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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 2018

The board of directors (the "**Board**") of Green International Holdings Limited (the "**Company**") announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the corresponding year in 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*4*	**82,092**	54,320
Direct costs and operating expenses		**(27,958)**	(9,819)
Gross profit		**54,134**	44,501
Other income and gains, net	*5*	**9,536**	2,039
Selling expenses		**(38,775)**	(33,912)
Administrative expenses		**(80,514)**	(69,590)
Gain on disposal of subsidiary		**240**	–
Fair value changes of			
— Call options		**–**	(11,040)
— Financial liabilities at fair value through profit or loss		**35,651**	9,048
— Financial asset at fair value through profit or loss		**1,328**	–
— Derivative financial assets		**(28,747)**	–
Impairment loss of goodwill		**(17,812)**	–
Impairment loss of trademark user right and technical know-how		**–**	(62,585)
Impairment loss of loan and interest receivables		**–**	(30,597)
Impairment loss of promissory note receivables		**–**	(165,617)
Impairment loss of prepayments, deposits and other receivables		**–**	(7,774)
Finance costs, net	*6*	**(13,534)**	(1,387)
Loss before income tax	*7*	**(78,493)**	(326,914)
Income tax credit	*8*	**339**	4,675
Loss for the year		**(78,154)**	(322,239)
Loss for the year attributable to:			
— Equity holders of the Company		**(79,454)**	(323,029)
— Non-controlling interests		**1,300**	790
		(78,154)	(322,239)
			(Restated)
Loss per share for loss for the year attributable to the equity holders of the Company			
— Basic and diluted (HK$ cents)	*9*	**(13.78)**	(65.51)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(78,154)**	(322,239)
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	**431**	(3,783)
— Reclassification adjustments relating to foreign operations disposed of during the year	**–**	460
Total comprehensive expenses for the year	**(77,723)**	(325,562)
Total comprehensive expenses for the year attributable to:		
— Equity holders of the Company	**(78,288)**	(326,812)
— Non-controlling interests	**565**	1,250
	(77,723)	(325,562)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**80,662**	37,291
Goodwill		**36,420**	–
Trademark user right and technical know-how		**94,887**	94,887
Other intangible assets		**–**	1,354
		211,969	133,532
Current assets			
Inventories		**9,240**	7,899
Trade receivables	*11*	**4,341**	178
Prepayments, deposits and other receivables		**22,360**	24,087
Financial asset at fair value through profit or loss		**15,000**	–
Derivative financial assets		**703**	–
Tax recoverable		**707**	719
Bank balances-trust and segregated accounts		**11,826**	6,896
Bank balances (general accounts) and cash		**52,911**	26,458
		117,088	66,237
Total assets		**329,057**	199,769
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**28,742**	19,725
Reserves		**57,479**	(106,472)
		86,221	(86,747)
Non-controlling interests		**12,038**	6,678
Total equity		**98,259**	(80,069)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible bonds		**56,807**	12,358
Financial liabilities at fair value through profit or loss		**–**	13,229
Bonds payables		**9,733**	8,516
Obligations under finance lease		**34,316**	–
Deferred tax liabilities		**9,989**	9,681
		110,845	43,784
Current liabilities			
Trade payables	*13*	**18,209**	9,545
Contract liabilities		**11,117**	–
Other payables, accruals and deposits received		**39,752**	53,366
Convertible bonds		**14,379**	63,404
Financial liabilities at fair value through profit or loss		**2,913**	–
Promissory note payables		**–**	6,287
Loan from a related company		**30,753**	101,772
Obligations under finance lease		**2,465**	–
Tax payable		**365**	1,680
		119,953	236,054
Total liabilities		**230,798**	279,838
Total equity and liabilities		**329,057**	199,769
Net current liabilities		**(2,865)**	(169,817)
Total assets less current liabilities		**209,104**	(36,285)

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, medical and related services, (ii) beauty and wellness services, and (iii) integrated financial services comprising money-lending, securities brokerage, advising on securities and asset management during the year under review.

These consolidated financial statements are presented in Group's functional currency, Hong Kong dollars ("**HK$**"), and all values are rounded to the nearest thousand ("**HK$'000**"), except when otherwise indicated. These consolidated financial statements have been approved for issue by the Board on 29 March 2019.

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 ('**HKICPA**") and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (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$78,154,000 during the year ended 31 December 2018 and had net current liabilities of approximately HK$2,865,000 as at 31 December 2018.

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 25 January 2019, the Company entered into a subscription agreement (the "**Subscription Agreement**") with Jumbo Faith International Limited (the "**Subscriber**") pursuant to which the Company conditionally agreed to allot and issue to the Subscriber 754,716,981 consolidated shares at the subscription price of HK$0.212 per subscription consolidated share ("**Subscription**").

The net proceeds to be raised for subscription are expected to be approximately HK$156,000,000.

(2) Financial support

Director's controlled corporation has agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fail due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2018.

2.3 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

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

The Company and its subsidiaries (collectively referred to as the "**Group**") has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub–totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)

	31 December 2017	HKFRS 9	HKFRS 15	1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current asset				
Prepayments, deposits and other receivables	24,087	(369)	–	23,718
Current liabilities				
Other payables, accruals and deposits received	53,366	–	(24,288)	29,078
Contract liabilities	–	–	24,288	24,288
Net current liabilities	(169,817)	(369)	–	(170,186)
Net liabilities	(80,069)	(369)	–	(80,438)
Capital and reserves				
Reserves	(106,472)	(369)	–	(106,841)
Total equity	(80,069)	(369)	–	(80,438)

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses ("**ECL**") for financial assets and other items (for example, prepayments, deposits and other receivables).

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in note to consolidated financial statement.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost except derivative financial instruments which are continued to be recognised at fair value under HKFRS 9 as financial assets at fair value through profit or loss.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including prepayments, deposits and other receivables and bank balances, are assessed on 12–month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

Other financial assets measured at amortised cost

Other financial assets at amortised cost include prepayments, deposits and other receivables. The Group has applied the expected credit loss model to other receivables and amounts due from related parties as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of accumulated losses as 1 January 2018 as follow:

	HK$'000
Accumulated losses	
As at 31 December 2017	674,270
Increase in ECL in	
— Other receivables	369
Accumulated losses as at 1 January 2018 (restated)	674,639

All loss allowances, including other receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Other receivables *HK$'000*
At 31 December 2017 – HKAS39	–
Amounts re-measured through opening	
— accumulated losses	369
At 1 January 2018 – HKFRS9	369

HKFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

— Health and medical business

— Beauty and wellness business

— Financial business

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note to the audited consolidated financial statement.

Except for the reclassification of the contract liabilities from receipt in advance of HK$24,288,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

2.4 New and revised HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

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

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

4 Effective for annual periods beginning on or after 1 January 2021.

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

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 health, medical and related businesses of its clubhouse, hemodialysis center and hospital;

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

(c) the financial segment engages in money lending, securities brokerage, advising on securities and asset management businesses.

