美瑞健康国际产业集团
Meilleure Health International Industry Group

MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED
美瑞健康國際產業集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 2327)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		**Percentage of Change**
	2018	2017	
	HK$'000	*HK$'000*	*(%)*
Revenue	**230,542**	68,705	235.6
Gross profit	**90,222**	39,603	127.8
Profit for the year	**81,524**	79,744	2.2
Of which: Profit attributable to owners of the Company	**80,537**	80,066	0.6
Profit attributable to owners of the Company (excluding goodwill impairment)	**98,071**	80,066	22.5
Basic earnings per share *(cents)*	**2.15**	2.4	(10.4)

	As at 31 December		**Percentage of Change**
	2018	2017	
	HK$'000	*HK$'000*	*(%)*
Total assets	**1,296,586**	1,073,490	20.8
Of which: Current assets	**546,063**	389,914	40.0
Total liabilities	**474,954**	387,031	22.7
Of which: Current liabilities	**267,665**	199,025	34.5
Total equity	**821,632**	686,459	19.7
Of which: Equity attributable to owners of the Company	**817,003**	682,400	19.7

On behalf of the board of directors (the "Board") of Meilleure Health International Industry Group Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 (the "year").

RESULTS

During the year under review, the Group recorded a turnover of approximately HK$230,542,000 (2017: approximately HK$68,705,000), representing an increase of 2.4 times as compared with the same period last year. Profit attributable to owners of the Company amounted to approximately HK$80,537,000 (2017: approximately HK$80,066,000, representing an increase of 0.6% as compared with the same period last year. Excluding the goodwill impairment for the year of approximately HK$17,534,000, the profit attributable to owners of the Company increased from approximately HK$80,537,000 to approximately HK$98,071,000, representing an increase of 22.5% as compared with the same period last year.

Healthcare Related Business

The revenue derived from the Healthcare Related Business for the year was approximately HK$46,248,000 (2017: approximately HK$43,036,000), representing an increase of 7.5% as compared with the same period last year. The profit derived from this segment was approximately HK$2,985,000 (2017: approximately HK$255,000), representing an increase of 10.7 times as compared with the same period last year.

Trading Business

The revenue derived from the Trading business for the year was approximately HK$118,847,000 (2017: approximately HK$1,099,000), representing an increase of 107.1 times as compared with the same period last year. The profit derived from this segment was approximately HK$16,221,000 (2017: approximately HK$458,000), representing an increase of 34.4 times as compared with the same period last year, which was mainly due to the increase of steel trading business.

Agency Service

The revenue derived from the Agency Service for the year was approximately HK$46,731,000 (2017: approximately HK$14,727,000), representing an increase of 2.2 times as compared with the same period last year. The profit derived was increased by 205.3% from approximately HK$13,098,000 for the year ended 31 December 2017 to approximately HK$39,991,000 for the year ended 31 December 2018. The significant increase was mainly resulted from the significant increase in the consultancy and agency business in China.

Property Investment and Leasing Business

The revenue from the Property Investment and Leasing Business was increased by 90.1% from approximately HK$9,843,000 for year ended 31 December 2017 to approximately HK$18,716,000 for the year ended 31 December 2018, mainly due to an increase in rental revenue. The profit derived was decreased by 29.5% from approximately HK$106,346,000 for the year ended 31 December 2017 to approximately HK$74,943,000 for the year ended 31 December 2018, mainly due to the decrease in fair value gain on its investment properties.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018.

