa CB**", respectively, and collectively, the "**Marsa CB**").

As disclosed in the Company's announcement dated 21 November 2014 (the "**Marsa Announcement**") and the Company's circular dated 24 December 2014 (the "**Marsa Circular**"), if the audited consolidated net profit after tax ("**Marsa NPAT**") of Shenzhen Marsa Guer Chain Enterprise Limited ("**Shenzhen Marsa**") as audited by the auditors appointed by the Company for the three years ended 31 December 2015, 2016 and 2017 is less than the RMB20 million, the Company shall have the right to redeem and cancel in whole or part of the 1st, 2nd and 3rd Marsa CB, respectively at the nominal sum of HK$1 (the "**PG Failure Cancellation Right**") based on the formula stipulated in the Marsa Announcement and the Marsa Circular, essentially requiring the Marsa CB being cancelled on a pro-rata basis in proportion to the failure shortfall by comparing the actual Marsa NPAT of the relevant year with the promised profit guarantee level of RMB20 million. Therefore, the new management is of the view that the Company is under no obligation to repay any part of the Marsa CB, unless and until the extent of fulfillment of the profit guarantees is finally determined by the Company. Subject to further legal and financial advice to be obtained by the Company and without prejudice to all legal rights and remedies of the Company against all parties but barring unforeseen circumstances, the new management currently assumes, for the purpose of the preparation of these financial statements, that the Company were to exercise the PG Failure Cancellation Right before the Company's decision deadline.

As disclosed in the Marsa Announcement and the Marsa Circular, the Company shall have the right to redeem the 1st, 2nd and 3rd Marsa CB (in part or in whole) by issuing shares of the Company at the conversion price of the Marsa CB (the "**Share Redemption Election Right**") during the period commencing from the first business day immediately after the respective issue date of the 1st, 2nd and 3rd Marsa CB (as the case may be) and ending on the business day immediately before their respective maturity dates. As disclosed in the Marsa Announcement and the Marsa Circular, while the Company may be requested to redeem the Marsa CB on maturity, the free choice between share or cash redemption is still vested in the Company. Therefore, the new management is of the view that the Company is under no obligation to repay any part of the Marsa CB in cash, unless and until the Company decides not to exercise the Share Redemption Election Right before the Company's decision deadline. Subject to further legal and financial advice to be obtained by the Company and without prejudice to all legal rights and remedies of the Company against all parties but barring unforeseen circumstances, the new management currently assumes, for the purpose of the preparation of these financial statements, that the Company were to exercise the Share Redemption Election Right before the Company's decision deadline.

Under the terms of the Marsa SPA, if Marsa NPAT is lower than RMB20 million in all three years ended 31 December 2015, 2016 and 2017, the Company shall have the additional right to require the vendors to buy back Rainbow Star at a consideration which is equivalent to the consideration already paid by the Company (the "**Sell-back Right**"). All rights and remedies of the Company are hereby expressly reserved, as the Company's final decision in this regard is still subject to further legal and financial advice to be obtained by the Company.

Given that Shenzhen Marsa has failed the profit guarantee to a significant extent for two consecutive years in 2015 and 2016 and that the forfeitable portion of the 1st and 2nd Marsa CB has already exceeded the entire intended principal amount of the 3rd Marsa CB, the Company decided to consult its legal adviser on its legal right and remedies before issuing the 3rd Marsa CB. The Group is now in the position to ascertain the Marsa NPAT for the three profit guarantee years, for the purpose of determining the extent of fulfillment and failure of Marsa NPAT and determining the forfeitable portion of the 1st, 2nd and 3rd Marsa CB. However, in view of the various choices available to the Company as described above and the various contractual rights conferred to the Company under the profit guarantee mechanisms set out in the Marsa SPA and the bond conditions of the Marsa CB, the new management has determined that the Marsa CB (both issued and issuable) under the terms of the Marsa SPA and the bond conditions does not meet the definition of an equity instrument, and the conversion option embedded in the Marsa CB does not meet the "fixed for fixed" criteria for equity classification either. Further, in view of the inter-linkages between these choices and options, the management has determined that the Marsa CB (both issued and issuable) contains multiple embedded derivatives in the contractual clauses which relate to different risk exposures that are not readily separable or independent of each other, and hence the Marsa CB (both issued and issuable) should be accounted for as hybrid financial instruments recognised at fair value through profit or loss.

In prior years' consolidated financial statements, the Marsa CB issued were treated as compound financial instrument containing liability host contract and conversion option classified as equity instrument. The other features of the profit guarantee mechanism described above were accounted for separately as contingent consideration payables, put option derivative financial asset and early redemption option derivative financial asset. As explained above, the Marsa CB (both issued and issuable) under the terms of the SPA does not meet the definition of an equity instrument, and the conversion option embedded in the Marsa CB does not meet the "fixed for fixed" criteria for equity classification either. Accordingly, prior year adjustments have been made and certain comparative amounts as at the period end of the year ended 31 December 2016 have been restated to reflect the recognition of the Marsa CB as financial liabilities at fair value through profit or loss. Details of the restatements made to the consolidated statement of financial position as at 31 December 2016 are set out below.

Consolidated Statement of Financial Position

	HK$'000
Increase in financial liabilities at fair value through profit or loss	(22,277)
Decrease in derivative financial instruments	
— Put option	(6,150)
— Early redemption option	(12,743)
Decrease in convertible bonds — non-current	25,956
Decrease in contingent consideration payables	38,771
Increase in net assets	23,557
Decrease in convertible bonds — equity component reserve	40,358
Decrease in put option reserve	6,150
Decrease in accumulated losses	(70,065)
Increase in total equity	(23,557)

No restatement is made to the comparative figures presented in the consolidated statement of profit or loss in respect of the year ended 31 December 2016 because it is impracticable to determine the period-specific effects of the prior year errors on those comparative information. In order to restate the comparative figures presented in the consolidated statement of profit or loss in respect of the year ended 31 December 2016, the Group would have to carry out fair value measurement of the Marsa CB classified as financial liabilities at fair value through profit or loss as at the beginning of that comparative period, i.e. as at 1 January 2016. In view of the fact that the fair value measurement thereof requires the use of significant unobservable inputs, it is impracticable to distinguish between the information that provides evidence of circumstances that existed on that valuation date (i.e. 1 January 2016) and would have been available when the consolidated financial statements for that prior period were authorised for issue and other information. Accordingly, it is impracticable to correct the prior period errors retrospectively by restating the results of the Group for the year ended 31 December 2016. Instead, the opening balances of assets, liabilities and equity for the current period ended 31 December 2017 are restated.