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$'000*	**Beauty and wellness business** *HK$'000*	**Financial business** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 December 2018				
Hong Kong				
— At a point in time	**–**	**–**	**173**	**173**
— Over time	**–**	**–**	**–**	**–**
The PRC				
— At a point in time	**37,061**	**44,858**	**–**	**81,919**
— Over time	**–**	**–**	**–**	**–**
	37,061	**44,858**	**173**	**82,092**

	Health and medical 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
The PRC	16,180	38,089	–	54,269
	16,180	38,089	51	54,320

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, 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 year ended 31 December 2018 and 2017.

Results by operating segments are as follows:

	2018	2017
	HK$'000	*HK$'000*
Health and medical business *(Note (i))*	**(37,629)**	(18,405)
Beauty and wellness business *(Note (ii))*	**9,251**	(51,888)
Financial business	**(3,376)**	(4,040)
Trading business	**–**	(5)
Total net operating loss by operating segments	**(31,754)**	(74,338)
Unallocated corporate expenses, net	**(41,224)**	(46,240)
Gain on issuance of bonds payable	**–**	1,031
Gain on disposal of a subsidiary	**240**	–
Fair value changes of		
— Call options	**–**	(11,040)
— Financial liabilities at fair value through profit or loss	**35,651**	9,048
— Financial asset at fair value through profit or loss	**1,328**	–
— Derivative financial assets	**(28,747)**	–
Allowance for expected credit losses on other receivables	**(453)**	–
Impairment loss of loan and interest receivables	**–**	(30,597)
Impairment loss of promissory note receivables	**–**	(165,617)
Impairment loss of prepayments, deposits and other receivables	**–**	(7,774)
Finance costs, net *(Note 6)*	**(13,534)**	(1,387)
Loss before income tax	**(78,493)**	(326,914)
Income tax credit *(Note 8)*	**339**	4,675
Loss for the year	**(78,154)**	(322,239)

Notes:

(i) For the year ended 31 December 2018, impairment loss of goodwill of approximately HK$17,812,000 (2017: Nil) was included within health and medical business segment.

(ii) For the year ended 31 December 2018, impairment loss of trademark user right and technical know-how of approximately HK$Nil (2017: HK$62,363,000) was included within beauty and wellness business segment.

Other segment information

Amounts included in the measure of segment results:

	2018	2017
	HK$'000	*HK$'000*
Depreciation and amortization		
— Heath and medical business	**4,808**	778
— Beauty and wellness business	**5,627**	4,866
— Financial business	**240**	431
	10,675	6,075
— Unallocated	**1,017**	1,414
	11,692	7,489
Net allowance for expected credit losses recognized in respect of other receivables		
— Heath and medical business	**453**	—

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 2018						
Hong Kong	**–**	**–**	**–**	**18,057**	**30,779**	**48,836**
The PRC	**135,019**	**–**	**140,261**	**–**	**4,941**	**280,221**
Segment total assets	**135,019**	**–**	**140,261**	**18,057**	**35,720**	**329,057**

	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
The PRC	8,082	–	140,546	–	3,174	151,802
Segment total assets	8,082	2,172	140,546	14,421	34,548	199,769

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

	Health and medical business *HK$'000*	**Beauty and wellness business** *HK$'000*	**Financial business** *HK$'000*	**Unallocated corporate assets** *HK$'000*	**Consolidated** *HK$'000*
As at 31 December 2018					
Hong Kong	**–**	**–**	**69**	**1,123**	**1,192**
The PRC	**82,476**	**127,682**	**–**	**619**	**210,777**
Segment total non-current assets (excluding financial instruments)	**82,476**	**127,682**	**69**	**1,742**	**211,969**

	Health and medical business *HK$'000*	Beauty and wellness business *HK$'000*	Financial business *HK$'000*	Unallocated corporate assets *HK$'000*	Consolidated *HK$'000*
As at 31 December 2017					
Hong Kong	–	–	308	1,740	2,048
The 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

4. REVENUE

The Group's revenue represents by health and medical business, beauty and wellness business and financial business.

An analysis of revenue by types of goods as follows:

	2018 *HK$'000*	2017 *HK$'000*
Health and medical business	**37,061**	16,180
Beauty and wellness business	**44,858**	38,089
Financial business	**173**	51
Total revenue recognised at a point in time	**82,092**	54,320

All of the Group's revenue from contracts with customers are generated in the Hong Kong and PRC based on where goods are sold. All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed.

5. OTHER INCOME AND GAINS, NET

	2018	2017
	HK$'000	*HK$'000*
Recovery of loan receivables	**3,300**	–
Donation received	**3,820**	–
Sundry income	**2,361**	1,131
Exchange gain, net	**–**	6
Gain on issuance of bonds payable	**–**	1,031
Gain/(loss) on disposal of property, plant and equipment	**55**	(129)
	9,536	2,039

6. FINANCE COSTS, NET

	2018	2017
	HK$'000	*HK$'000*
Interest incomes:		
— Bank deposits	**58**	30
— Loan receivables	**–**	3,769
— Promissory note receivables	**–**	11,399
Interest expenses:		
— Convertible bonds	**(7,859)**	(8,450)
— Bonds payable	**(1,793)**	(6,262)
— Other borrowings	**(2,202)**	(1,873)
— Obligations under finance lease	**(1,738)**	–
Finance costs, net	**(13,534)**	(1,387)

7. LOSS BEFORE INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration	**1,500**	1,000
Depreciation of property, plant and equipment	**11,692**	7,489
Merchandise purchased and changes in inventories	**15,702**	8,346
Employee benefit expenses	**46,967**	37,518
Operating lease rental expenses	**19,227**	18,143
Allowance for expected credit losses on other receivables	**453**	–

8. INCOME TAX CREDIT

The amounts of income tax credited to the consolidated statement of profit or loss are as follows:

	2018	2017
	HK$'000	*HK$'000*
Current taxation		
PRC enterprise income tax		
— Current year	**192**	1,561
Deferred taxation	**(531)**	(6,236)
	(339)	(4,675)

9. 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:

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(79,454)**	(323,029)
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares in issue	**576,539**	493,113
		(Restated)
Loss per share		
Basic loss per share *(HK$ cents)*	**(13.78)**	(65.51)

Note: The weighted average number of ordinary shares for the years ended 31 December 2018 and 2017 has been adjusted for four-to-one share consolidation of the Company which became effective on 4 March 2019.

Diluted

For the years ended 31 December 2018 and 2017, 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.

10. DIVIDENDS

No dividend in respect of the year ended 31 December 2018 (2017: Nil) is to be proposed at the forthcoming annual general meeting.

11. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables arising from ordinary course of business of dealing in securities transactions:		
— Cash clients	**75**	–
— Clearing house	**–**	–
	75	–
Trade receivables arising from ordinary course of business, except for business of dealing in securities transactions	**56,245**	52,157
Less: Provision for discount on past due balances	**(51,979)**	(51,979)
	4,266	178
	4,341	178

Trade receivables arising from the business of dealing in securities

The Group seeks to maintain tight control over its outstanding trade receivables and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limit are approved by designated approvers according to the clients' credit worthiness.