DEVELOPMENT AND PROSPECTS

Acquisition of an Associate

On 10 February 2018, the Group entered into a Framework Agreement with Hemp Investment Group pursuant to which the Group agreed to purchase from Hemp Investment Group a 20% equity interest (the "20% Equity Interest") in 雲南漢素生物科技有限公司(Yunnan Hansu Biotechnology Co., Ltd.) ("Yunnan Hansu"), a company established in the PRC. Thereafter, to implement the arrangements under the Framework Agreement, the Group entered into an Equity Transfer Agreement with Hemp Investment Group, pursuant to which Hemp Investment Group agreed to transfer the 20% Equity Interest to 蕪湖美瑞健康管理有限公司 (Wuhu Meilleure Health Management Limited), an indirect wholly-owned subsidiary of the Company, at a consideration of RMB60 million. The acquisition was completed on 16 March 2018.

Yunnan Hansu holds the first hemp processing licence that complies with the GMP standard in the PRC. To the best of the Company's information and belief after making reasonable enquiries, it is also the largest extraction base of Cannabidiol (CBD) and other cannabinol substance. Currently thirteen effective non-psychoactive ingredients and terpenoids in hemp can be extracted and isolated in the base. Being the only facility where geranyl flavonoids could be extracted from hemps for industrial purposes, it has applied for 17 patents and has been the demonstration project of the anti-drug authority in Yunnan Province. It sets the leading benchmark for the industry in the world, and has great influence in the pricing of international market.

Hemp Investment Group is one of the global leaders in the hemp industry, as well as a pioneer and leading company in the hemp industry of the PRC. It is the only legal investment group in the PRC using the entire industry chain of medical hemp as its business layout, and biopharmaceutics as its direction, covering the entire hemp industry value chain from hemp plantation, extraction, and biopharmaceutics with hemp-base active extracts as ingredients. Based on the fact that Hemp Investment Group possesses resources of major hemp varieties and a full spectrum of licenses in the PRC, it has been placed in the international leading position in the research and study field of indications for cannabinoid pharmaceutics and has two academician workstations.

The cooperation with Hemp Investment Group is a critical initiative for the Group's strategic investment in medical and healthcare industry.

DEVELOPMENT AND PROSPECTS *(Continued)*

Subscription of new shares

On 20 February 2018, the Company entered into the Subscription Agreement with Mr. Tan Xin ("Mr. Tan") and Mr. Zhang Ke ("Mr. Zhang"), pursuant to which Mr. Tan and Mr. Zhang agreed to subscribe for, through a company to be incorporated by them (this company was later incorporated as Hanzhong Investment Group Co., Limited（漢眾投資集團有限公司）) and the Company agreed to allot and issue to the company a total of 312,000,000 Subscription Shares at the Subscription Price of HK$0.35 per Subscription Share. The net proceeds from the subscription are approximately HK$109,200,000. The Company intended to use the net proceeds from the subscription to enlarge its capital base and prepare for any development opportunities especially the development of hemp health industry and the production of epilepsy, antidepressant, analgesic and Alzheimer's disease prevention and treatment products with cannabidiols ("CBD") as the core component. The subscription was completed on 28 September 2018.

FUTURE DEVELOPMENT

On 3 February 2019, 深圳市前海美瑞健康管理諮詢有限公司（Shenzhen Qianhai Meilleure Health Management Consulting Co., Ltd.) ("Shenzhen Meilleure"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with Ms. Jiang Shu ("Ms. Jiang"), Mr. Li Zhanhuai ("Mr. Li") and 深圳市茵冠生物科技有限公司（Shenzhen Wingor Biotechnology Co, Ltd.) ("Shenzhen Wingor"), pursuant to which Shenzhen Meilleure has conditionally agreed to acquire from Ms. Jiang and Mr. Li a 45% equity interest (the "45% Equity Interest") in Shenzhen Wingor at a total consideration of RMB55,278,000. Shenzhen Wingor is a state-level high-tech enterprise in the field of cells, with its business covering preparation and storage, technology research and development, clinical research and transformation applications of cell products. The Directors believe that through the acquisition, the Company will further solidify its existing competitive position in the health management service field through pursuit of precision medicine, and will be afforded the opportunity to tap into new business areas through entering the cell and gene treatment market. Completion of the acquisition occurred in the end of February 2019 upon which Shenzhen Meilleure held the 45% Equity Interest in, and become the single largest shareholder of Shenzhen Wingor.