15. LITIGATION

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

(i) On 9 February 2017, the Company received a writ of summons dated 9 February 2017 issued by the High Court of Hong Kong. The plaintiff is Nu Kenson Limited ("**Nu Kenson**") and the Company is named as a defendant in the writ. Pursuant to the statement of claim attached to the writ, Nu Kenson sought, inter alia, the following reliefs: (i) a declaration that Nu Kenson is the legal and lawful owner and/or holder of the 8% coupon convertible bonds in the principal amount of HK$40,000,000 issued by the Company as disclosed in the Company's announcements dated 27 November 2015, 28 December 2015 and 15 January 2016 (the terms of which being amended as disclosed in the Company's announcements dated 16 January 2017 and 10 February 2017) (the "**1st 2016 CB**"); (ii) a declaration that Nu Kenson is entitled to a bond certificate in its name to be issued by the Company, to have its name entered into the register of bondholder by the Company, and to convert the 1st 2016 CB into Shares in accordance with its terms and conditions; (iii) specific performance of the 1st 2016 CB; and/or (iv) damages to be assessed. On 28 April 2017, the Company, Mr. Yang Yuezhou (the subscriber of the 1st 2016 CB) and Nu Kenson entered into a deed of settlement pursuant to which (inter alia), the Company paid HK$44,000,000 to Nu Kenson in full and final settlement of the principal amount and interest of the 1st 2016 CB and the legal proceedings arisen from the writ.

(ii) On 9 March 2018, the Company issued six writs of summons to the borrowers of the Loan Receivables in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the Loan Receivables in the aggregate principal amount of approximately HK$24,304,400, together with interest and cost.

(iii) On 14 March 2018, the Company issued two writs of summons to the borrowers of the outstanding promissory note receivables in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the promissory note receivables in the aggregate principal amount of HK$165,617,025.48, together with interest and cost.

16. COMPARATIVE AMOUNTS

As explained in note 14 to the consolidated financial statements, due to the prior year adjustments in relation to Marsa CB, certain comparative amounts as at 31 December 2016 have been restated to reflect the recognition of the Marsa CB as financial liabilities at fair value through profit or loss, and the consolidated statement of financial position as at 2016 has been present restated as a result.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company underwent significant changes in directorship and management personnel in or around June 2017, including the stepping down of the ex-chairman and the appointment of the new chairman, and the change of other directors and key financial, accounting, administrative and operation management roles.

Under the leadership of the new management from June 2017 onwards, the Group has been proactively seeking to explore business opportunities which are consistent with the business strategies of the Group and to raise additional funding to strengthen its financial position.

BUSINESS REVIEW

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

The Group reported total revenue for the year ended 31 December 2017 approximately HK$54,320,000 (2016: HK$46,960,000), representing an increase of approximately 15.7% as compared to the last year. Details of the total revenue by business segments for the year ended 31 December 2017 and 2016 are set out in Note 3 to the consolidated financial statements.

During the year of 2017, the Group continued to formulate business plans and strategies to develop its integrated financial services through three wholly-owned subsidiaries, namely (i) Green Capital (Hong Kong) Limited, a licensed money-lender in Hong Kong; (ii) Green Securities Limited, a licensed corporation licensed to carry out type-1 (dealing in securities) and type-4 (advising on securities) regulated activities in Hong Kong; and (iii) Green Asset Management Limited, a licensed corporation licensed to carry out type-9 (asset management) regulated activities in Hong Kong. During the year, the Group entered into negotiations with potential business partners in Hong Kong to explore business opportunities. However, the new management has taken a cautions approach in order to reduce risk exposure.

On 28 November 2017, the Company (as purchaser) entered into an acquisition agreement with Ample Reach Limited, pursuant to which the Company acquired Charm Eastern Limited, through which the Company was effectively acquiring 70% equity interest of Li County Phoenix Hospital Company Limited ("**Phoenix Opco**") and Yiyang Zizhong Kidney Disease Hospital Company Limited ("**Zizhong Opco**") for a total consideration of HK$75,015,625 (the "**Hospital Acquisition**"). The Hospital Acquisition was completed in January 2018. The Directors consider that the Hospital Acquisition (i) represents a good opportunity for the Group to leverage on its established experience and expertise in health, fitness and beauty industry and to diversify into medical service sector which has a higher entry barrier in terms of investment size and license requirement, and (ii) is expected to broaden the income stream and to contribute to the Group's revenue in the long run.

The Group has been proactively seeking to raise funds to strengthen its financial position during the year ended under review, which are summarized as follow:

(i) On 13 February 2017, the Company entered into a subscription agreement with Zheyin Tianqin (Shenzhen) Investment Limited ("**Zheyin Tianqin**") (as subscriber) in relation to the issue of 8% per annum convertible bonds carrying the right of conversion into shares at the conversion price of HK$0.20 per conversion share in an aggregate principal amount of HK$25,000,000 ("**Zheyin Tianqin 2017 CB**") under the general mandate, which was completed on 3 March 2017;

(ii) On 14 June 2017, the Company entered into a loan agreement with Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**"), a company which is wholly-owned by Dr. Yu Qigang, a director and the chairman of the Company, pursuant to which the Company obtained a one-year loan in the principal amount of HK$60,000,000 (the "**First HK Yinger Loan**") at the interest rate of 4.8% per annum; and

(iii) On 3 October 2017, the Company entered into a second loan agreement with HK Yinger, a company which is wholly-owned by Dr. Yu Qigang, a director and the chairman of the Company, pursuant to which the Company obtained a six-months loan in the principal amount of HK$60,000,000 (the "**Second HK Yinger Loan**") at the interest rate of 6.5% per annum.

The following subsequent events occurred between the end of the financial year ended 31 December 2017 and the date hereof:

(i) On 26 January 2018, the Company entered into subscription agreements in respect of the issue by the Company of (1) 3% per annum convertible bonds in the principal amount of HK$120,000,000 ("**HK Yinger CB**") to HK Yinger under specific mandate; (2) 6% per annum convertible bonds in the principal amount of HK$60,000,000 ("**Zheyin Tianqin 2018 CB**") to Zheyin Tianqin under specific mandate; and (3) 6% per annum convertible bonds in the principal amount of HK$27,200,000 (the "**Investor CB**") to the Investor (Mr. Liu Dong) under general mandate. The maturity date of the above convertible bonds is the day falling on the second anniversary of the date of issue of the convertible bonds. The subscription of Investor CB was completed on 8 February 2018, raising net proceeds in the amount of approximately HK$26,800,000. The subscription of HK Yinger CB was completed on 23 March 2018, raising net proceeds in the amount of approximately HK$118,200,000. The net proceeds expected to be raised from the issue of the Zheyin Tianqin 2018 CB are approximately HK$59,100,000, if it proceeds to completion on or before the long stop date of 19 April 2018 (being one month after the obtaining of shareholders' approval at the Company's general meeting).