The normal settlement terms of trade receivable from clients and clearing house arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

Trade receivables due from cash clients are secured by clients' securities, which are publicly traded equity securities listed in Hong Kong. The fair values of the securities as at 31 December 2018 were approximately HK$75,000 (2017: Nil). All trade receivables from cash clients are neither past due nor impaired as at 31 December 2018 and 2017 and the directors of the Company are of the opinion that the amount are recoverable. Cash client receivables which were past due but not impaired bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion.

In addition, the Group has a policy for determining the allowance for impairment of trade receivables without sufficient collateral based on the evaluation of collectability and aging analysis of accounts and on management's judgement including the creditworthiness, collateral and the past collection history of each client.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to the reporting date and the fair values of the collateral held.

During the year ended 31 December 2018, allowance for expected credit losses on trade receivables amounted to HK$12,000 (2017: Nil).

Trade receivables arising from other businesses

The Group's trade receivables are generally with credit periods of 90 days (2017: 90 days). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade receivables. The Group does not hold any collateral as security. 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.

The ageing analysis of gross carrying amount of trade receivables, based on invoice dates, as at 31 December 2018 and 2017 were as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**3,410**	178
31 — 60 days	**572**	–
61 — 90 days	**182**	–
91 — 180 days	**54**	–
Over 180 days	**52,027**	51,979
	56,245	52,157

Management assessed the credit quality of those trade receivables of approximately HK$4,164,000 (31 December 2017: HK$178,000) 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.

The ageing analysis of trade receivables which were past due but not impaired as at 31 December 2018 and 2017 are as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**54**	–
31 — 60 days	**48**	–
61 — 90 days	**–**	–
91 — 180 days	**–**	–
Over 180 days	**51,979**	51,979
	52,081	51,979

12. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In this note, references to number of conversion shares and conversion prices refer to the status of affairs prior to the four-to-one share consolidation of the Company which became effective on 4 March 2019. The adjustments to conversion shares and conversion prices as a result of the share consolidation are disclosed in the Company's announcement dated 1 March 2019.

(a) Convertible Bonds

(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 Shing (the "**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 (the "**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. Its principal amount and accrued interest were fully repaid in cash by the Company in July 2018.

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 (the "**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 matured on 13 October 2017. The principal amount and accrued interest of the 2nd Tai Cheng CB were fully repaid in cash by the Company in July 2018, upon exercising of the cash redemption right at the option of Tai Shing.

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 (the "**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 matured on 8 September 2018. The principal amount and accrued interest of the 3rd Tai Cheng CB were fully repaid in cash by the Company in November 2018, upon exercising of the cash redemption right at the option of Tai Shing.

(ii) 2015 CB

On 6 March 2015, the Company issued 3% per annum convertible bonds in the aggregate principal amount of HK$29,000,000 (the "**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. 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) 1st 2016 CB

On 15 January 2016, the Company issued 8% per annum convertible bonds to Mr. Yang Yuezhou in the aggregate principal amount of HK$40,000,000 (the "**1st 2016 CB**") carrying conversion right to convert into 200,000,000 shares at the conversion price of HK$0.20 per share maturing on 15 January 2017. On 16 January 2017, the Company and Mr. Yang Yuezhou entered into the amendment deed to extend the maturity date from 15 January 2017 to 15 April 2017. On 19 April 2017, the 1st 2016 CB matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holder.

(iv) Qianhai CB

On 15 April 2016, the Company issued 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited in an aggregate principal amount of HK$12,000,000 (the "**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.

(v) Zheyin Tianqin 2017 CB

On 3 March 2017, the Company issued 8% per annum convertible bonds to Zheyin Tianqin (Shenzhen) Investment Limited ("**Zheyin Tianqin**") in an aggregate principal amount of HK$25,000,000 (the "**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. 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 of Zheyin Tianqin, Dogain Capital Limited, based on the conversion price of HK$0.20 per conversion share.

(vi) Investor CB

On 8 February 2018, the Company issued 6% per annum convertible bonds to Mr. Liu Dong (the "**Investor**") in an aggregate principal amount of HK$27,200,000 (the "**Investor CB**") 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 of the Investor, Smoothly Good Investment Development Limited ("**Smoothly Good**"), based on the conversion price of HK$0.17 per conversion share.

(vii) Zheyin Tianqin 2018 CB

On 19 April 2018, the Company issued 6% per annum convertible bonds to the nominated entity of Zheyin Tianqin, Dogain Capital Limited, in an aggregate principal amount of HK$60,000,000 (the "**Zheyin Tianqin 2018 CB**") carrying conversion right to convert into 352,941,176 shares at the conversion price of HK$0.17 per share and maturing on 20 April 2020, being the second anniversary of the date of issue of the convertible bonds (or the next business day, if the anniversary date is not a business day).

(b) Financial liabilities at fair value through profit or loss

(i) Marsa CBs

On 21 November 2014, the Company entered into a sale and purchase agreement (the "**Acquisition Agreement**") with Mr. Chung Sum Sang and Ms. Eva Au (the "**Vendors**") pursuant to which the Company acquired from the Vendors the entire equity interest of Rainbow Star Global Limited ("**Rainbow Star**") (which indirectly owns 70% equity interest in Shenzhen Marsa Guer Chain Enterprise Limited, "**Shenzhen Marsa**") for the 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 issue of three equal tranches of convertible bonds 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 referred to as the "**Marsa CBs**"). In accordance with the terms and conditions of the Acquisition Agreement, the Company issued the 1st, 2nd and 3rd Marsa CBs to the Vendors or their nominees on 20 May 2015, 20 May 2016 and 3 May 2018 in the principal sum of HK$54,250,000 each.

The Company's obligations under the Marsa CBs 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 CBs at nominal sum by reference to the shortfall proportion (the "**PG Failure Cancellation Right**"). Shenzhen Marsa did not meet the profit guarantee for all 2015, 2016 and 2017 and accordingly, principal amounts of HK$36,298,675, HK$41,978,650 and HK$48,163,150 are liable to be redeemed and cancelled by the Company in respect of the 1st, 2nd and 3rd Marsa CBs, respectively. In addition, the Company shall have the right to redeem any uncancelled 1st, 2nd and 3rd Marsa CBs (in part or in whole) by issuing shares of the Company at the conversion price of HKD$0.50 per share (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 CBs (as the case may be) and ending on the business day immediately before their respective maturity dates. The Company has duly exercised the PG Failure Cancellation Right on 3 May 2018 and the Share Redemption Election Right on 4 May 2018 in respect of the 1st, 2nd and 3rd Marsa CBs, details of which are set out in the Company's announcement dated 4 May 2018.

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 "**Sell-back Right**"). The Company has decided not to exercise the Sell-back Right for the reasons set out in the Company's announcement dated 16 October 2018 and the Company's circular dated 28 December 2018. The non-exercise of the Sell-back Right was approved by independent shareholders at an extraordinary general meeting of the Company held on 17 January 2019.

As disclosed in the Company's announcement dated 4 May 2018, the Company cancelled part of the 1st, 2nd and 3rd Marsa CBs based on the fulfillment shortfall of the Profit Guarantee and exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation, as a result of which the Company has allotted and issued 72,619,050 Shares on 17 May 2018 in full performance of its obligations under the Marsa CBs.

