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 2019

The board of directors (the "Board") of Meilleure Health International Industry Group Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	*5*	**234,779**	230,542
Cost of sales		**(162,947)**	(140,320)
Gross profit		**71,832**	90,222
Fair value gains on investment properties	*11*	**21,990**	56,227
Other income and gains, net	*5*	**11,867**	15,450
Selling and distribution expenses		**(3,107)**	(2,389)
Administrative expenses		**(36,753)**	(30,796)
Impairment of goodwill	*12*	**(33,017)**	(17,534)
Finance costs	*7*	**(16,393)**	(12,677)
Share of profits and losses of:			
An associate		**(22,960)**	8,080
Joint ventures		**1,197**	—
(LOSS)/PROFIT BEFORE TAX	*6*	**(5,344)**	106,583
Income tax expense	*8*	**(17,666)**	(25,059)
(LOSS)/PROFIT FOR THE YEAR		**(23,010)**	81,524
(Loss)/profit attributable to:			
Owners of the parent		**(20,174)**	80,537
Non-controlling interests		**(2,836)**	987
		(23,010)	81,524
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted		**HK(0.48) cents**	HK2.15 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(23,010)**	81,524
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(14,037)**	(56,178)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**721**	627
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(13,316)**	(55,551)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(36,326)**	25,973
Total comprehensive (loss)/income attributable to:		
Owners of the parent	**(35,920)**	25,403
Non-controlling interests	**(406)**	570
	(36,326)	25,973

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,060**	2,767
Investment properties	11	**594,177**	586,522
Right-of-use assets		**18,126**	—
Goodwill	12	**32,239**	65,256
Other intangible assets		**369**	632
Investments in joint ventures		**65,032**	—
Investment in an associate		**74,839**	82,683
Equity investments designated at fair value through other comprehensive income		**33,825**	11,960
Deferred tax assets		**3,372**	703
Total non-current assets		**824,039**	750,523
CURRENT ASSETS			
Inventories		**8,048**	12,222
Land held for development	13	**216,177**	208,874
Trade receivables	14	**104,689**	113,712
Prepayments, deposits and other receivables		**31,685**	23,127
Tax recoverable		**1,537**	2,546
Financial assets at fair value through profit or loss	15	**285,723**	—
Investment property held for sale		**5,450**	17,583
Pledged bank deposits		**80,276**	6,857
Cash and cash equivalents		**156,229**	161,142
Total current assets		**889,814**	546,063
CURRENT LIABILITIES			
Trade payables	16	**1,420**	3,521
Other payables and accruals		**41,891**	36,822
Amounts due to related parties		**7,062**	830
Bank borrowings		**178,776**	219,563
Lease liabilities		**7,349**	—
Tax payable		**5,991**	6,929
Total current liabilities		**242,489**	267,665
NET CURRENT ASSETS		**647,325**	278,398
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,471,364**	1,028,921
NON-CURRENT LIABILITIES			
Bank borrowings		**131,855**	—
Lease liabilities		**11,390**	—
Deferred tax liabilities		**56,866**	51,269
Obligation arising from a put option to non-controlling shareholders		**—**	150,328
Other non-current liabilities		**5,593**	5,692
Total non-current liabilities		**205,704**	207,289
Net assets		**1,265,660**	821,632
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	**42,718**	39,118
Reserves		**1,216,887**	777,885
		1,259,605	817,003
Non-controlling interests		**6,055**	4,629
Total equity		**1,265,660**	821,632

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at 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 Group was mainly involved in the following principal activities:

- Trading business — Trading of healthcare products and construction materials
- Agency service — Real estate and construction materials agency services
- Property development — Development of residential properties
- Property investment and leasing
- Healthcare related business — Health management services

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 and certain 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to HKFRS 9 and HKAS 19, and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the statement of financial position.

The right-of-use assets for all leases were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	**5,663**
Increase in total assets	**5,663**
Liabilities	
Increase in lease liabilities	**6,244**
Increase in total liabilities	**6,244**
Equity	
Decrease in retained profits	**(349)**
Decrease in non-controlling interests	**(232)**
Decrease in total equity	**(581)**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	8,927
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(1,638)
Total undiscounted lease liabilities as at 1 January 2019 for adoption of HKFRS 16	7,289
Weighted average incremental borrowing rate as at 1 January 2019	6%
Lease liabilities as at 1 January 2019	6,244

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

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

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

(c) Property development — Development of residential properties;

(d) Property investment and leasing;

(e) Healthcare related business — Health management services; and

(f) Corporate — Other company.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit or loss before tax from continuing operations except that interest income, investment income, non-lease-related finance costs, gain on bargain purchase, impairment of goodwill, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets include all assets but exclude tax recoverable and deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segments are not allocated to a segment. Segment liabilities include all liabilities but exclude an obligation arising from a put option to non-controlling shareholders and deferred tax liabilities.