(ii) Further to the entering into by the Group of an acquisition agreement dated 28 November 2017, the acquisition of Charm Eastern Limited (in turn owning 70% equity interest of Phoenix Hospital and Zizhong Hospital) was completed in January 2018. On completion, HK$41,015,625 out of the total consideration of HK$75,015,625 was settled by the issue of three equal tranches of zero-coupon convertible bonds in the principal amount of HK$13,671,875 each, maturing respectively on 30 September 2018, 30 April 2019 and 30 September 2019.

(iii) Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CBon 1 March 2018, 125,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of Zheyin Tianqin based on the conversion price of HK$0.20 per conversion share at maturity. Pursuant to the exercise of the conversion rights attaching to the Investor CB on 2 March 2018, 160,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of the Investor based on the conversion price of HK$0.17 per conversion share. As a result of the above conversions, the issued share capital of the Company increased from 1,972,452,606 shares to 2,257,452,606 shares.

(iv) On 6 March 2018, the 3% per annum convertible bonds in the aggregate principal amount of HK$29,000,000 ("**2015 CB**") matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holders.

(v) At the extraordinary general meeting of the Company dated 19 March 2018, the increase of authorised share capital of the Company from HK$40,000,000 divided into 4,000,000,000 shares to HK$200,000,000 divided into 20,000,000,000 shares was approved by shareholders of the Company.

(vi) On 23 March 2018, the Company repaid the First and Second HK Yinger Loans in the aggregate principal amount of HK$120,000,000 due to HK Yinger by off-setting the net proceeds from the issue of HK Yinger CB by the Company in the amount of HK$118,200,000.

FINANCIAL REVIEW

The Group reported total revenue for the year ended 31 December 2017 of HK$54,320,000 (2016: HK$46,960,000), representing an increase of approximately 15.7% as compared to the last year.

Health and Medical Business

During the year ended 31 December 2017, the Group reported revenue and operating loss from the health and medical business in the amounts of approximately HK$16,180,000 (2016: HK$11,237,000) and HK$18,405,000 (2016: HK$22,462,000), respectively. The increase in revenue and the decrease in the operating loss were mainly attributable to the launch of promotion and business development campaigns and the implementation of cost-control policies by the Group's clubhouse business in Shenzhen since June 2017.

Beauty and Wellness Business

During the year ended 31 December 2017, the Group reported revenue and operating loss from the beauty and wellness business in the amounts of approximately HK$38,089,000 (2016: HK$33,273,000) and HK$51,888,000 (2016: HK$57,481,000), respectively. The operation and financial performance of the beauty and wellness business of Shenzhen Marsa Guer Chain Enterprise Limited ("**Shenzhen Marsa**") was far from satisfactory, and have fallen short of the profit guarantee by a substantial margin. The operating loss from the beauty and wellness services business was mainly attributed by the provision for impairment of trademark user right and technical know-how amounting to HK$62,585,000 (2016: HK$64,972,000).

Financial Business

During the year ended 31 December 2017, the Group reported revenue and operating loss from the financial business of approximately HK$51,000 (2016: HK$Nil) and HK$4,040,000 (2016: HK$Nil), respectively. The new management is seeking to expand its financial business by exploring business opportunities with potential business partners in Hong Kong and China.

Finance (cost)/income, net

The Group reported finance cost, net of approximately HK$1,387,000 (2016: finance income, net of approximately HK$11,090,000) for the year ended 31 December 2017. Details of the finance (cost)/income, net for the years ended 31 December 2017 and 2016 are set out in Note 6 to the consolidated financial statements above.

Loss for the year

The Group reported net loss for the year of approximately HK$322,239,000 (2016: HK$132,943,000), which was mainly attributable by (i) the operating loss from the health and medical business in the amount of approximately HK$18,405,000, the operating loss from the beauty and wellness business in the amount of approximately HK$51,888,000 (including the impairment loss of trademark user right and technical know-how in the amount of approximately HK$62,585,000), and the operating loss from the financial business in the amount of approximately HK$4,040,000; (ii) impairment loss of loan and interest receivables in the amount of approximately HK$30,597,000; (iii) impairment of promissory notes receivables in the amount of approximately HK$165,617,000 and the change in fair value of call options in the amount of approximately HK$11,040,000; and (iv) impairment loss of prepayments and other receivables of approximately HK$7,774,000. Details of impairment loss as mentioned above are as follows:

Impairment loss of trademark user right and technical know-how

On 20 May 2015, the Group completed the acquisition of Rainbow Star Global Limited ("**Rainbow Star**") pursuant to the sale and purchase agreement dated 21 November 2014, effectively acquiring a controlling interest of Shenzhen Marsa which is principally engaged in the provision of beauty and wellness services business in Shenzhen. However, the financial performance of Shenzhen Marsa did not achieve the profit guarantee as stated in the Marsa Announcement.

The new management performed an impairment assessment and engaged an independent valuer to conduct impairment testing on the trademark user right and technical know-how as at the end of the reporting period. Based on the results of impairment testing prepared by the independent valuer which was determined based on (a) the five years cash flow projections which are discounted using the discount rate of 13%; (b) a terminal value calculated using a discount rate of 3%, and (c) the latest operation figures and business plans provided by the management of Shenzhen Marsa, the carrying amount of trademark user right and technical know-how as at 31 December 2017 was assessed at approximately HK$94,887,000, resulting in an impairment loss of trademark user right and technical know-how of approximately HK$62,585,000 (2016: HK$64,972,000) being recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

Impairment loss of loan and interest receivables

During the year of 2016, the Group granted interest-bearing loans to six borrowers under the terms of 3 to 12 months' periods with aggregate principal amount of approximately HK$24,304,400 (the "**Loan Receivables**") .

The new management considered that the Loan Receivables were overdue beyond their respective expiry dates and no subsequent settlements were received by the Group from the respective borrowers (the "**Loan Receivables Defaults**"). Under the prudence approach in preparing the financial statements, an impairment loss of loan and interest receivables in the amount of approximately HK$30,597,000 (2016: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

In view of the Loan Receivables Defaults, the new management has been proactively seeking to recover these Loan Receivables. Demand letters were sent by the legal adviser of the Group to the borrowers of these Loan Receivables ("**Loan Receivables Borrowers**"). As the Loan Receivables were not repaid to the Group despite the demand letters, the Group issued writs of summons to each of the Loan Receivables Borrowers in March 2018.