FINANCIAL REVIEW

Liquidity

As at 31 December 2018, cash and cash equivalents of the Group totalled to approximately HK$161,142,000 (2017: approximately HK$50,852,000), of which approximately 8.43% are denominated in Hong Kong dollars, 36.58% in RMB, 50.61% in US dollars, 0.02% in JPY, 0.04% in Euro and 4.32% in AUD. The increase in cash and cash equivalents is mainly due to the increase in funds raising and bank borrowings.

As at 31 December 2018, the Group had aggregate banking facilities of HK$283,466,000 (2017: HK$175,537,000) of which a short term loan of HK$219,563,000 was utilized (2017: HK$128,287,000). The bank borrowings are mainly used as working capital of the Group.

Gearing Ratio

As at 31 December 2018, the gearing ratio was 23% (2017: 30%), calculated on net debt divided by the equity attributable to owners of the Company plus net debt. Net debt includes bank borrowings, trade payables, other payables and accruals, amounts due to related parties and obligation arising from a put option to non-controlling shareholders, less cash and cash equivalents. As of 31 December 2018, the Group had the net debt of HK$249,922,000 (2017: HK$290,046,000), while the equity attributable to owners of the Company was amounted to HK$817,003,000 (2017: HK$682,400,000).

Capital Commitments

As at 31 December 2018, the Company had no capital commitment (2017: Nil).

Pledge of the Group's Assets

As at 31 December 2018, the bank borrowings amounting to HK$219,563,000 (2017: HK$128,287,000) was secured by the Hong Kong investment property, the commercial properties in Wuhu, the commercial properties in Nanjing, the land in Australia of the Group and the bank pledged deposit, at carrying value of HK$62,900,000, HK$143,613,000, HK$28,900,000, HK$208,874,000 and HK$6,857,000 respectively.

Contingent Liabilities

On 1 November 2016, a writ of summons was issued by Feng Hong Jiao ("Feng") against an indirect subsidiary of the Company, La Clinique De Paris (Hong Kong) Limited ("LCDPHK") and two other co-defendants, claiming that she has suffered from personal injury, loss and damage which was allegedly caused by the medical negligence and/or breach of contract and/or misrepresentation on the part of LCDPHK and the co-defendants, and that LCDPHK and the co-defendants were vicariously liable in the treatment and care given by its employees, servants, agents and/or representatives to Feng (the "Action"). In the Action, Feng claimed against LCDPHK and the co-defendants for unliquidated damages which amounted to approximately HK$2,316,666 plus interests to be assessed. As at 29 March 2019, the Action was at a preliminary stage of court proceedings as Feng and LCDPHK has not yet file any evidence. The Company was in the process of seeking legal advice from its legal adviser as to the above matter. The directors are of the opinion that as a result of the preliminary stage of the Action, it is difficult to assess the probability that Feng may recover any amount from the Company. In addition, the directors represent that the proceeding was incurred prior to the acquisition of La Clinique De Paris International Limited ("LCDPI") by the Group, and hence the losses of the claim would be borne by former shareholders of LCDPI as prescribed by the share purchase agreement. Taking into consideration the above conditions, the directors are of the view that there is no need to make a provision in respect of the claim.