No asymmetrical allocations have been applied to reportable segments.

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

Year ended 31 December 2019

	Trading business HK$'000	Agency service HK$'000	Property development HK$'000	Property investment and leasing HK$'000	Healthcare related business HK$'000	Corporate HK$'000	Total HK$'000
Segment revenue:							
Sales to external customers	145,138	29,344	—	18,725	41,572	—	234,779
Segment result	(13,440)	13,644	—	45,509	(4,362)	—	41,351
Reconciliation:							
Impairment of goodwill							(33,017)
Unallocated interest income							1,261
Investment income							331
Fair value gains on financial assets at fair value through profit or loss							10,298
Secretary fee							(1,341)
Auditor's remuneration							(1,783)
Legal and professional fees							(1,574)
Corporate and other unallocated expenses							(4,921)
Finance costs (other than interest on lease liabilities)							(15,949)
Loss before tax							(5,344)
Segment assets	266,077	291	216,582	606,811	231,209	387,974	1,708,944
Reconciliation:							
Tax recoverable							1,537
Deferred tax assets							3,372
Total assets							1,713,853
Segment liabilities	45,667	864	—	153,573	44,866	146,357	391,327
Reconciliation:							
Deferred tax liabilities							56,866
Total liabilities							448,193
Other segment information:							
Share of loss of an associate	(22,960)	—	—	—	—	—	(22,960)
Share of profits of joint ventures	—	—	—	—	1,197	—	1,197
Impairment of trade receivables	(3,643)	—	—	—	(1,793)	—	(5,436)
Depreciation and amortisation	(138)	—	—	—	(6,054)	—	(6,192)
Fair value gains on investment properties	—	—	—	21,990	—	—	21,990
Investment in an associate	74,839	—	—	—	—	—	74,839
Investments in joint ventures	—	—	—	—	65,032	—	65,032
Capital expenditure*	14	—	22	—	103	—	139

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

Year ended 31 December 2018

	Trading business *HK$'000*	Agency service *HK$'000*	Property development *HK$'000*	Property investment and leasing *HK$'000*	Healthcare 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	—	77,494	2,985	—	136,691
Reconciliation:							
Impairment of goodwill							(17,534)
Unallocated interest income							104
Gain on 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
Deferred tax assets							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
Obligation arising from a put option to non-controlling shareholders							150,328
Total liabilities							474,954
Other segment information:							
Share of profit of an associate	8,080	—	—	—	—	—	8,080
Impairment of trade receivables	(273)	—	—	—	(839)	—	(1,112)
Depreciation and amortisation	(33)	—	—	—	(1,130)	—	(1,163)
Fair value gains on investment properties	—	—	—	56,227	—	—	56,227
Investment in an associate	82,683	—	—	—	—	—	82,683
Capital expenditure*	64	—	—	—	47	—	111

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

Geographical information

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

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**20,578**	16,088
Mainland China	**214,201**	214,454
	234,779	230,542

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**103,350**	128,835
Mainland China	**683,492**	609,025
	786,842	737,860

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

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Revenue from contracts with customers		
Health management related income	**41,572**	46,248
Agency service income	**29,344**	46,731
Sales of goods	**145,138**	118,847
Revenue from other sources		
Rental income	**18,725**	18,716
	234,779	230,542
Other income		
Interest income	**8,252**	337
Investment income	**331**	—
Government grants	**884**	544
Dividend income from equity investment at fair value through other comprehensive income	**451**	584
Others	**3**	1,460
	9,921	2,925
Gains/(losses), net		
Fair value gains on financial assets at fair value through profit or loss	**10,298**	—
Gain on bargain purchase	**—**	7,492
Foreign exchange differences	**(640)**	3,894
(Loss)/gain on disposal of investment properties	**(1,531)**	2,551
Impairment of trade receivables *(note 14)*	**(5,436)**	(1,112)
Others	**(745)**	(300)
	1,946	12,525
	11,867	15,450