Impairment loss of promissory note receivables and change in fair value of call options

Pursuant to the transactions disclosed in the Company's announcements dated 29 April 2016 and 30 June 2016, the Group owns: (a) a promissory note ("**Winning Rose Promissory Note**") due on 29 April 2017 in the principal sum of HK$86,018,492.48 issued by Winning Rose Capital Inc. ("**Winning Rose**") secured by a share charge over 40% of the issued share capital of Jasper Jade Corporation ("**Jasper Jade Share Charge**"); and (b) a promissory note ("**Puregood Promissory Note**") due on 30 June 2017 in the principal sum of HK$79,598,533 issued by Puregood Express Inc. ("**Puregood**") secured by a share charge over 48% of the issued share capital of Gold Fountain Inc. ("**Gold Fountain Share Charge**"). In addition, the Group owns (i) a call option ("**Winning Rose Call Option**") to acquire, before 29 April 2017, certain shares of Jasper Jade Corporation (a wholly owned subsidiary of Winning Rose) at the exercise price which is equivalent to the face value of Winning Rose Promissory Note; and (ii) a call option ("**Puregood Call Option**") to acquire, before 30 June 2017, certain shares of

Gold Fountain Inc. (a wholly owned subsidiary of Puregood) at the exercise price which is equivalent to the face value of Puregood Promissory Note. The Group has also conditionally agreed to commit in certain investments if it opts to exercise the Winning Rose Call Option and the Puregood Call Option. The Winning Rose Call Option and the Puregood Call Option already lapsed on 29 April and 30 June 2017, respectively.

The new management of the Company conducted an internal review over the Winning Rose Promissory Note and the Puregood Promissory Note and sent demand letters to Winning Rose and Puregood ("**Promissory Notes Borrowers**"), stating the Group's position that they have defaulted their contractual obligations under the Winning Rose Promissory Note and the Puregood Promissory Note (the "**Promissory Notes Defaults**") and demanding their immediate repayment. However, despite repeated demands, the Promissory Notes Borrowers did not make any repayment to the Group.

The new management considered that the Winning Rose Promissory Note and Puregood Promissory Note were overdue beyond their respective expiry dates falling in 2017 and no subsequent settlements were received by the Group from the Promissory Notes Borrowers. Under the prudence approach in preparing the financial statements, an impairment loss of promissory note receivables in the amount of approximately HK$165,617,000 (2016: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

In view of the Promissory Notes Defaults, the Group issued writs of summons to the Promissory Notes Borrowers in March 2018.

As the Winning Rose Call Option and the Puregood Call Option already lapsed on 29 April 2017 and 30 June 2017, respectively, the change in fair value of call options amounting to HK$11,040,000 (2016: HK$23,999,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

Impairment loss of prepayment and other receivables

As at 31 December 2017, prepayment in the amount of HK$4,000,000 was outstanding and overdue. Demand letter was sent by the Group to the debtor to demand its immediate repayment, but no settlement was received by the Group despite the demand. Under the prudence approach in preparing the financial statements, an impairment loss of prepayment in the amount of HK$4,000,000 (2016: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

As at 31 December 2017, other receivables in the amount of approximately HK$3,774,000 was outstanding and overdue. Under the prudence approach in preparing the financial statements, an impairment loss of other receivables in the amount of approximately HK$3,774,000 (2016: HK$Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

PRIOR YEAR ADJUSTMENT

Pursuant to the audited consolidated financial statements of the Company for the year ended 31 December 2017, the following items of 2016 were adjusted to the consolidated financial statements as prior year adjustments:

Consolidated Statement of Financial Position:

	2016 *HK$'000* (Audited)	2016 *HK$'000* (Adjustment)	2016 *HK$'000* (Restated)
Non-current Assets:			
Derivative financial instruments:			
— Put option	6,150	(6,150)	–
— Early redemption option	12,743	(12,743)	–
Total	18,893	(18,893)	–
Non-current Liabilities:			
Convertible bonds	64,921	(25,956)	38,965
Contingent consideration payables	38,771	(38,771)	–
Financial liabilities at fair value through profit or loss	–	22,277	22,277
Total	103,692	(42,450)	61,242
Equity:			
Other reserves	83,404	(46,508)	36,896
Accumulated losses	(432,278)	70,065	(362,213)
Total	(348,874)	23,557	(325,317)

The restatement of the above items in the consolidated statement of financial position resulted in (i) the decrease in the non-current assets as at 31 December 2016 by approximately HK$18,893,000 to approximately HK$189,842,000; (ii) the decrease in the non-current liabilities as at 31 December 2016 by approximately HK$42,450,000 to approximately HK$93,191,000; and (iii) the increase in the equity as at 31 December 2016 by approximately HK$23,557,000 to approximately HK$244,782,000.

SIGNIFICANT CHANGE IN ACCOUNTING POLICIES

As explained in Note 14 to the consolidated financial statements above, the Marsa CB was classified as equity instrument in prior year's consolidated financial statements. During the year under review, the new management is of the view that the Marsa CB should be recognised as financial liabilities at fair value through profit or loss. Hence, the Marsa CB should be stated as fair value in the consolidated financial statements of current year.

CONNECTED TRANSACTIONS

On 14 June 2017, the Company entered into a loan agreement with HK Yinger, a company which is wholly-owned by Dr. Yu Qigang, a director and the chairman of the Company, pursuant to which the Company obtained a one-year loan in the principal amount of HK$60,000,000 at the interest rate of 4.8% per annum.

On 3 October 2017, the Company entered into a second loan agreement with HK Yinger, a company which is wholly-owned by Dr. Yu Qigang, pursuant to which the Company obtained a six-months loan in the principal amount of HK$60,000,000 at the interest rate of 6.5% per annum.

No collateral on the Group's assets was required for the said loans. The Board (including the independent non-executive directors) was of the view that the provision of the loans by Dr. Yu Qigang to the Company were conducted on normal commercial terms or better and was fully exempt from all disclosure, annual review, circular and shareholders' approval requirements.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE YEAR ENDED 31 DECEMBER 2017

On 3 March 2017, the Company issued the 8% per annum convertible bonds in an aggregate principal amount of HK$25,000,000 to Zheyin Tianqin carrying conversion right to convert into 125,000,000 shares at the conversion price of HK$0.20 per share and maturing on 3 March 2018, raising net proceeds in the amount of HK$25,000,000. The net proceeds were fully utilized as intended, including (i) approximately HK$8,500,000 for cash injection into the Group's health club business in China to support its ongoing operations; (ii) approximately HK$9,000,000 for legal and professional fees; (iii) approximately HK$5,000,000 for salaries and wages of the Group's management and staff; and (iv) approximately HK$2,500,000 for rental payment and other overhead and expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had total assets of approximately HK$199,769,000 (2016: HK438,787,000) and interest-bearing borrowings of approximately HK$116,575,000 (2016: HK$16,031,000), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 58.4% (2016: 3.7%).

As at 31 December 2017, the Group had net current liabilities of approximately HK$169,817,000 (2016: net current assets of approximately HK$148,131,000) consisted of current assets of approximately HK$66,237,000 (2016: HK$248,945,000) and current liabilities of approximately HK$236,054,000 (2016: HK$100,814,000), representing a current ratio of approximately 0.28 (2016: 2.47).