Save as disclosed above, the Group was not liable to any material legal proceedings of which provision for contingent liabilities was required.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	4	**230,542**	68,705
Cost of sales		**(140,320)**	(29,102)
Gross profit		**90,222**	39,603
Fair value gain on investment properties	9	**56,227**	97,886
Other income and gains/(losses), net	4	**15,450**	750
Selling and distribution expenses		**(2,389)**	(2,496)
Administrative expenses		**(30,796)**	(21,365)
Finance costs		**(12,677)**	(10,817)
Share of profit of an associate		**8,080**	—
Goodwill impairment		**(17,534)**	—
PROFIT BEFORE TAX	6	**106,583**	103,561
Income tax expense	7	**(25,059)**	(23,817)
PROFIT FOR THE YEAR		**81,524**	79,744
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Changes in fair value		**—**	785
Equity investment designated at fair value through comprehensive income:			
Changes in fair value		**627**	—
		627	785
Exchange differences on translation of foreign operations		**(56,178)**	53,675
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(55,551)**	54,460
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**25,973**	134,204

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

Year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Profit attributable to:			
Owners of the company		**80,537**	80,066
Non-controlling interests		**987**	(322)
		81,524	79,744
Total comprehensive income attributable to:			
Owners of the company		**25,403**	134,477
Non-controlling interests		**570**	(273)
		25,973	134,204
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**HK2.15 cents**	HK2.40 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,767**	3,761
Investment properties	*9*	**586,522**	583,200
Investment in an associate	*10*	**82,683**	—
Goodwill	*11*	**65,256**	82,790
Other intangible assets		**632**	857
Equity investments designated at fair value through other comprehensive income		**11,960**	—
Available-for-sale investment		**—**	12,231
Deferred tax assets		**703**	737
Total non-current assets		**750,523**	683,576
CURRENT ASSETS			
Inventories		**12,222**	816
Land held for development		**208,874**	230,841
Investment property held for sale	*9*	**17,583**	—
Trade receivables	*12*	**113,712**	72,405
Prepayments, deposits and other receivables		**23,127**	24,941
Tax recoverable		**2,546**	2,553
Pledged bank deposits		**6,857**	7,506
Cash and cash equivalents		**161,142**	50,852
Total current assets		**546,063**	389,914
CURRENT LIABILITIES			
Trade payables	*13*	**3,521**	1,119
Other payables and accruals		**36,822**	24,546
Amounts due to related parties		**830**	43,092
Bank borrowings		**219,563**	128,287
Income tax payables		**6,929**	1,981
Total current liabilities		**267,665**	199,025
NET CURRENT ASSETS		**278,398**	190,889
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,028,921**	874,465

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Obligation arising from a put option to non-controlling shareholders		**150,328**	143,854
Deferred tax liabilities		**51,269**	38,147
Other non-current liabilities		**5,692**	6,005
Total non-current liabilities		**207,289**	188,006
NET ASSETS		**821,632**	686,459
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**39,118**	35,998
Equity reserve		**777,885**	646,402
		817,003	682,400
Non-controlling interests		**4,629**	4,059
Total equity		**821,632**	686,459

1. GENERAL INFORMATION

MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were mainly involved in the following principal activities:

- Healthcare Related Business — Anti-aging health management services and sales of medicines
- Trading Business — Trading of healthcare products and construction materials
- Agency Service — Real estate agency and construction materials trading service
- Property Investment and Leasing Business

2. BASIS OF PREPARATION

These 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. ADOPTION OF HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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
HKIFRS 9	Financial Instruments
HKIFRS 15	Revenue from Contracts with Customers
Amendments to HKIFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The adoption of the new and revised standards and interpretation has had no significant financial effect on these financial statements.

4. REVENUE, OTHER INCOME AND GAINS/LOSSES, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; gross rental income received and receivable and the value of services rendered.

An analysis of revenue, other income and net gains/losses, net is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Revenue from contracts with customers		
Anti-aging and health management related income	**46,248**	43,036
Service income	**46,731**	14,727
Trading business	**118,847**	1,099
Revenue from other sources		
Rental income	**18,716**	9,843
	230,542	68,705
Other income		
Interest income	**337**	2,970
Dividend income from equity investments at fair value through other comprehensive income	**584**	—
Government grants	**544**	—
Others	**1,460**	1,398
	2,925	4,368
Gains/(losses), net		
Gain on bargain purchase	**7,492**	—
Foreign exchange differences	**3,894**	(58)
Gain on disposal of investment properties	**2,551**	—
Impairment losses of trade receivables	**(1,112)**	(3,482)
Others	**(300)**	(78)
	12,525	(3,618)
	15,450	750