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2019 HK$'000	2018 HK$'000
Cost of inventories sold		**132,647**	113,154
Cost of services provided		**16,461**	14,710
Depreciation of property, plant and equipment		**802**	907
Depreciation of right-of-use assets		**5,123**	—
Amortisation of other intangible assets		**267**	256
Impairment of goodwill	*12*	**33,017**	17,534
Minimum lease payments under operating leases		**—**	5,817
Lease payments not included in the measurement of leases liabilities		**1,518**	—
Auditor's remuneration		**1,783**	1,636
Employee benefit expense (excluding directors' and chief executive's remuneration):			
— Wages and salaries		**27,442**	17,135
— Pension scheme contributions		**790**	581
		28,232	17,716
Foreign exchange differences, net		**640**	(3,894)
Impairment of trade receivable	*14*	**5,436**	1,112
Change in fair value of investment properties	*11*	**(21,990)**	(56,227)
Fair value gains on financial assets of fair value through profit or loss		**(10,298)**	—
Interest income		**(8,252)**	(337)
Investment income		**(331)**	—
Dividend income from equity investment at fair value through other comprehensive income		**(451)**	(584)
Loss/(gain) on disposal of investment properties		**1,531**	(2,551)
Gain on bargain purchase		**—**	(7,492)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans	**15,949**	6,204
Interest on lease liabilities	**444**	—
Interest on an obligation arising from a put option to non-controlling shareholders	**—**	6,473
	16,393	12,677

8. 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% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Corporate income tax of the People's Republic of China ("PRC") has been provided at the rate of 25% (2018: 25%) on the estimated assessable profits arising in Mainland China during the year. Australia company income tax has been provided at the rate of 30% (2018: 30%) on the estimated assessable profits arising in Australia during the year.

	2019	2018
	HK$'000	*HK$'000*
Current – PRC		
Charge for the year	**11,339**	13,503
Overprovision in prior years	**—**	(3,276)
Current – Hong Kong		
Charge for the year	**2,335**	—
Underprovision/(overprovision) in prior years	**143**	(698)
Deferred tax	**3,849**	15,530
Total tax charge for the year	**17,666**	25,059

9. DIVIDENDS

The Board has resolved not to declare any dividend for the year ended 31 December 2019 (2018: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,173,122,000 (2018: 3,742,332,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019 and 2018.

The calculation of basic (loss)/earnings per share is based on:

	2019	2018
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(20,174)**	80,537

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**4,173,122,000**	3,742,332,000

11. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
Carrying amount at 1 January	**586,522**	583,200
Disposal	**(1,397)**	(6,658)
Net gain from a fair value adjustment *(note 6)*	**21,990**	56,227
Transfer from classified as held for sale	**1,834**	—
Transfer to classified as held for sale	**(5,450)**	(17,583)
Exchange realignment	**(9,322)**	(28,664)
Carrying amount at 31 December	**594,177**	586,522

12. GOODWILL

	2019	2018
	HK$'000	*HK$'000*
Net carrying amount at 1 January	**65,256**	82,790
Impairment during the year *(note 6)*	**(33,017)**	(17,534)
Net carrying amount at 31 December	**32,239**	65,256

13. LAND HELD FOR DEVELOPMENT

	2019	2018
	HK$'000	*HK$'000*
Carrying amount at 1 January	**208,874**	230,841
Capitalised expenditure	**8,886**	—
Exchange realignment	**(1,583)**	(21,967)
Carrying amount at 31 December	**216,177**	208,874

According to the accounting policy of the Group, land held for development are classified as current assets as the construction period of the relevant property development projects is expected to be completed in the normal operating cycle.

The carrying amount of land held for development of approximately HK$216,177,000 (2018: HK$208,874,000) as at 31 December 2019 is expected not to be realised within the next twelve months from the end of the reporting period.

14. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**110,391**	113,978
Impairment	**(5,702)**	(266)
	104,689	113,712

The directors of the Company (the "Directors") 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 (2018: 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 ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**19,643**	13,853
1 to 3 months	**45,636**	53,462
Over 3 months	**39,410**	46,397
	104,689	113,712

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**266**	3,482
Impairment losses *(notes 5, 6)*	**5,436**	1,112
Amount written off as uncollectible	**—**	(4,328)
At end of year	**5,702**	266

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Unlisted fund investments, at fair value	**280,298**	—
Investments in financial products, at fair value	**5,425**	—
	285,723	—

16. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**1,416**	3,342
3 to 6 months	**—**	175
6 to 12 months	**—**	4
Over 1 year	**4**	—
	1,420	3,521

17. SHARE CAPITAL

Shares

	2019	2018
	HK$'000	*HK$'000*
Issued and fully paid:		
4,271,752,636 (2018: 3,911,752,636) ordinary shares of HK$0.01 each	**42,718**	39,118

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 2018	3,599,752,636	35,998
Issue of subscription shares *(note (a))*	312,000,000	3,120
At 31 December 2018 and 1 January 2019	3,911,752,636	39,118
Placing of shares *(note (b))*	360,000,000	3,600
At 31 December 2019	4,271,752,636	42,718

Notes:

(a) In April, June and September 2018, the Company completed the new shares allotment under subscriptions in which 312,000,000 subscription shares were issued with the par value of HK$0.01 each. The issue price of HK$0.35 per share has lead to the increase in share capital and share premium of approximately HK$3,120,000 and HK$106,080,000 respectively.