As at 31 December 2017, the Group had cash and bank balances (including trust and segregated accounts) of approximately HK$33,354,000 (2016: HK$28,521,000). As at 31 December 2017, the Group had cash and bank balances (excluding trust and segregated accounts), of approximately HK$26,458,000 (2016: HK$24,514,000).

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant. The Group was not engaged in any hedging measures during the year ended 31 December 2017.

CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the year ended 31 December 2017 and up to the date of this announcement.

(A) Share Capital

There were no changes in the share capital of the Company during the year ended 31 December 2017. Subsequent to the end of year 2017, on 5 March 2018, the issued share capital of the Company increased from 1,972,452,606 shares to 2,257,452,606 shares of HK$0.01 each due to conversion of certain convertible bonds.

At the extraordinary general meeting of the Company dated 19 March 2018, the increase of authorised share capital of the Company from HK$40,000,000 divided into 4,000,000,000 shares to HK$200,000,000 divided into 20,000,000,000 shares was approved by shareholders of the Company.

(B) Convertible Bonds

There were outstanding convertible bonds which are summarized as follow:

(i) Tai Cheng CB

On 8 May 2012, the Group acquired 55% equity interests in Tai Cheng International Limited ("**Tai Cheng**") for a total consideration of not exceeding HK$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong. The consideration of HK$30,000,000 (the remaining consideration of HK$100 was settled in cash) was settled by the issue of convertible bonds to Tai Cheng ("**Tai Cheng CB**") in three tranches of not exceeding HK$10,000,000 each (subject to the adjustments with reference of the actual profit of Tai Cheng of previous year).

The first tranche of Tai Cheng CB:

On 29 October 2013, the Company issued the first tranche of Tai Cheng CB in an aggregate principal amount of HK$6,163,639 ("**1st Tai Cheng CB**") to Hong Kong Tai Shing Toys Trading Limited ("**Tai Shing**") which was supposed to mature on 29 October 2016. On 15 March 2017, the Company entered into a side letter with Tai Shing, pursuant to which the Company and Tai Shing agreed to cancel the 1st Tai Cheng CB in the principal amount of HK$6,163,639 in exchange for 2% per annum promissory note in the same principal amount issued by the Company, which was supposed to mature on 30 November 2017.

The second tranche of Tai Cheng CB:

On 13 October 2014, the Company issued the second tranche of Tai Cheng CB in an aggregate principal amount of HK$5,628,138 ("**2nd Tai Cheng CB**") to Tai Shing carrying conversion right to convert into 13,727,165 shares at the conversion price of HK$0.41 per share (after adjustment) which was supposed to mature on 13 October 2017. The carrying value of the 2nd Tai Cheng CB as at 31 December 2017 was approximately by HK$5,628,000.

The third tranche of Tai Cheng CB:

On 8 September 2015, the Company issued the third tranche of Tai Cheng CB in an aggregate principal amount of HK$477,241 ("**3rd Tai Cheng CB**") to Tai Shing carrying conversion right to convert into 1,164,002 shares at the conversion price of HK$0.41 per share (after adjustment) which was supposed to mature on 8 September 2018. The carrying value of the 3rd Tai Cheng CB as at 31 December 2017 was approximately by HK$431,000.

(ii) 2015 CB

On 6 March 2015, the Company issued the 3% per annum convertible bonds in the aggregate principal amount of HK$29,000,000 ("**2015 CB**") carrying conversion right to convert into 87,878,787 shares at the conversion price of HK$0.33 per share maturing on 6 March 2018. The carrying value of the 2015 CB as at 31 December 2017 was approximately HK$30,841,000. On 6 March 2018, the 2015 CB matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holders.

(iii) Marsa CB

On 21 November 2014, the Company entered into a sale and purchase agreement pursuant to which the Company acquired 100% equity interests of Rainbow Star at a maximum aggregate consideration of HK$217,000,000, out of which HK$54,250,000 was settled in cash and the remaining consideration of not more than HK$162,750,000 was supposed to be settled by the Marsa CB.

Rainbow Star is an investment holding company, its principal asset being 70% indirect equity interests in Shenzhen Marsa which, together with its subsidiaries, are principally engaged in the provision of beauty and wellness related services.

Pursuant to the terms of the sale and purchase agreement (as supplemented by a supplemental agreement dated 16 December 2014), deposits in the aggregate amount of HK$20,000,000 were paid to the vendors (or their nominees) before 31 December 2014. The acquisition was completed in May 2015, after which the remaining cash consideration of HK$34,250,000 was paid and the 1st Marsa CB was issued to the vendors and/or their nominees as partial satisfaction of the consideration. The 2nd Marsa CB was issued on the first anniversary of the date of issue of the 1st Marsa CB.

The Company's obligations under the Marsa CB are subject to the fulfillment of profit guarantee that the audited consolidated net profit after tax of Shenzhen Marsa for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than RMB20,000,000, failing which the Company shall have the right to redeem and cancel in whole or part of the Marsa CB at nominal sum by reference to the shortfall proportion. Shenzhen Marsa did not meet the profit guarantee for both 2015 and 2016 and accordingly, principal amounts of HK$36,298,675 and HK$41,978,650 are liable to be redeemed and cancelled by the Company in respect of the 1st and 2nd Marsa CB, respectively. Shenzhen Marsa did not meet the profit guarantee for 2017 and accordingly, even if the 3rd Marsa CB is ever to be issued (before which the management will need to obtain legal advice to protect its own interest and uphold its legal right), principal amount of HK$48,163,150 should be liable to be redeemed and cancelled by the Company in respect of the 3rd Marsa CB. The Company is seeking legal and financial advice to protect its legal right and interest. The accounting treatment and assumption of the 1st, 2nd and 3rd Marsa CB are for the sole purpose of accounting presentation and shall in no way limit or prejudice the Company's legal right, which is hereby fully reserved against all parties.

In addition, if the audited consolidated net profit after tax of Shenzhen Marsa for all of the three years ending 31 December 2015, 2016 and 2017 are less than RMB20,000,000, the Company shall have the right to require the vendors to repurchase the 100% equity interest in Rainbow Star at the aggregate consideration already paid to them.