(ii) Ample Reach CBs

On 28 November 2017, the Company (as purchaser) entered into an acquisition agreement with Ample Reach Limited ("**Ample Reach**"), 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**", which together with Phoenix Opco and Charm Eastern Limited are collectively referred to as the "**Hospital Group**") for a total consideration of HK$75,015,625 (the "**Hospital Acquisition**"), out of which HK$34,000,000 was paid in cash and HK$41,015,625 was settled by the issue of three equal tranches of zero-coupon convertible bonds to Ample Reach in the principal amount of HK$13,671,875 each, maturing respectively on 30 September 2018, 30 April 2019 and 30 September 2019 (the "**1st Ample Reach CB**", the "**2nd Ample Reach CB**" and the "**3rd Ample Reach CB**", respectively and collectively, the "**Ample Reach CBs**"). On completion of the Hospital Acquisition on 31 January 2018, Ample Reach CBs in the face value of HK$41,015,625 were issued to the Ample Reach in satisfaction of the consideration payable on completion. These Ample Reach CBs were recognized at fair value on issue at approximately HK$31,422,000.

The Company's obligations under the Ample Reach CBs are subject to the fulfillment of profit guarantee that the net profit before tax and non-controlling interest of the Hospital Group (excluding one-off income) for each of the six months period ending 30 June 2018, 31 December 2018 and 30 June 2019 shall meet the minimum profit of RMB2,500,000 (the "**First PG**"), RMB5,000,000 (the "**Second PG**") and RMB5,000,000 (the "**Third PG**"), respectively, failing which the Company shall have the right to cancel in whole or part of the Ample Reach CBs by reference to the shortfall proportion.

As disclosed in the Company's announcement dated 10 September 2018, the Company exercised the automatic conversion right over the entire principal amount of the 1st Ample Reach CB and allotted and issued 78,125,000 Shares (the "**Escrowed Shares**") at the conversion price of HK$0.175 per Share but put them in escrow and withhold their release until and unless the Second PG is determined by the Company to be satisfied in full. Under the Deed of Undertaking given by Ample Reach on 10 September 2018, if the Second PG is not satisfied in full, the Company shall be entitled to engage a financial institution as the placing agent to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages.

The Hospital Group was loss-making during the six months ended 31 December 2018. On 29 March 2019, the Company determined that the Vendor has failed to satisfy the Second PG in its entirety. Accordingly, the entire tranche of the 2nd Ample Reach CB shall be cancelled, and the Company will engage a placing agent to sell the Escrowed Shares as soon as practicable.

(c) HK Yinger CB

On 23 March 2018, the Company issued 3% per annum convertible bonds to the nominated entity of Hong Kong Sheen Smile International Investment Limited ("**HK Yinger**"), Fluent Robust Limited, in an aggregate principal amount of HK$120,000,000 (the "**HK Yinger CB**") carrying conversion right for the holder to convert into 705,882,352 shares of the Company at the initial conversion price of HK$0.17 per share, subject to anti-dilutive adjustments, and maturing on 23 March 2020, being the second anniversary of the date of issue of the convertible bonds.

Pursuant to the terms of the HK Yinger CB, the HK Yinger CB is only redeemable by cash at the option of the Company but not the holder of the HK Yinger CB. The Company's redemption option is exercisable at any time from the date of issuance to the maturity date and the amount payable upon redemption is the principal amount of the bonds redeemed. At the maturity date, the HK Yinger CB shall be mandatorily converted into shares of the Company based on the applicable conversion price unless conversion is restricted by the Conversion Restriction provisions of the bond.

The HK Yinger CB meets the definition of equity instrument and hence the entire instrument was recognized in equity of the Company and Group at the date of its issuance at its issuance price of HK$120,000,000, which in the opinion of directors of the Company represented its fair value at its issuance date, less transaction costs.

13. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables arising from the ordinary course of business of dealing in securities transactions:		
— Cash clients	**11,900**	6,895
— Clearing house	**1**	1
Trade payables from purchase of goods other than ordinary course of business, except for business of dealing in securities transactions	**6,308**	2,649
	18,209	9,545

The carrying amounts of trade payables approximate their fair values.

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 data 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, 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 2018 and 2017 are as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**2,737**	50
31 — 60 days	**1,064**	36
61 — 90 days	**57**	139
91 — 180 days	**72**	30
Over 180 days	**2,378**	2,394
	6,308	2,649

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation or restated to disclose the impact of the Share Consolidation. These reclassifications have no impact on the Group's loss for the year ended 31 December 2017 and the Group's total equity as at 31 December 2017.

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual financial statements for the year ended 31 December 2018:

In our opinion, except for the possible effects on the corresponding figures of the matters described in the Bases for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and consolidated cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASES FOR QUALIFIED OPINION

Opening balances as at 1 January 2017 and comparative figures

As explained in our auditors' report on the consolidated financial statements of the Group for the year ended 31 December 2017, we have been unable to obtain sufficient appropriate audit evidence about whether the opening balances as at 1 January 2017 of certain of the assets of the Group described in paragraphs (a) to (e) below were free from material misstatements. Since opening balances of these assets as at 1 January 2017 entered into the determination of the financial performance and cash flows of the Group for the year ended 31 December 2017, 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 other comprehensive income and the cash flows of the Group for the year ended 31 December 2017 reported in the consolidated statement of cash flows. Our audit opinion on the consolidated financial statements for the year ended 31 December 2017 was modified accordingly. Our opinion on the current year's consolidated financial statements for the year ended 31 December 2018 is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

(a) Impairment loss of loan receivables

The outstanding balances of loan receivables as at 31 December 2017 were long overdue beyond their respective maturity dates and 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 were free from material misstatements and hence whether the impairment loss on loan receivables, including accrued interests, amounting to approximately HK$30,597,000 for the year ended 31 December 2017 was free from material misstatement.

(b) *Impairment loss of promissory note receivables*

The outstanding balances of promissory notes as at 31 December 2017 were past due and 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 were free from material misstatements and hence whether the impairment loss on the note receivables, including accrued interests, amounting to approximately HK$165,617,000 for the year ended 31 December 2017 was free from material misstatement.

(c) *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 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 were free from material misstatements and hence whether the impairment loss on the prepayment, deposits and other receivables, amounting to approximately HK$7,774,000 for the year ended 31 December 2017 was free from material misstatement.

(d) *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 were free from material misstatements and hence whether the fair value loss on the call option, amounting to approximately HK$11,040,000 for the year ended 31 December 2017 was free from material misstatement.

(e) Impairment loss of trademark user right and technical know–how

In view of continuous losses in the beauty and wellness 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 beauty and wellness business. 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$62,363,000 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 knowhow intangible assets of the Group as at 1 January 2017 of HK$157,250,000 were free from material misstatements and hence whether the impairment loss on trademark user right and technical know–how intangible assets, amounting to approximately HK$62,363,000, was free from material misstatement.