(b) In April 2019, the Company completed the placing of new shares under general mandate. A total of 360,000,000 ordinary shares have been issued with the per value of HK$0.01 each. The placing price of HK$0.91 per share has lead to the increase in share capital and share premium of approximately HK$3,600,000 and HK$322,107,000 respectively.

18. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Capital contributions payable to a joint venture	**3,020**	—

19. EVENTS AFTER THE REPORTING PERIOD

The coronavirus disease 2019 outbreak since early 2020 has brought additional uncertainties in the global macroeconomic situation. The Group's financial performance may have impact. The degree of impact could not be reasonably estimated at this stage. The Group will closely monitor the development of the epidemic and assess its impact on the financial position and operating results of the Group.

The Company does not have other significant subsequent events.

DIVIDENDS

The Board has resolved not to declare any dividend for the year ended 31 December 2019 (2018: Nil).

FINANCIAL REVIEW

Below is a summary of the financial information of the Group:

	2019	2018
	HK$'000	*HK$'000*
Revenue	**234,779**	230,542
Gross profit	**71,832**	90,222
Gross profit margin	**30.6%**	39.1%
Total operating expenses	**39,860**	33,185
(Loss)/profit before tax	**(5,344)**	106,583
(Loss)/profit for the year	**(23,010)**	81,524
(Loss)/profit attributable to owners of the parent	**(20,174)**	80,537

Revenue

Revenue for the year ended 31 December 2019 was HK$234.8 million (2018: HK$230.5 million), mainly generated by sale of goods from trading business; healthcare related income; agency service income; and rental income.

Revenue increased by approximately 1.9% from HK$230.5 million for the year ended 31 December 2018 to HK$234.8 million for the year ended 31 December 2019. The increase in revenue of HK$4.3 million was mainly due to an increase in sale of goods from trading business of HK$26.3 million and partially offset by a decrease in agency service income of HK$17.4 million and a decrease in health management related income of HK$4.7 million.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 December 2019 was HK$71.8 million (2018: HK$90.2 million), representing a decrease of 20.4% compared to that for the year ended 31 December 2018. Gross profit margin for the year decreased to 30.6% from 39.1% for the year ended 31 December 2018.

The decrease in gross profit of HK$18.4 million and the decrease in gross profit margin was mainly attributable to a decrease in gross profit from agency service and healthcare related business. The agency service and healthcare related business had a higher gross profit margin compared with the overall gross profit margin of the Group.

Total Operating Expenses

Total operating expenses for the year ended 31 December 2019 was HK$39.9 million (2018: HK$33.2 million), representing an increase of HK$6.7 million or 20.2%. Such increase was mainly attributable to an increase in staff costs resulted from an increase in number of staffs.

(Loss)/Profit Attributable to Owners of the Parent

The Group recorded a loss attributable to owners of the parent of HK$20.2 million for the year ended 31 December 2019 as compared to a profit attributable to owners of the parent of HK$80.5 million for the year ended 31 December 2018. The change from profit to loss is mainly due to the following reasons:

(i) an increase in impairment loss on goodwill of HK$15.5 million. The social activities in Hong Kong during the year ended 31 December 2019 resulted in a decrease in the revenue of the Hong Kong clinic of La Clinique de Paris International Limited ("LCDPI") and a significant decrease in the profit of the Hong Kong clinic;

(ii) the recognition of the Group's share of impairment loss of intangible assets of an associate of HK$54.4 million, namely Yunnan Hansu Biotechnology Co. Ltd.*(雲南漢素生物科技有限公司)("Yunnan Hansu"), which is included in "Share of loss of an associate" in the consolidated statement of profit or loss. Due to the China–United States trade disputes and the significant decline in the price of Cannabidiol ("CBD") in the international market, Yunnan Hansu proactively explored opportunities associated with the China market as well as the research, development and sale of the relevant patented technology, however, its CBD sales to the overseas markets decreased, which resulted in its unsatisfactory operating financial performance. To be prudent, the Group records a full impairment loss for the intangible assets concerning this investment; and

(iii) a material decline in fair value gains on investment properties of the Group of HK$34.2 million. This is mainly because of the slowing-down China's economic growth resulted from the outbreak of Novel Coronavius (COVID-19) (the "Epidemic") and the shrinking Hong Kong economy after battering from the protests.