5. OPERATING SEGMENT INFORMATION

For the year ended 31 December 2018, the Group has six reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

(a) Trading business — Trading of healthcare products and construction materials;

(b) Agency service — Real estate agency and trading of construction materials;

(c) Property development — Development of residential properties;

(d) Property investment and leasing business;

(e) Healthcare related business — Anti-aging health management services;

(f) Corporate — Other company.

Information regarding the Group's reportable segments including the reconciliations to revenue, profit before tax, total assets, total liabilities and other segment information are as follows:

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2018

	Trading of business *HK$'000*	Agency service *HK$'000*	Property development *HK$'000*	Property investment and leasing *HK$'000*	Health care related business *HK$'000*	Corporate *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to external customers	118,847	46,731	—	18,716	46,248	—	230,542
Segment result	16,221	39,991	—	74,943	2,985	—	134,140
Reconciliation:							
Gain on disposal of investment properties							2,551
Goodwill impairment							(17,534)
Unallocated interest income							104
Gain on a bargain purchase							7,492
Secretary fee							(1,442)
Auditor's remuneration							(1,636)
Legal and professional fees							(1,945)
Corporate and other unallocated expenses							(2,470)
Finance costs							(12,677)
Profit before tax							106,583
Segment assets	270,768	2,043	216,100	610,846	106,390	87,190	1,293,337
Reconciliation:							
Tax recoverable							2,546
Deffered tax asset							703
Total assets							1,296,586
Segment liabilities	87,242	250	71,138	12,058	21,446	81,223	273,357
Reconciliation:							
Deferred Tax Liabilities							51,269
Obiligation arising from a put option to non-controlling shareholders							150,328
Total liabilities							474,954
Other segment information:							
Depreciation and amortisation	(33)	—	—	—	(1,130)	—	(1,163)
Impairment losses	(273)	—	—	—	(839)	—	(1,112)
Share of profits of an associate	8,080	—	—	—	—	—	8,080
Fair value gain on investment properties	—	—	—	56,227	—	—	56,227
Capital expenditure*	64	—	—	—	47	—	111

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2017

	Trading of health care products *HK$'000*	Agency service *HK$'000*	Property development *HK$'000*	Property investment and leasing *HK$'000*	Health care related business *HK$'000*	Corporate *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to external customers	1,099	14,727	—	9,843	43,036	—	68,705
Segment result	458	13,098	—	106,346	255	—	120,157
Reconciliation:							
Unallocated interest income							2,782
Unallocated gains							41
Secretary fee							(1,944)
Auditor's remuneration							(1,505)
Legal and professional fees							(1,290)
Corporate and other unallocated expenses							(3,863)
Finance costs							(10,817)
Profit before tax							103,561
Segment assets	917	90,989	238,741	600,905	138,066	956	1,070,574
Reconciliation:							
Tax recoverable							2,553
Other corporate assets							363
Total assets							1,073,490
Segment liabilities	377	31,240	78,287	28,145	21,283	83,845	243,177
Reconciliation:							
Obiligation arising from a put option to non-controlling shareholders							143,854
Total liabilities							387,031
Other segment information:							
Depreciation and amortisation	—	(357)	—	—	(540)	—	(897)
Impairment losses	—	—	—	—	(3,482)	—	(3,482)
Fair value gain on investment properties	—	—	—	97,886	—	—	97,886
Capital expenditure*	—	—	11,669	284,269	3,813	—	299,751

* Capital expenditure consists of additions to property, plant and equipment, investment properties, intangible assets and land held for development.