Any adjustments found to be necessary in respect of the matters described in (a) to (e) above would have consequential impact on the Group's loss and cash flows for the year ended 31 December 2017, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

The Group incurred a loss attributable to the owners of the Company of approximately HK$79,454,000 for the year ended 31 December 2018, and its current liabilities were in excess of its current assets by an amount of approximately HK$2,865,000 as at 31 December 2018. 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 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.

MANAGEMENT DISCUSSIONS AND ANALYSIS

OVERVIEW

During the year ended 31 December 2018, the Board endeavours to strengthen the financial position of the Group. The Group successfully raised fund through equity and convertible securities fund-raising activities carried out throughout the financial year of 2018 to improve the financial position of the Group. Details of which are disclosed in the section headed "EQUITY FUND RAISING ACTIVITIES DURING THE YEAR" of this announcement. The Board has also been proactively seeking to explore business opportunities which are consistent with the business strategies of the Group, including the Hospital Acquisition which was completed in January 2018.

BUSINESS REVIEW

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

The revenue of the health, medical and related services segment increased during the year ended 31 December 2018 following the acquisition of the Phoneix Opco and the Zizhong Opco.

The revenue and operating profits of the beauty and wellness services segment increased during the year ended 31 December 2018. The Group is in ongoing process of negotiating with potential business partners with the view to opening new beauty and wellness centers in China. Subject to the materialization of these expansion plans, the management is hoping to further improve the financial performance of this segment.

With respect to the segment of integrated financial services, the Group continued to explore business opportunities 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.

The following events, which have significant impact to the financial position and the business operations of the Group, occurred during the year ended 31 December 2018:

(i) On 26 January 2018, the Company entered into subscription agreements regarding the issue by the Company of (1) 3% per annum convertible bonds in the principal amount of HK$120,000,000 to HK Yinger under specific mandate; (2) 6% per annum convertible bonds in the principal amount of HK$60,000,000 to Zheyin Tianqin under specific mandate; and (3) 6% per annum convertible bonds in the principal amount of HK$27,200,000 to the Investor (Mr. Liu Dong) under general mandate.

(ii) Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CB on 1 March 2018, 125,000,000 shares prior to the four to one share consolidation of the Company which become effective on 4 March 2019 (the "**Pre-consolidation Shares**") were allotted and issued by the Company to the nominated entity of Zheyin Tianqin, Dogain Capital Limited, based on the conversion price of HK$0.20 per Pre-consolidation Share at maturity.

(iii) Pursuant to the exercise of the conversion rights attaching to the Investor CB on 2 March 2018, 160,000,000 Pre-consolidation Shares were allotted and issued by the Company to the nominated entity of the Investor, Smoothly Good, based on the conversion price of HK$0.17 per Pre-consolidation Share.

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

(v) In May 2018, the Company repaid the bonds which were placed by AMTD Asset Management Limited in the amount of HK$14,000,000, upon the serving of the early redemption notices from bondholders under the terms of the bond.

(vi) As disclosed in the Company's announcement dated 4 May 2018, the Company exercised the PG Failure Cancellation Right to cancel part of the 1st, 2nd and 3rd Marsa CBs based on the fulfillment shortfall of the Profit Guarantee and exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation, as a result of which the Company allotted and issued 72,619,050 Pre-consolidation Shares on 17 May 2018.

(vii) In July 2018, the Company repaid to Tai Shing HK$6,355,809 under a promissory note and HK$5,938,996 under the 2nd Tai Cheng CB.

(viii) As disclosed in the Company's announcement dated 13 August 2018, the Company entered into a loan agreement dated 13 August 2018 pursuant to which the Company obtained a 6.5% p.a., six-month loan of HK$30,000,000 from HK Yinger (a company which is wholly-owned by Mr. Yu Qigang, a director and the chairman of the Company).

(ix) As disclosed in the Company's announcement dated 10 September 2018, the Company issued 78,125,000 Pre-consolidation Shares at the conversion price of HK$0.175 per Pre-consolidation Share upon conversion of the 1st Ample Pre-consolidation Share CB and entered into the Deed of Undertaking with Ample Reach such that these 78,125,000 Pre-consolidation Shares are put in escrow (the "**Escrowed Shares**") with their release withheld until and unless the Second PG is determined by the Company to be satisfied in full, failing which the Company shall be entitled to engage a financial institution as the placing agent to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages.

(x) As disclosed in the Company's announcement dated 16 October 2018, the Company proposed not to exercise the Sell-Back Right, which was approved by the independent shareholders at an extraordinary general meeting held on 17 January 2019.

(xi) In November 2018, the Company repaid Tai Shing HK$482,680.24 under the 3rd Tai Cheng CB.

(xii) As disclosed in the Company's announcement dated 27 November 2018, the Company entered into subscription agreements with two subscribers dated 27 November 2018 pursuant to which 466,000,000 Pre-consolidation Shares were allotted and issued at the subscription price of HK$0.053 per Pre-consolidation Share on 5 December 2018, raising net proceeds of approximately HK$24.50 million which was intended to be utilized for the repayment of debts and meeting the Group's liabilities when they fall due.

The following subsequent events occurred between the end of the financial year ended 31 December 2018 and the date hereof:

(i) At the extraordinary general meeting of the Company held on 17 January 2019, the non-exercise of the Sell-Back Right of Marsa was approved by the independent shareholders.

(ii) On 25 January 2019 (after trading hours), the Company and Jumbo Faith International Limited ("**Jumbo Faith**") entered into the Subscription Agreement, pursuant to which Jumbo Faith conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue, 754,716,981 ordinary shares (the "**Subscription Consolidated Shares**") of par value of HK$0.04 each (each a "**Consolidated Share**") in the share capital of the Company at the subscription price of HK$0.212 per Subscription Consolidated Share after the four-to-one share consolidation as disclosed in the Company's circular dated 13 February 2019 (the "**Share Consolidation**").

(iii) The four-to-one Share Consolidation was approved by shareholders at the extraordinary general meeting of the Company held on 1 March 2019 and took effect on 4 March 2019.

(iv) At the extraordinary general meeting of the Company held on 18 March 2019, the issuance of 754,716,981 Subscription Consolidated Shares was approved by the independent shareholders.

(v) As disclosed in the Company's announcement dated 29 March 2019, the Company determined that the Second PG failed in its entirety and the entire 2nd Ample Reach CB in the principal amount of HK$13,671,875 shall be cancelled. As a result of the non-fulfillment of the Second PG, the Company will engage a placing agent to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages.

FINANCIAL REVIEW

Revenue

As a result of the Board proactively seeking to explore business opportunities which are consistent with the business strategies of the Group, the Group reported total revenue for the year ended 31 December 2018 of approximately HK$82,092,000 (2017: HK$54,320,000), representing an increase of approximately 51.13% as compared to last year.

Health and Medical Business

During the year ended 31 December 2018, the Group reported revenue and operating loss from the health and medical business in the amounts of approximately HK$37,061,000 (2017: HK$16,180,000) and HK$37,629,000 (2017: HK$18,405,000), respectively. The substantial increase in revenue by approximately 129.05% as compared to last year was mainly attributable by the contribution to the revenue from the two hospitals acquired during the year under the Hospital Acquisition. The increase in the operating loss was mainly due to an impairment of goodwill of approximately HK$17,812,000 (2017: NIL) was included within health and medical business segment.