* *For identification purpose only*

BUSINESS REVIEW

Trading Business

The revenue derived from the trading business for the year ended 31 December 2019 was HK$145.1 million, representing an increase of 22.1% as compared to HK$118.8 million for the year ended 31 December 2018. The result for this segment changed from a profit of HK$16.2 million for the year ended 31 December 2018 to a loss of HK$13.4 million for the year ended 31 December 2019. This was mainly due to recognition of the Group's share of impairment loss of intangible assets of Yunnan Hansu during the year ended 31 December 2019. Such impact was offset by an increase in customers' demand for steel in the second half of 2019.

Agency Service

The revenue derived from the agency service for the year ended 31 December 2019 was HK$29.3 million, representing a decrease of 37.3% as compared to HK$46.7 million for the year ended 31 December 2018. The profit derived from this segment for the year ended 31 December 2019 was HK$13.6 million, representing a decrease of 66.0% as compared to HK$40.0 million for the year ended 31 December 2018. Such decreases were mainly due to a decrease in customers' demand for construction materials agency services in 2019.

Property Investment and Leasing

The revenue from the property investment and leasing business for the year ended 31 December 2018 and 2019 were HK$18.7 million. The profit derived from this segment for the year ended 31 December 2019 was HK$45.5 million, representing a decrease of 41.3% as compared to HK$77.5 million for the year ended 31 December 2018. The decreases were mainly due to a decrease in fair value gains on investment properties.

Healthcare Related Business

The revenue derived from the healthcare related business for the year ended 31 December 2019 was HK$41.6 million, representing a decrease of 10.0% as compared to HK$46.2 million for the year ended 31 December 2018. The result for this segment changed from a profit of HK$3.0 million for the year ended 31 December 2018 to a loss of HK$4.4 million for the year ended 31 December 2019. This was mainly due to a decrease in customers' demand for health management service in the second half of 2019 resulted from the social activities in Hong Kong.

REVIEW OF FINANCIAL POSITION

	2019	2018
	HK$'000	*HK$'000*
Current Assets		
Financial assets at fair value through profit or loss	**285,723**	—
Trade receivables	**104,689**	113,712
Land held for development	**216,177**	208,874
Pledged bank deposits	**80,276**	6,857
Cash and cash equivalents	**156,229**	161,142
Others	**46,720**	55,478
Non-current Assets		
Investment properties	**594,177**	586,522
Investment in an associate	**74,839**	82,683
Investments in joint ventures	**65,032**	—
Others	**89,991**	81,318
Total Assets	**1,713,853**	1,296,586
Liabilities		
Bank borrowings	**310,631**	219,563
Obligation arising from a put option to non-controlling shareholders	—	150,328
Lease liabilities	**18,739**	—
Other payables and accruals	**41,891**	36,822
Amounts due to related parties	**7,062**	830
Others	**69,870**	67,411
Total Liabilities	**448,193**	474,954
Net Assets	**1,265,660**	821,632

Non-current assets of the Group as at 31 December 2019 were HK$824.0 million (2018: HK$750.5 million), representing an increase of HK$73.5 million which was mainly due to an increase in investments in joint ventures of HK$65.0 million and an increase in investment properties of HK$7.7 million. Current assets were HK$889.8 million (2018: HK$546.1 million), representing an increase of HK$343.7 million which was mainly due to an increase in financial assets at fair value through profit or loss of HK$285.7 million and an increase in pledged bank deposits of HK$73.4 million. Such increases were offset by a decrease in trade receivables of HK$9.0 million and a decrease in cash and cash equivalents of HK$4.9 million.

As at 31 December 2019, the Group's liabilities were HK$448.2 million (2018: HK$475.0 million), representing a decrease of HK$26.8 million which was mainly due to cancellation of obligation arising from a put option to non-controlling shareholders of HK$150.3 million and partially offset by (i) an increase in bank borrowings of HK$91.1 million; (ii) an increase in lease liabilities of HK$18.7 million; (iii) an increase in amounts due to related parties of HK$6.2 million; and (iv) an increase in other payables and accruals of HK$5.1 million.