The first tranche of Marsa CB:

On 20 May 2015, the Company issued the first tranche of Marsa CB in an aggregate principal amount of HK$54,250,000 ("**1st Marsa CB**") carrying conversion right to convert into 108,500,000 shares at the conversion price of HK$0.50 per share (after adjustment) maturing on 20 May 2018, out of which principal amount of HK$36,298,675 is liable to be redeemed and cancelled by the Company due to the failure to meet the profit guarantees for 2015. The net profit after tax of Shenzhen Marsa for the year ended 31 December 2015 was RMB6,618,000 (HK$8,226,000), representing an achievement ratio of 33.09% compared to the profit guarantee of RMB20,000,000. Assuming that the Company exercises the PG Failure Cancellation Right over the 1st Marsa CB, principal sum in the amount of HK$17,951,325 should remain after the cancellation, carrying conversion right to convert into 35,902,650 shares at the conversion price of HK$0.50 per share (subject to adjustments) if the Company exercises the Share Redemption Election Right over the 1st Marsa CB.

The second tranche of Marsa CB:

On 20 May 2016, the Company issued the second tranche of Marsa CB in an aggregate principal amount of HK$54,250,000 ("**2nd Marsa CB**") carrying conversion right to convert into 108,500,000 shares at the conversion price of HK$0.50 per share (after adjustment) maturing on 20 May 2019, out of which principal amount of HK$41,978,650 is liable to be redeemed and cancelled by the Company due to the failure to meet the profit guarantees for 2016. The net profit after tax of Shenzhen Marsa for the year ended 31 December 2016 was RMB4,525,280 (HK$5,288,000), representing an achievement ratio of 22.62% compared to the profit guarantee of RMB20,000,000. Assuming that the Company exercises the PG Failure Cancellation Right over the 2nd Marsa CB, principal sum in the amount of HK$12,271,350 should remain after the cancellation, carrying conversion right to convert into 24,542,700 shares at the conversion price of HK$0.50 per share (subject to adjustments) if the Company exercises the Share Redemption Election Right over the 2nd Marsa CB.

The third tranche of Marsa CB:

The third tranche of Marsa CB has not yet been issued by the Company, as the cancellation bond liable to be redeemed and cancelled from the 1st and 2nd Marsa CB due to the failure to meet the profit guarantees in the first two years has already exceeded the principal sum of the third tranche of Marsa CB. The Company is seeking legal and financial advice to protect its legal right under the acquisition of Rainbow Star and the Marsa CB.

The net profit after tax of Shenzhen Marsa for the year ended 31 December 2017 was RMB2,244,000 (HK$2,695,000), representing an achievement ratio of 11.22% compared to the profit guarantee of RMB20,000,000. Assuming that the 3rd Marsa CB were to be issued but that the Company exercises the PG Failure Cancellation Right over the 3rd Marsa CB on or after issuance, principal amount of HK$48,163,150 should be liable to be redeemed and cancelled by the Company due to the failure to meet the profit guarantees for 2017 and principal sum in the amount of HK$6,086,850 should remain after the cancellation, carrying conversion right to convert into 12,173,700 shares at the conversion price of HK$0.50 per share (subject to adjustments) if the Company exercises the Share Redemption Election Right over the 3rd Marsa CB.

The carrying value of the 1st, 2nd and 3rd Marsa CB as at 31 December 2017 was approximately HK$13,229,000.

(iv) Qianhai CB

On 15 April 2016, the Company issued the 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited in an aggregate principal amount of HK$12,000,000 ("**Qianhai CB**") carrying conversion right to convert into 40,000,000 shares at the conversion price of HK$0.30 per share (after adjustment) maturing on 15 April 2019. The carrying value of the Qianhai CB as at 31 December 2017 was approximately HK$12,358,000.

(v) Ample Reach CB

On 31 January 2018, the Group acquired 100% interest in Charm Eastern Limited (in turn owning 70% equity interest in Phoenix Hospital and Zizhong Hospital) for a total consideration of HK$75,015,625. Phoenix Opco and Zizhong Opco are principally engaged in the provision of medical services in the PRC. On completion, HK$41,015,625 out of the total consideration was settled by the issue of three equal tranches of zero-coupon convertible bonds in the principal amount of HK$13,671,875 each and maturing on 30 September 2018, 30 April 2019 and 30 September 2019, respectively, to Ample Reach Limited ("**Ample Reach CB**"), carrying conversion right to convert into 234,375,000 shares at the conversion price of HK$0.175 per share subject to the fulfillment of profit guarantee.

(vi) Zheyin Tianqin 2017 CB

On 3 March 2017, the Company issued the 8% per annum convertible bonds in an aggregate principal amount of HK$25,000,000 to Zheyin Tianqin ("**Zheyin Tianqin 2017 CB**") carrying conversion right to convert into 125,000,000 shares at the conversion price of HK$0.20 per share and maturing on 3 March 2018. The carrying value of the Zheyin Tianqin 2017 CB as at 31 December 2017 was approximately HK$26,504,000.

Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CB on 1 March 2018, 125,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of Zheyin Tianqin based on the conversion price of HK$0.20 per conversion share.

(vii) Investor CB

On 8 February 2018, the Company issued the 6% per annum convertible bonds in an aggregate principal amount of HK$27,200,000 to the Investor carrying conversion right to convert into 160,000,000 shares at the conversion price of HK$0.17 per share and maturing on 10 February 2020. Pursuant to the exercise of the conversion rights attaching to the Investor CB on 2 March 2018, 160,000,000 shares were allotted and issued by the Company to the nominated entity(ies) of the Investor, Smoothly Good Investment Development Limited, based on the conversion price of HK$0.17 per conversion share.

(viii) ***HK Yinger CB***

On 23 March 2018, the Company issued the 3% per annum convertible bonds in an aggregate principal amount of HK$120,000,000 ("**HK Yinger CB**") to the nominated entity(ies) of HK Yinger, Fluent Robust Limited, carrying conversion right to convert into 705,882,352 shares at the conversion price of HK$0.17 per share and maturing on the day falling on 23 March 2020, being the second anniversary of the date of issue of the convertible bonds.

CHARGES ON ASSETS

As at 31 December 2017, none of the Group's assets was pledged to secure any facilities and borrowings granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017.

HUMAN RESOURCES

As at 31 December 2017, the Group has employees of 226 in Hong Kong and China. Employees' remuneration, promotion and salary increments are assessed based on both individuals' and the Group's performance, professional and working experiences and by reference to prevailing market practices and standards. Apart from the general remuneration package, the Group also granted share options and discretionary bonus to the eligible staffs based on their performance and contribution to the Group. The Group regards high-calibre staff as one of the key factors to corporate success.