Beauty and Wellness Business

During the year ended 31 December 2018, the Group reported revenue and operating profit from the beauty and wellness business in the amounts of approximately HK$44,858,000 (2017: HK$38,089,000) and HK$9,251,000 (2017: operating loss of HK$51,888,000), respectively. The turnaround in operating result was mainly attributable by streamlining of the business operation of Shenzhen Marsa, closing down of non-performing centers and opening of new centers, the launch of marketing campaigns and promotional events and the adoption of cost-control measures.

Integrated Financial Business

During the year ended 31 December 2018, the Group reported revenue and operating loss from the financial business of approximately HK$173,000 (2017: HK$51,000) and HK$3,376,000 (2017: HK$4,040,000), respectively. The Group is still exploring business opportunities and formulating strategies to develop its integrated financial services.

Finance costs, net

The Group reported finance costs, net of approximately HK$13,534,000 (2017: HK$1,387,000) for the year ended 31 December 2018. The significant change in the finance costs, net was mainly due to the decrease in the interest income received by the Group. Interest income from loan receivables and promissory note receivables for the year ended 31 December 2018 was HK$Nil (2017: HK$15,168,000). Details of finance costs, net for the years ended 31 December 2018 and 2017 are set out in Note 6 to the consolidated financial statements above.

Impairment testing on goodwill and non-fulfillment of profit guarantee

Goodwill in the amount of approxiamtely HK$54,232,000 was recognised in the consolidated statement of financial position at the time of completion of the Hospital Acquisition. The management performed an impairment assessment on the goodwill and engaged an independent valuer to conduct impairment testing on the goodwill 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 14.62%; (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 Phoenix Opco and Zizhong Opco, the carrying amount of the goodwill as at 31 December 2018 was assessed at approximately HK$36,420,000, resulting in an impairment loss of goodwill of approximately HK$17,812,000 (2017: HK$Nil) being recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

On completion of the Hospital Acquisition, Ample Reach CBs in the face value of HK$41,015,625 were issued to Ample Reach in satisfaction of the consideration payable on completion. The Ample Reach CBs were recognised at fair value on issue at approximately HK$31,422,000. As disclosed in the Company's announcement dated 10 September 2018, the Company converted the 1st Ample Reach CB into 78,125,000 Pre-consolidation Shares at the conversion price of HK$0.175 per Pre-consolidation Share and entered into the Deed of Undertaking with Ample Reach such that the 78,125,000 Pre-consolidation Shares are put in escrow (the "**Escrowed Shares**") with their release withheld until and unless the Second PG is determined by the Company to be satisfied in full. As disclosed in the Company's announcement dated 29 March 2019, the Company determined and resolved that the Second PG has failed in its entirety, as a result of which the Company shall be entitled to engage a placing agent to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages and to cancel the 2nd Ample Reach CB in the entire principal amount of HK$13,671,875. The Escrowed Shares were recognised in the consolidated statement of financial position as at 31 December 2018 as financial assets at fair value though profit or loss.

The Board considers that the effect of the impairment loss of goodwill of approximately HK$17,812,000 for the year ended 31 December 2018 is partially offset by the forfeiture of the Escrowed Shares and the cancellation of the 2nd Ample Reach CB.

Impairment testing on trademark user right and technical know-how

On 20 May 2015, the Group completed the acquisition of 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 management performed an impairment assessment and engaged an independent valuer to conduct impairment testing on the trademark user right and technical know-how 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 13.52%; (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 2018 was assessed at approximately HK$94,887,000, resulting in an impairment loss of trademark user right and technical know-how of approximately HK$Nil (2017: HK$62,363,000) being recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

Fair value changes of financial liabilities at fair value through profit or loss

The management performed fair value assessment and engaged an independent valuer to conduct assessment on the convertible bonds at fair value through profit or loss at the end of the reporting period. Based on the results of fair value assessment of the Marsa CBs as at 31 December 2017 and the Ample Reach CBs as at 31 December 2018 prepared by the independent valuer, the fair value of the convertible bonds at fair value through profit or loss as at 31 December 2018 was assessed at approximately HK$2,913,000 (2017: HK$13,229,000), resulting in fair value changes of convertible bonds at fair value through profit or loss of approximately HK$35,651,000 (2017: HK$9,048,000) being credited to the consolidated statement of profit or loss for the year ended 31 December 2018.

Fair value changes of financial assets at fair value through profit or loss

The management performed fair value assessment on the Escrowed Shares at fair value through profit or loss at the end of the reporting period. The 78,125,000 Escrowed Shares were converted from the 1st Ample Reach CB at the conversion price of HK$0.175 per Pre-consolidation Share. As at 31 December 2018, the market price was closed at HK$0.192 per Pre-consolidation Share. The fair value of the Escrowed Shares as at 31 December 2018 was assessed at approximately HK$15,000,000 (2017: Nil), resulting in fair value changes of financial assets at fair value through profit and loss of approximately HK$1,328,000 (2017: Nil) being credited to the consolidated statement of profit or loss for the year ended 31 December 2018.

Fair value changes of derivative financial assets

The management performed fair value assessment and engaged an independent valuer to conduct assessment on the redemption option derivation component for Investor CB and Zheyin Tianqin 2018 CB at the end of the reporting period. Fair value changes of derivative financial assets in the amount of approximately HK$28,747,000 (2017: Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2018. Details are set out in Note 12(a)(vi) and (vii) to the consolidated financial statement.

Loss for the year

The Group reported net loss for the year of approximately HK$78,154,000 (2017: HK$322,239,000).

CONNECTED TRANSACTIONS

On 26 January 2018, the Company entered into a subscription agreement regarding the issue by the Company of 3% per annum convertible bonds in the principal amount of HK$120,000,000 to HK Yinger under specific mandate which constitute a connected transaction. The issue of HK Yinger CB was approved by the independent shareholders at the extraordinary general meeting held on 19 March 2018.

In October 2018, the Company proposed not to exercise the Sell-Back Right in respect of Marsa which constitute a connected transaction. The non-exercise of the Sell-Back Right was approved by independent shareholders at the extraordinary general meeting held on 17 January 2019.

On 13 August 2018, the Company entered into a loan agreement with HK Yinger (a company which is wholly-owned by Mr. Yu Qigang, a director and the chairman of the Company) pursuant to which the Company obtained a six-month loan in the principal amount of HK$30,000,000 at the interest rate of 6.5% per annum. No collateral on the Group's assets was required for the said loan. The Board (including the independent non-executive directors who attended the Board meeting but excluding Mr. Yu Qigang and Mr. Chen Hanhong who abstained from voting at the Board meeting due to their directorship in HK Yinger and deemed interest in the transaction) was of the view that the provision of the loan by Mr. 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 of the Listing Rules.