NET ASSET VALUE

As at 31 December 2019, the Group's total net assets amounted to HK$1,265.7 million (2018: HK$821.6 million), representing an increase of HK$444.1 million which was mainly due to an increase in equity of HK$325.7 million resulted from placing of shares; and an increase in retained profits of HK$150.3 million resulted from cancellation of obligation arising from a put option to non-controlling shareholders. Such increase was offset by loss for the year of HK$23.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

	2019	2018
	HK$'000	*HK$'000*
Net cash flows generated from operating activities	**25,409**	17,907
Net cash flows used in investing activities	**(360,094)**	(64,506)
Net cash flows generated from financing activities	**327,780**	159,673
Net (decrease)/increase in cash and cash equivalents	**(6,905)**	113,074
Cash and cash equivalents at beginning of the year	**161,142**	50,852
Effect of foreign exchange rate changes, net	**1,992**	(2,784)
Cash and cash equivalents at end of the year	**156,229**	161,142

As at 31 December 2019, total cash and cash equivalents of the Group was HK$156.2 million (2018: HK$161.1 million), of which approximately 71.9% was in Hong Kong dollars ("HKD"), 27.3% was denominated in Chinese Yuan Renminbi ("RMB"), 0.4% was in United States dollars, 0.3% was in Australian dollars ("AUD") and 0.1% was in Euro.

The Group generated net cash inflows from operating activities for the year ended 31 December 2019 of HK$25.4 million, which was mainly contributed to working capital of operations. Net cash flows used in investing activities was HK$360.1 million which included net amount of acquisition, disposal and redemption of a fund investment and investment in financial products of HK$275.4 million; and aggregated considerations paid for (i) acquisition of 45% equity interest of a joint venture and (ii) further acquisition of 5.55% equity interest of an associate of an aggregated amount of HK$81.4 million. Net cash flows generated from financing activities was HK$327.8 million, which was mainly contributed to proceeds from placing of new shares of HK$325.7 million.

As at 31 December 2019, total bank borrowings of the Group was HK$310.6 million (2018: HK$219.6 million), which are mainly used as working capital of the Group. The unutilised banking facilities were HK$23.8 million (2018: HK$63.9 million).

The following table illustrates the composition of the Group's bank borrowings:

	2019	2018
	HK$'000	*HK$'000*
Floating rate HKD bank loans	**145,710**	80,500
Floating rate RMB bank loans	**141,431**	—
Fixed rate RMB bank loans	**23,490**	68,306
Floating rate AUD bank loans	**—**	70,757
	310,631	219,563

The following table illustrates the maturity profile of the Group's bank borrowings:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**109,276**	131,334
Between 1 year and 2 years	**81,245**	2,516
Between 2 years and 5 years	**62,081**	85,713
Over 5 years	**58,029**	—
	310,631	219,563

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities and equity financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of equity attributable to owners of the parent (i.e. issued share capital and reserves).

Placing of New Shares under General Mandate

On 11 April 2019, a total of 360,000,000 new shares were successfully placed by the placing agent to not less than six placees, who and whose ultimate beneficial owners were independent third parties, at the placing price of HK$0.91 per placing share pursuant to the terms and conditions of the placing agreement under general mandate and the placing of new shares raised net proceeds, after deducting related placing commission, professional fees and all related expenses, of HK$325.7 million (with a net price of approximately HK$0.905 per placing share) which was intended to be used for investing in the industrial hemp CBD extraction and application businesses and as general working capital of the Group. The closing price as quoted on the Stock Exchange on 1 April 2019, being the date of the placing agreement was HK$1.08 per share.

The Board considered that the placing represented a good opportunity for the Company to raise additional funds to allow the Company to capture market opportunities associated with the increasingly wider applications of industrial hemp and to facilitate the establishment of its business presence in the global industrial hemp market. From the Company invested in Yunnan Hansu in February 2018 to the date of the placing agreement, the industrial hemp business had attracted tremendous attention from investors, and the legalisation of industrial hemp in certain regions in the PRC and overseas continued to accelerate. The Board therefore had an optimistic expectation of the market prospect of industrial hemp and hemp used in medical treatments, and the Company intended to increase its investment in the industrial hemp business.

As at 31 December 2019, the net proceeds have been used in the following manner:

	HK$'million
Net proceeds	325.7
Net proceeds utilised up to 31 December 2019	
Further acquisition of 5.55% equity interest in Yuannan Hansu	(16.6)
Acquisition of 13.809231% equity interest in Shenzhen Gippro Technology Innovation Limited* (深圳龍舞科技創新有限公司) ("Shenzhen Gippro")	(21.3)
Working capital for establishing industrial hemp business	(6.9)
Working capital for development of residential properties	(2.7)
Net proceeds unutilised as at 31 December 2019	278.2

* *For identification purpose only*

As at 31 December 2019, approximately HK$270 million had been used for subscription of interest in an investment fund. Details of the investment fund are included in the section "Significant Investments Held" below. The Group will closely monitor its capital need. If there is any additional need in funds for the industrial hemp business, including but not limited (i) to plan to invest not less than HK$100 million to establish an industrial hemp holding group company, Meilleure Hemp International Holdings Limited; and (ii) to acquire suitable industrial hemp business, the Company will redeem the funds to meet the need. The remaining balance of net proceeds from the placement of approximately HK$8.2 million was kept in bank accounts of the Group and used as general working capital.