LITIGATIONS

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

(i) On 9 February 2017, the Company received a writ of summons dated 9 February 2017 issued by the High Court of Hong Kong. The plaintiff is Nu Kenson Limited ("**Nu Kenson**") and the Company is named as a defendant in the writ. Pursuant to the statement of claim attached to the writ, Nu Kenson sought, inter alia, the following reliefs: (i) a declaration that Nu Kenson is the legal and lawful owner and/or holder of the 8% coupon convertible bonds in the principal amount of HK$40,000,000 issued by the Company as disclosed in the Company's announcements dated 27 November 2015, 28 December 2015 and 15 January 2016 (the terms of which being amended as disclosed in the Company's announcements dated 16 January 2017 and 10 February 2017) (the "**1st 2016 CB**"); (ii) a declaration that Nu Kenson is entitled to a bond certificate in its name to be issued by the Company, to have its name entered into the register of bondholder by the Company, and to convert the 1st 2016 CB into Shares in accordance with its terms and conditions; (iii) specific performance of the 1st 2016 CB; and/or (iv) damages to be assessed. On 28 April 2017, the Company, Mr. Yang Yuezhou (the subscriber of the 1st 2016 CB) and Nu Kenson entered into a deed of settlement pursuant to which (inter alia), the Company paid HK$44,000,000 to Nu Kenson in full and final settlement of the principal amount and interest of the 1st 2016 CB and the legal proceedings arisen from the writ.

(ii) On 9 March 2018, the Company issued six writs of summons to the borrowers of the Loan Receivables in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the Loan Receivables in the aggregate principal amount of approximately HK$24,304,400, together with interest and cost.

(iii) On 14 March 2018, the Company issued two writs of summons to the borrowers of the outstanding promissory note receivables in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the promissory note receivables in the aggregate principal amount of HK$165,617,025.48, together with interest and cost.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: HK$Nil).

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Board believes that good governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Following the management changeover in June 2017 (the "**Management Changeover**"), the new management is taking measures with the view to periodically reviewing the Group's corporate governance practices to ensure its continuous compliance with the CG Code. In particular, internal reviews were conducted, new management manuals were being compiled and training for directors and senior management was conducted to enhance the governance level of the Group. Save as the deviations explained below, to the best of the information, knowledge and belief of the incumbent management, the Company was in compliance with the code provisions set out in the CG Code for the year ended 31 December 2017 (the "**Year**"):

(i) With respect to Code Provision A.1.5, minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. The new management noted that the minutes of some of the board meetings in the Year prior to the Management Changeover failed to record in sufficient detail the matters considered, the reasons for making the decisions and any dissenting views. Upon the revelation of such deviations, the Board spoke with the relevant directors who attended the relevant meetings and recorded the matters, reasoning and dissenting views discussed at those meetings by way of supplemental attendance notes or memoranda. The Board has also set up policies to ensure that all future minutes shall record in sufficient detail the matters considered and decisions reached. After the adoption of such remedial measures, the Company regards that it has now complied with Code Provision A.1.5.

(ii) With respect to Code Provision A.2.5, the chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established. With respect to Code Provision A.2.6, the chairman should encourage (a) all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer; and (b) directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus. The new management noted that the Company has not maintained full records of its internal control and corporate governance practices for the Year prior to the Management Changeover. The Company is in the process of compiling a new set of internal control procedures to reinforce its governance level to seek to ensure compliance with Code Provisions A.2.5 and A.2.6.

(iii) With respect to Code Provision A.6.1, every new appointed director of the Company should receive a comprehensive, formal and tailored induction on appointment and should subsequently receive briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his or her responsibilities under statue and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies. With respect to Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and directors should provide a record of the training they received to the issuer. The new management noted that not all Directors might have received formal induction and training, nor were written records of their training maintained as required under the CG Code prior to the Management Changeover. In December 2017, the Company compiled training materials for the purpose of updating all Directors on topics such as common law Directors' duties, the Listing Rules, Hong Kong Code on Takeovers and Mergers and the Securities and Futures Ordinance. In addition, the Company has set up policies to ensure that regular training will be provided to the Directors in future. After the provision of training and the adoption of the said policy, the Company regards that it has complied with Code Provisions A.6.1 and A.6.5.

(iv) With respect to Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings. At the annual general meeting of the Company held on 30 June 2017 (the "**AGM**"), three independent non-executive Directors were absent and one non-executive Director did not manage to attend the AGM physically due to other business engagements but she was connected to the AGM venue by teleconferencing facilities.

(v) With respect to Code Provision C.1.2, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The new management noted that certain Directors might not have been provided with any monthly updates during the Year prior to the Management Changeover. The Company is in the process of compiling a new set of internal control procedures to reinforce its governance level to seek to ensure compliance with Code Provision C.1.2.

(vi) With respect to Code Provisions C.2.1 and C.2.2, (a) the board should conduct a review of the effectiveness of the risk management and internal control systems of the issuer and its subsidiaries at least annually; (b) the review should cover all material controls, including financial, operational and compliance controls and risk management functions; and (c) such annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting function. Since the Management Changeover in June 2017, the new management has been conducting an ongoing review of our internal control systems, particularly relating to the usage of chops, internal approval process for effecting payment and approving expenditures, bank signatories and subsidiary level management. The Company is in the process of compiling a new set of internal control procedures to reinforce its governance level to seek to ensure compliance with Code Provisions C.2.1 and C.2.2.

(vii) With respect to Code Provision C2.5, an issuer should have an internal audit function and issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. Subsequent to the Management Changeover, the management considered that given the size and scale of our operations, it is more appropriate for the Company to outsource its internal audit function to external service provider.

(viii) With respect to Code Provision E1.2, an issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence. The external auditors of the Company, McMillan Woods SG CPA Limited ("**MMW**"), did not attend the AGM on 30 June 2017. Upon the recommendation of the Company's audit committee and the Board, shareholders of the Company resolved to remove MMW as the Company's auditors at the Company's extraordinary general meeting on 9 March 2018.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. Having made specific enquiry with the incumbent Directors, each of them confirmed that he/she has complied with the Model Code during the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as disclosed in the paragraph headed "Capital Structure" in the "Management Discussion and Analysis" section above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the year ended 31 December 2017.

AUDIT COMMITTEE

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

After the financial year end, on 8 February 2018, the audit committee made a recommendation to the Board to remove the external auditor of the Company, McMillan Woods SG CPA Limited ("**MMW**"). The removal of MMW was approved by shareholders at the Company's extraordinary general meeting held on 9 March 2018. On the same day, HLB Hodgson Impey Cheng Limited ("**HLB**") was appointed as the Company's external auditor.

The Group's audited consolidated financial statements for the year ended 31 December 2017 have been reviewed by the audit committee.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is the extract of the independent auditors' report from the external auditors of the Company:

Disclaimer Opinion

We were engaged to audit the consolidated financial statements of Green International Holdings Limited (the "Company") and its subsidiaries (collective referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of the significant accounting policies.

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

Bases for Disclaimer of Opinion

(a) Opening balances and comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2017. However, we have been unable to obtain sufficient appropriate audit evidence about whether the opening balances as at 1 January 2017 of the assets of the Group described in paragraphs (b) to (f) below contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. Since opening balances of these assets enter into the determination of the financial performance and cash flows of the Group for the current year, we were unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 31 December 2017 reported in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the net cash flows for the year ended 31 December 2017 reported in the consolidated statement of cash flows.