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

The following table provides an analysis of the Group's revenue from external customers:

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**16,088**	32,189
Mainland China	**214,454**	36,516
	230,542	68,705

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**128,835**	140,251
Mainland China	**526,342**	530,357
	655,177	670,608

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2018 HK$'000	2017 HK$'000
Cost of inventories sold		**113,154**	641
Cost of services provided		**14,710**	28,461
Finance costs		**12,677**	10,817
Depreciation		**907**	672
Amortisation of intangible assets		**256**	225
		141,704	40,816
Minimum lease payments under operating leases		**5,817**	4,664
Auditor's remuneration		**1,636**	1,505
Employee benefit expense (excluding directors' and chief executives' remuneration):			
Wages and salaries		**17,135**	16,314
Pension scheme contributions		**581**	635
		25,169	23,118
Foreign exchange differences, net		**(3,894)**	58
Gain on bargain purchase	*10*	**(7,492)**	—
Gain on disposal of investment properties		**(2,551)**	—
Impairment of goodwill	*11*	**17,534**	—
Change in fair value of investment properties	*9*	**(56,227)**	(97,886)

7. INCOME TAX

The Group calculates the income tax expense for the year using the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. PRC profits tax has been provided at the rate of 25% (2017: 25%) on the estimated assessable profits arising in Mainland China during the year. Australia profits tax has been provided at the rate of 30% on the estimated assessable profits arising in Australia during the year.

7. INCOME TAX *(continued)*

	2018	2017
	HK$'000	*HK$'000*
Current — PRC		
Charge for the year	**13,503**	6,092
Overprovision in prior years	**(3,276)**	(2,344)
Current — Hong Kong		
Charge for the year	**—**	838
Overprovision in prior years	**(698)**	—
Deferred tax	**15,530**	19,231
Total tax charge for the year	**25,059**	23,817

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,742,332,000 (2017: 3,330,275,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2018 and 2017.

The calculations of basic earnings per share are based on:

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**80,537**	80,066

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,742,332,000**	3,330,275,000

9. INVESTMENT PROPERTIES

	2018	2017
	HK$'000	*HK$'000*
Carrying amount at 1 January	**583,200**	399,590
Additions	**—**	67,720
Disposals	**(6,658)**	—
Net gain from a fair value adjustment	**56,227**	97,886
Classified as held for sale	**(17,583)**	—
Exchange realignment	**(28,664)**	18,004
Carrying amount at 31 December	**586,522**	583,200

10. INVESTMENT IN AN ASSOCIATE

	2018	2017
	HK$'000	*HK$'000*
Unlisted investment in an associate	**74,525**	—
Share of profit of an associate*	**11,502**	—
Gain on bargain purchase	**7,492**	—
Amortisation on intangible assets	**(3,422)**	—
Share of other comprehensive income	**(7,414)**	—
	82,683	—

Details of the Group's associate as at 31 December 2018 is as follows:

Name	Registration capital	Place of incorporation/ registration and business	Percentage of ownership or interest attributable to the Group	Principal activity
Yunnan Hansu Biotechnology Co., Ltd.	RMB60,000,000	PRC/China	20%	Hemp processing

* The share of profit derived from the date of acquisition to 31 December 2018.

11. GOODWILL

	2018	2017
	HK$'000	*HK$'000*
At 1 January 2017 and 31 December 2017:		
Cost	**82,790**	82,790
Accumulated impairment	**—**	—
Net carrying amount	**82,790**	82,790
Cost at 1 January 2018, net of accumulated impairment	**82,790**	82,790
Impairment during the year	**(17,534)**	—
Cost and net carrying amount at 31 December 2018	**65,256**	82,790
At 31 December 2018:		
Cost	**82,790**	82,790
Accumulated impairment	**(17,534)**	—
Net carrying amount	**65,256**	82,790

12. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**113,978**	75,887
Impairment	**(266)**	(3,482)
	113,712	72,405

The directors of the Company consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