GEARING RATIO

As at 31 December 2019, the gearing ratio was 14% (2018: 23%), which was calculated on net debt divided by the sum of equity attributable to owners of the parent and 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 at 31 December 2019, the Group had a net debt of HK$204.7 million (2018: HK$249.9 million), while the equity attributable to owners of the parent was amounted to HK$1,259.6 million (2018: HK$817.0 million).

CAPITAL EXPENDITURE

During the year ended 31 December 2019, the expenditure of purchasing intangible assets, namely computer system, was HK$4,000 (2018: HK$35,000), while the expenditure of purchasing property, plant and equipment amounted to HK$135,000 (2018: HK$76,000).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital commitments in respect of capital contributions payable to a joint venture which are contracted for but not provided for in the consolidated financial statements of HK$3 million (2018: Nil).

CHARGES ON GROUP ASSETS

As at 31 December 2019, the bank borrowings amounting to HK$310.6 million (2018: HK$219.6 million) 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$62.2 million (2018: HK$62.9 million), HK$121.8 million (2018: HK$143.6 million), HK$382.0 million (2018: HK$28.9 million), Nil (2018: HK$208.9 million) and HK$80.3 million (2018: HK$6.9 million) respectively.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had an outstanding lawsuit which was initiated by Ms. Feng against, among others, La Clinique de Paris (HK) Limited ("LCDPHK"), an indirect non-wholly-owned subsidiary of the Company.

On 1 November 2016, a writ of summons was issued by Ms. Feng against 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 Ms. Feng (the "Action"). In the Action, Ms. Feng claimed against LCDPHK and the co-defendants for unliquidated damages which amounted to approximately HK$2.3 million plus interests to be assessed. As at 31 March 2020, the Action was at a preliminary stage of court proceedings as Ms. Feng and LCDPHK have not yet filed 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 Ms. Feng may recover any amount from the Company.

In addition, the Directors represent that the proceeding was incurred prior to the acquisition of 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 involved in any material legal proceedings in respect of which provision for contingent liabilities was required.

GENERAL DESCRIPTION ON THE GROUP'S INVESTMENT STRATEGIES

With continued acceleration of the legalisation of industrial hemp in the overseas markets in recent years, cannabinoid, with CBD as its representative product, will have increasingly wide applications in healthcare and consumer goods fields. We manage our investment portfolio with a primary objective to capture market opportunities associated with the increasingly wider applications of industry hemp and to facilitate the establishment of the Group's business presence in the global industrial hemp market.

On the other hand, in order to preserve liquidity and enhance interest yields, the Group had allocated certain resources to fund investment and various investment in financial products in order to maximise the return on its unutilised funds before the Group utilises the funds to invest in the industrial hemp and other healthcare related business.

MATERIAL ACQUISITIONS AND DISPOSALS

Acquisition of a joint venture

On 3 February 2019, Shenzhen Qianhai Meilleure Health Management Consulting Co., Ltd.* (深圳市前海美瑞健康管理諮詢有限公司) ("Shenzhen Meilleure"), an indirect wholly-owned subsidiary of the Company, entered into the acquisition agreement with Ms. Jiang Shu ("Ms. Jiang"), Mr. Li Zhanhuai ("Mr. Li") and Shenzhen Wingor Biotechnology Co., Ltd.* (深圳市茵冠生物科技有限公司) ("Shenzhen Wingor"), pursuant to which Shenzhen Meilleure conditionally agreed to acquire from Ms. Jiang and Mr. Li an aggregate of 45% equity interest in Shenzhen Wingor at a cash consideration of approximately RMB55.3 million. The acquisition was completed on 27 February 2019.

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, with a more comprehensive product portfolio, a more rationalised business structure and further enhanced research and development capabilities, and will be afforded the opportunity to tap into new business areas through entering the cell and gene treatment market. In addition, Shenzhen Wingor has the world's leading cell treatment and gene editing technology, including more than ten stem cell technologies such as dental pulp, fat and venous blood and more than ten immunocyte technologies. At the early phase, Shenzhen Wingor has gathered large amount of data in relation to the CAR-T cell treatment of Leukemia, Glioblastoma and advanced liver cancer in pre-clinical research. The Group will further proactively promote the research and development and transformation of the results of CAR-T cell therapeutic drugs of the team, improve the pre-clinical research data in line with drug registration, and boost the follow-up actions such as the selection of indications and clinical research pre-experiments.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2019 and as at the publication of this announcement.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2019, our investment portfolio amounted to HK$459.4 million (2018: HK$94.6 million) as recorded in the consolidated statement of financial position under various categories including:

— investments in associates and joint ventures which are accounted for by using equity method;

* *For identification purpose only*

— equity investments designated at fair value through other comprehensive income; and

— financial assets at fair value through profit or loss.