In addition, as any adjustments that would be required may have consequential significant effects on those assets of the Group as at 31 December 2016 and its results and cash flows for the year ended 31 December 2016 presented as comparative figures in the consolidated financial statements, we were unable to determine the possible effects of these matters on the comparability of the current year's figures and the comparative figures presented in the consolidated financial statements.

(b) Impairment loss of loan receivables

As disclosed in note 15 to the consolidated financial statements, the outstanding balances of loan receivables as at 31 December 2017 were long overdue beyond their respective maturity dates and no subsequent settlements were received by the Group from the respective borrowers after the end of the financial reporting period. On 9 March 2018, the Group issued writs of summons to the borrowers of these loan receivables. In the opinion of directors of the Company, the likelihood of the Group recovering the monies owed under these loans was uncertain and hence a provision for full impairment of these loans, including accrued interests, amounting to approximately HK$30,597,000 was recognised as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017.

However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of loan receivables of the Group as at 1 January 2017 of HK$26,068,000 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment loss on loan receivables, including accrued interests, amounting to approximately HK$30,597,000 was free from material misstatement. Any adjustment found to be necessary to the impairment loss would have consequential impact on the Group's net liabilities as at 31 December 2017 and its loss and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

(c) *Impairment loss of promissory note receivables*

As disclosed in note 15 to the consolidated financial statements, the outstanding balances of promissory notes as at 31 December 2017 were past due and no subsequent settlements were received by the Group from the respective note holders after the end of the financial reporting period. On 14 March 2018, the Group issued writs of summons to each of the defaulting parties. In the opinion of the directors of the Company, the likelihood of the Group recovering the monies owed under these notes was uncertain and hence a provision for full impairment of the promissory notes, including accrued interests, amounting to approximately HK$165,617,000 was recognised as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017.

However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of the promissory note receivables of the Group as at 1 January 2017 of HK$154,218,000 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment loss on the note receivables, including accrued interests, amounting to approximately HK$165,617,000 was free from material misstatement. Any adjustment found to be necessary to the impairment loss would have consequential impact on the Group's net liabilities as at 31 December 2017 and its loss and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

(d) *Impairment loss of prepayment, deposits and other receivables*

The balances of prepayment, deposits and other receivables as at 31 December 2017 include balances amounting to HK$7,774,000 which were long outstanding and no subsequent utilization or settlements of these balances occurred after the end of the financial reporting period. In the opinion of the directors of the Company, the likelihood of the Group utilizing or recovering these outstanding balances was uncertain and hence a provision for full impairment of the prepayment, deposits and other receivables, amounting to approximately HK$7,774,000, was recognised as impairment loss in consolidated statement of profit or loss for the year ended 31 December 2017

However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of the prepayment, deposits and other receivables of the Group as at 1 January 2017 of HK$24,742,000 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment loss on the prepayment, deposits and other receivables, amounting to approximately HK$7,774,000 was free from material misstatement. Any adjustment found to be necessary to the impairment loss would have consequential impact on the Group's net liabilities as at 31 December 2017 and its loss and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

(e) Impairment loss of derivative financial instruments of call option

The directors of the Company are of the opinion that the fair value of the call option derivative financial instrument was zero as at 31 December 2017, based on their assessment of the contractual terms of the call option and the relevant facts and circumstances as at 31 December 2017. Accordingly, a loss on decrease in fair value of the call option derivative financial instrument of approximately HK$11,040,000 was recognised in consolidated statement of profit or loss of the Group for the year ended 31 December 2017.

However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balance of the call option derivative financial instrument as at 1 January 2017 of HK$11,040,000 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions made by the Group when estimating the fair value of the call option as at 31 December 2016. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the fair value loss on the call option, amounting to approximately HK$11,040,000, was free from material misstatement. Any adjustment found to be necessary to the fair value loss would have consequential impact on the Group's net liabilities as at 31 December 2017 and its loss and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

(f) Impairment loss of trademark user right and technical know-how

In view of continuous losses in the health and medical business, the Group performed an impairment assessment as at 31 December 2017 of the trademark user right and technical know-how intangible assets which belonged to the cash generating unit ("CGU") represented by the health and medical business. The recoverable amount of the CGU as at 31 December 2017 was determined as its value in use, which was measured based on cash flow projections prepared using financial budgets approved by management which covered a period of five years and represented management's best estimate of the range of economic conditions that will exist over the five years' period. The carrying amount of the CGU which contained the trademark user right and technical know-how intangible assets exceeded its recoverable amount, resulting in an impairment loss on trademark user right and technical know-how of approximately HK$62,585,000 being recognised in the consolidated profit or loss of the Group for the year ended 31 December 2017.

However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of trademark user right and technical know-how intangible assets of the Group as at 1 January 2017 of HK$157,250,000 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017. We were unable to be satisfied that certain key bases and assumptions adopted in the preparation of the financial budgets upon which the measurement of the value in use of the CGU as at 31 December 2016 was based were reasonable and supportable. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment loss on trademark user right and technical know-how intangible assets, amounting to approximately HK$62,585,000, was free from material misstatement. Any adjustment found to be necessary to the impairment loss would have consequential impact on the Group's net liabilities as at 31 December 2017 and its loss and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Material uncertainty relating to the going concern basis

As disclosed in note 2.2 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$323,029,000 for the year ended 31 December 2017, and its total liabilities were in excess of its total assets by an amount of approximately HK$80,069,000 as at 31 December 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the Company.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay or extend existing borrowings upon their maturities through cash flows from operations and financial support from a director's controlled corporation and other financial institutions. Because of the significance of these matters, we were unable to satisfy ourselves as to whether the use of going concern assumption in the preparation of the consolidated financial statements was appropriate. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The consolidated financial statements do not include any of these adjustments that would result from the failure to continue to operate as a going concern.

Report on Other Matters under sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence as described in the Bases for Disclaimer of Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and

- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

This announcement will be published on the websites of the Stock Exchange and of the Company. The annual report for the year ended 31 December 2017 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and of the Company on or before 30 April 2018.

APPRECIATION

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

By order of the Board
Green International Holdings Limited
Yu Qigang
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, the executive Directors are Dr. Yu Qigang (Chairman), Mr. Zeng Xiang Di (Chief Executive Officer), Mr. Yang Wang Jian, Mr. Chen Hanhong and Ms. Eva Au; the non-executive Director is Ms. Yu Jiaoli; and the independent non-executive Directors are Mr. Wu Hong, Mr. David Tsoi, Mr. Wang Chunlin and Ms. Sun Zhili.