EQUITY FUND RAISING ACTIVITIES DURING THE YEAR

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
26 January 2018	Subscription of the HK Yinger CB in the principal amount of HK$120 million under specific mandate, which was completed on 23 March 2018	Approximately HK$118.2 million	For the repayment and set-off of the principal of two loans granted by HK Yinger to the Company in June and October 2017, respectively, in the aggregate principal amount of HK$120 million	Fully utilised as intended
26 January 2018	Subscription of the 6% per annum Zheyin Tianqin CB in the principal amount of HK$60 million under specific mandate, which was completed on 19 April 2018	Approximately HK$59.1 million	For settlement of the Group's debts as they fall due and/or general working capital	Fully utilised as intended

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
26 January 2018	Subscription of the 6% per annum Investor CB in the principal amount of HK$27.2 million under general mandate, which was completed on 8 February 2018. Pursuant to the exercise of the conversion rights attaching to the Investor CB on 2 March 2018, 160,000,000 Pre-consolidation Shares were allotted and issued by the Company to the nominated entity of the Investor, Smoothly Good Investment Development Limited, based on the conversion price of HK$0.17 per Pre-consolidation Share.	Approximately HK$26.8 million	For the repayment of the Zheyin Tianqin 2017 CB if Zheyin Tianqin opted for cash redemption and the settlement of the Group's debts and working capital if Zheyin Tianqin opted for conversion without cash redemption	Fully utilised for the settlement of the Group's debts as intended in partial repayment of the principal amount of the March 2015 CB on its maturity in March 2018
27 November 2018	Subscription of 466,000,000 Pre-consolidation Shares at HK$0.053 per Pre-consolidation Share under general mandate, which was completed on 5 December 2018	Approximately HK$24.5 million	To repay debts and to meet the Group's liabilities when they fall due	Remained untilised as at 31 December 2018

In addition to the above, the Company has conducted the following equity issue during the year ended 31 December 2018:

(i) On completion of the Hospital Acquisition in January 2018, the Company issued three equal tranches of zero-coupon convertible bonds to Ample Reach in the principal amount of HK$13,671,875 each, maturing respectively on 30 September 2018, 30 April 2019 and 30 September 2019.

(ii) Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CB on 1 March 2018, 125,000,000 Pre-consolidation Shares were allotted and issued by the Company to the nominated entity of Zheyin Tianqin, Dogain Capital Limited, based on the conversion price of HK$0.20 per Pre-consolidation Share at maturity. As disclosed in the Company's announcement dated 26 October 2017, the net proceeds of HK$25,000,000 were actually raised in the year ended 31 December 2017.

(iii) On 4 May 2018, the Company exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation, as a result of which the Company allotted and issued 72,619,050 Pre-consolidation Shares on 17 May 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had total assets of approximately HK$329,057,000 (31 December 2017: HK$199,769,000) and interest-bearing borrowings of approximately HK$40,486,000 (31 December 2017: HK$116,575,000), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 12.30% (31 December 2017: 58.35%).

As at 31 December 2018, the Group had net current liabilities of approximately HK$2,865,000 (31 December 2017: HK$169,817,000), being the shortfall of current assets of approximately HK$117,088,000 (31 December 2017: HK$66,237,000) below the current liabilities of approximately HK$119,953,000 (31 December 2017: HK$236,054,000), representing a current ratio of approximately 0.98 (31 December 2017: 0.28).

As at 31 December 2018, the Group had cash and bank balances (including trust and segregated accounts) of approximately HK$64,737,000 (31 December 2017: HK$33,354,000). As at 31 December 2018, the Group had cash and bank balances (excluding trust and segregated accounts) of approximately HK$52,911,000 (31 December 2017: HK$26,458,000).

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group was not engaged in any hedging measures during the year ended 31 December 2018. The Group will regularly review its position and will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

CAPITAL STRUCTURE

In this section, references to shares refer to the status of affairs prior to the four-to-one Shares Consolidation which became effective on 4 March 2019.

Save as the disclosure herein, there were no changes in the capital structure of the Company during the year ended 31 December 2018 and up to the date of this announcement.

(A) Share Capital

Details on the movements of the share capital for the years ended 31 December 2018 and 2017 are set out as follows:

Authorised capital

	Number of shares	Nominal value *HK$'000*
As at 1 January 2017 and 31 December 2017	4,000,000,000	40,000
Increase during the year *(Note (i))*	16,000,000,000	160,000
As at 31 December 2018	**20,000,000,000**	**200,000**

Issued and fully paid capital

	Number of shares	Nominal value *HK$'000*
As at 1 January 2017 and 31 December 2017	1,972,452,606	19,725
Issued during the year *(Note (ii))*	901,744,050	9,017
As at 31 December 2018	**2,874,196,656**	**28,742**

Notes:

(i) On 19 March 2018, the authorized share capital of the Company was increased from HK$40,000,000 divided into 4,000,000,000 Pre-consolidation Shares to HK$200,000,000 divided into 20,000,000,000 Pre-consolidation Shares.

(ii) The 901,744,050 Pre-consolidation Shares newly issued during the year ended 31 December 2018 comprises: (a) 125,000,000 Pre-consolidation Shares issued on the conversion of Zheyin Tianqin 2017 CB on 5 March 2018; (b) 160,000,000 new shares issued on the conversion of Investor CB on 5 March 2018; (c) 72,619,050 Pre-consolidation Shares issued on the conversion of the Marsa CBs on 17 May 2018; (d) 78,125,000 Pre-consolidation Shares issued on the conversion of 1st Ample Reach CB on 10 September 2018; and (e) 466,000,000 Pre-consolidation Shares issued to two subscribers at the subscription price of HK$0.053 per Pre-consolidation Shares on 5 December 2018.

(B) Share Options

Details on the movements of the share options granted under the share option scheme(s) for the years ended 31 December 2018 and 2017 are set out as follows:

	2018		2017	
	Weighted average exercise price in HK$ per Pre-consolidation Share	**Number of share option**	Weighted average exercise price in HK$ per Pre-consolidation Share	Number of share option
At 1 January	**0.32**	**23,000,000**	0.32	55,800,000
Lapsed during the year	**0.32**	**(9,000,000)**	0.32	(32,800,000)
At 31 December	**0.32**	**14,000,000**	0.32	23,000,000

Notes:

(i) On 2 September 2006, a share option scheme (the "**Share Option Scheme**") was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

(ii) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 Pre-consolidation Shares of the Company at an exercise price of HK$0.37 per Pre-consolidation Share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022. The weighted average fair value of options granted was determined using the Trinomial Option Pricing Model at HK$0.21 per option. The significant inputs into the model were weighted average share price of HK$0.37 per Pre-consolidation Share at the grant date, exercise price shown above, volatility of 45%, dividend yield of 0%, an expected option life of 10 years, and annual risk-free interest rate of 1.14%.

(iii) In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,245,260 share options under the Share Option Scheme. On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 Pre-consolidation Shares at an exercise price of HK$0.215 per Pre-consolidation Share were offered to certain eligible participants (as defined under the Share Option Scheme). However, the offers of share options were not accepted by the grantees within the 28 days' period as stipulated in the rules of the Share Option Scheme and lapsed without acceptance on 13 January 2016.