The Company generally allows a credit period of 0 to 180 days (2017: 0 to 180 days) to its trade customers. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of impairment provisions, is as follows:

12. TRADE RECEIVABLES *(continued)*

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**67,315**	55,867
Over 3 months but less than 6 months	**44,134**	16,471
Over 6 months	**2,263**	67
	113,712	72,405

The movements in provision for impairment of trade receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**(3,482)**	—
Impairment losses recognised	**(1,112)**	(3,482)
Amount written off as uncollectible	**4,328**	—
	(266)	(3,482)

Included in the above provision for impairment of trade receivables is a provision for impaired trade receivables of HK$1,112,000 (2017: HK$3,482,000).

13. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 3 month	**3,342**	1,093
3 to 6 months	**175**	4
6 to 12 months	**4**	—
Over 1 year	**—**	22
	3,521	1,119

The trade payables are non-interest-bearing and are normally settled on terms of 90 to 180 days.

14. SHARE CAPITAL

Shares

	2018	2017
	HK$'000	*HK$'000*
Issued and fully paid:		
3,911,752,636 (2017: 3,599,752,636) ordinary shares of HK$0.01 each	**39,118**	35,998

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *HK$'000*
At 1 January 2017	2,951,919,718	29,519
Issue of consideration shares	644,298,761	6,444
Issue of scrip shares	3,534,157	35
At 31 December 2017 and 1 January 2018	3,599,752,636	35,998
Issue of subscription shares *(note (a))*	312,000,000	3,120
At 31 December 2018	3,911,752,636	39,118

Notes:

(a) On 20 February 2018, the Company entered into the Subscription Agreement with Mr. Tan and Mr. Zhang, pursuant to which Mr. Tan and Mr. Zhang incorporated Hanzhong Investment Group Co., Limited (漢眾投資集團有限公司) to subscribe for, and the Company has agreed to allot and issue a total of 312,000,000 Subscription Shares at the Subscription Price of HK$0.35 per Subscription Share. The subscription was completed on 28 September 2018 and led to the increase in share capital and share premium of approximately HK$3,120,000 and HK$106,080,000 respectively.

EMPLOYMENT REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 86 employees. The Group's remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds and medical schemes.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices are crucial to the effective management of the Group. The Company is committed to the transparency, accountability and independence highlighted by the principles of the Code Provisions in accordance with the "Code on Corporate Governance Practices" and the revised version of it which takes effect from 1 April 2012 (the "CG Code") as set out in Appendix 14 of the Listing Rules to protect the rights of shareholders and stakeholders, enhance shareholder value and ensure proper management of corporate assets.

The Board is of the opinion that during the financial year ended 31 December 2018, the Company had applied the CG Code as set out in the Listing Rules.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. On specific enquiries made, all directors have confirmed that, for the year ended 31 December 2018, they have complied with the required standard set out in the Model Code.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the management, the consolidated financial statements for the year ended 31 December 2018 including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young 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 the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of the Company will be held at 11:30 a.m. on Thursday, 20 June 2019 at Theatre A, 22/F, United Centre, 95 Queensway, Hong Kong and a notice of annual general meeting will be published and dispatched in due course.

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

The register of members of the Company for the annual general meeting will be closed from Friday, 14 June 2019 to Thursday, 20 June 2019 , both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the annual general meeting to be held on Thursday, 20 June 2019, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 13 June 2019.

APPRECIATION

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

By Order of the Board
Meilleure Health International Industry Group Limited
Zhou Wen Chuan
Chief Executive Officer

Hong Kong 29 March 2019

As at the date of this announcement, the Board comprises Mr. Zhou Xuzhou, Mr. Liu Lailin and Ms. Zhou Wen Chuan as executive Directors, Dr. Mao Zhenhua as non-executive Director and Mr. Gao Guanjiang, Professor Chau Chi Wai, Wilton and Dr. Zeng Wentao as independent non-executive Directors.