(iv) The Share Option Scheme has a lifespan of 10 years. On 2 September 2016, the Share Option Scheme lapsed pursuant to its term. No share options can be granted under the Share Option Scheme after the scheme lapsed in September 2016.

(C) Convertible Bonds

Details on the movements of the convertible bonds during the year ended 31 December 2018 and the outstanding convertible bonds as at 31 December 2018 as set out in are set out in Note 12 to the consolidated financial statements.

CHARGES ON ASSETS

None of the Group's assets was pledged to secure any facilities and borrowings granted to the Group as at 31 December 2018.

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no material contingent liabilities as at 31 December 2018.

As disclosed in the Company's announcement dated 4 May 2018, (i) on 3 May 2018, the Company exercised the PG Failure Cancellation Right to cancel part of the Marsa CBs based on the fulfillment shortfall of the Profit Guarantee; and (ii) on 4 May 2018, the Company exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation, as a result of which the Company allotted and issued 72,619,050 Pre-consolidation Shares on 17 May 2018 in full performance of the Company's obligations under the Marsa CBs. However, subsequent to 17 May 2018, the Company received letters from certain holder(s) of Marsa CB (or their legal advisers) seeking to challenge the Company's determination on certain of the Marsa CBs. The Company has instructed its legal adviser to uphold and protect its legal right and interest.

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) In March 2018, the Company issued six writs of summons to the six Loan Receivables Borrowers 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. During the year ended 31 December 2018, the Company successfully recovered a payment of HK$3,300,000 from one of the Loan Receivable Borrowers. The Company has instructed its legal advisers to continue to pursue after the other borrowers.

(ii) In March 2018, the Company issued two writs of summons to the two promissory notes borrowers 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, together with interest and cost. The Company has instructed its legal advisers to continue to pursue after these borrowers.

(iii) In August 2018, the Company issued two writs of summons to the two accounts receivable holders in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the outstanding accounts receivables in the aggregate principal amount of HK$52,471,047, together with interest and cost. The Company has instructed its legal advisers to continue to pursue after these borrowers.

HUMAN RESOURCES

As at 31 December 2018, the Group has 327 employees 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.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeem any of the Company's securities listed on the Stock Exchange during the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Company and the Directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as stated in Appendix 14 of the Listing Rules during the year ended 31 December 2018, except the deviation disclosed in the following paragraph:

(i) 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 Company has engaged an internal control consultant to review its internal control procedures to reinforce its governance level to seek to ensure compliance with Code Provisions A.2.5 and A.2.6.

(ii) 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 7 June 2018, three independent non-executive directors and one non-executive director were absent due to other business engagements.

(iii) 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 Company provided regular update on the development and affairs of the Group to all Directors during the year ended 31 December 2018.

(iv) With respect to Code Provision C.1.3, unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis. The Directors are aware of material uncertainties that may cast doubt on the Company's going concern as stated in the paragraph headed "EXTRACT OF THE AUDITORS' REPORT — Material Uncertainty relating to the Going Concern basis", the Group incurred a loss attributable to the owners of the Company of approximately HK$79,454,000 for the year ended 31 December 2018, and its current liabilities were in excess of its current assets by an amount of approximately HK$2,865,000 as at 31 December 2018. 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.

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.

(v) With respect to Code Provisions C.2.1, C.2.2 and C.2.4, (a) the Board is responsible for the risk management and internal control systems and reviewing their effectiveness; (b) the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss; (c) the Company has adopted an internal control policy requiring proper financial reporting and record keeping; (d) 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; (e) the review should cover all material controls, including financial, operational and compliance controls and risk management functions; and (f) 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. The Company has engaged an internal control consultant to review its internal control systems and provide recommendation to the Company, including suggested improvements on the monitoring and approval procedures in relation to records keeping.

(vi) With respect to Code Provision C.2.5, 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. Due to the size and scale of operations, the Group did not have internal audit function during the year ended 31 December 2018.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee comprises three independent non-executive directors, namely Mr. David Tsoi (Chairman), Mr. Wu Hong and Mr. Wang Chunlin. 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. The audited consolidated financial statements of the Group for the year ended 31 December 2018 have been reviewed by the audit committee of the Company.

ADDITIONAL INFORMATION RELATING TO THE QUALIFIED OPINION

As set out in the Company's annual report for the year ended 31 December 2017 (the "**2017 Annual Report**"), the auditors of the Company issued disclaimer of opinion in the independent auditors' report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2017. As stated in the paragraph headed "EXTRACT OF THE AUDITORS' REPORT – BASES FOR QUALIFIED OPINION", the auditors have been unable to obtain sufficient appropriate audit evidence to satisfy themselves as to whether the opening balances of the loan receivables, the promissory note receivables, the prepayment, deposits and other receivables, the call option derivative financial instrument, and the trademark user right and the technical know–how intangible assets as at 1 January 2017 contained misstatements that materially affect the consolidated financial statements of the Group for the year ended 31 December 2017 (the "**Relevant Matters**").

The Company included an extract of the auditors' report in this announcement regarding the bases for qualified opinion to be given by the auditors of the Company on the consolidated financial statements of the Group for the year ended 31 December 2018. The qualified opinion is because of the possible effects of the Relevant Matters on the comparability of the current year's figures and the corresponding figures. In addition, the Group incurred a loss attributable to the owners of the Company of approximately HK$78,154,000 for the year ended 31 December 2018, and its current liabilities were in excess of its current assets by an amount of approximately HK$2,865,000 as at 31 December 2018, indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In relation to the material uncertainty relating to the going concern basis, the Directors adopted the going concern basis in the preparation of the consolidated financial statements and implemented measures in order to improve the working capital and liquidity and cash flow position of the Group. In particular, the Company has on 25 January 2019 entered into the Subscription Agreement with Jumbo Faith, pursuant to which Jumbo Faith conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue, 754,716,981 Subscription Consolidation Shares at the subscription price of HK$0.212 per Subscription Consolidated Share after the four–to–one Share Consolidation, raising net proceeds of HK$156 million on its completion.

After considering the management's presentation on the measures taken by the Group especially those subsequent to the financial period end as explained above, the audit committee concurred with the going concern presentation of the Company's consolidated financial statements for the year ended 31 December 2018 as adopted by the Management. The Management made and will continue to make efforts to satisfy the conditions precedent to the Subscription Agreement and to explore various fund alternatives of raising more funding by way of equity or debt with the view to continuously improving the Group's financial position and addressing the material uncertainty on the Group's going concern.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement of the Group's results have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited (the "**HLB**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS OF LISTED ISSUERS

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct for Directors in their dealings in the Company's securities. All existing directors have confirmed to the Company that they have complied with the Model Code during the year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (http://www.green-international.com). The 2018 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited and the Company on or before 30 April 2019.

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 2019

As at the date of this announcement, the executive Directors are Mr. Yu Qigang (Chairman), Mr. Chen Hanhong and Mr. Liu Dong; and the independent non-executive Directors are Mr. Wu Hong, Mr. David Tsoi and Mr. Wang Chunlin.