Investment with carrying amount for more than 5% of the total assets of the Group was considered as significant investment. The Company has the following significant investment as at 31 December 2019.

As at 31 December 2019, the Company held 270 million Class A participating shares (2018: Nil) attributable to Opportunity SP (the "Investment Fund") with the total investment cost of HK$270 million. The Investment Fund is a segregated portfolio of Prudence Capital SPC which is an open-ended investment vehicle incorporated in the Cayman Islands. The investment objective of the Fund Investment is to pursue capital preservation and appreciation by identifying and investing in a range of assets. The Investment Fund seeks to achieve its investment objective by primarily identifying and investing in a range of assets, including but not limited to listed equity securities and equity linked securities, fixed-income securities, money market instruments, loan, private debt, private equity, futures and derivatives in global markets (including Pan-Asia markets) and other collective investment schemes.

The Investment Fund does not have a policy to pay dividends. The Company as a holder of the Class A participating shares is entitled to a target return of 6.0% per annum on the amount of the Fund Investment, which will be accrued on a monthly basis. Additionally, the Class A participating shares held by the Company can be redeemed on a monthly basis. For the year ended 31 December 2019, fair value gain of the Investment Fund was HK$10.3 million.

The fair value of the Investment Fund as at 31 December 2019 was HK$280.3 million (2018: Nil), which accounted for 16.4% of the total assets of the Group as at 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2019, these was no plan authorised by the Board for material investments or additions of capital assets.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The Group mainly operates in the PRC and a majority of its operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in RMB. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the year ended 31 December 2019. The management of the Group may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in the future.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 110 employees (2018: 86 employees). Staff costs (including directors' emoluments) charged to profit or loss amounted to HK$30.7 million (2018: HK$19.5 million) for the year ended 31 December 2019.

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 base salaries, other staff benefits included pension schemes and medical schemes.

The Company adopted a share option scheme pursuant to which eligible persons may be granted options to subscribe for the shares of the Company.

SHARE OPTION SCHEME

At a special general meeting (the "SGM") held on 20 June 2019, shareholders of the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Company may grant options under the Share Option Scheme and any other share option schemes of the Company in respect of which up to 427,175,263 shares, representing 10% of the shares in issue as at the date of the SGM, may be issued. The Share Option Scheme became effective on 28 June 2019, being the date on which the Stock Exchange approved the listing of, and permission to deal in, the shares falling to be issued pursuant to the exercise of options under the Share Option Scheme.

As at 31 December 2019 and the date of this announcement, no options have been granted under the Share Option Scheme.

RECENT DEVELOPMENT AND PROSPECT

On 27 February 2019, the Group acquired a 45% equity interest in Shenzhen Wingor at a cash consideration of RMB55.3 million. Details of the acquisition are further disclosed in the section "Material Acquisitions and Disposals" in this announcement.

On 5 July 2019, the Group further acquired a 5.55% equity interest in Yunnan Hansu at a consideration of approximately RMB14.6 million from an A-share company listed on the Shenzhen Stock Exchange, by way of participation in a judicial auction. After completing the acquisition, the Group's equity interest in Yunnan Hansu increases from 20% to 25.55%. In addition, the Group is the second largest shareholder of and has a board seat in Yunnan Hansu which remains to be an associate of the Group.

To the best of the Directors' knowledge, Yunnan Hansu holds the first hemp processing licence that complies with the GMP (Good Manufacturing Practice) standard in the PRC. It is also the largest extraction base of CBD and other cannabinol substance in the PRC.

In March 2019, Yunnan Hansu, other shareholders of Yunnan Hanmeng Pharmaceutical Co., Ltd* (“雲南漢盟製藥有限公司”) (“Hanmeng”), a fund and an A-share company (“A-share Co.”) listed on the Shenzhen Stock Exchange entered into equity sales and purchase and capital increase agreement (“SPA”). According to the SPA, Yunnan Hansu agrees to sell 37.14% equity interest in Hanmeng to A-share Co. at a consideration of RMB200 million. After completing the disposal, Yunnan Hansu does not hold any equity interest in Hanmeng. On 22 July 2019, the business scope of Yunnan Hansu was extended and the “transfer of biotechnology” was added in it. The disposal of equity interest in Hanmeng proves that Yunnan Hansu’s extraction program has been recognised by the market. The Board believes that the new business scope will further promote Yunnan Hansu to enhance its business model, increase its sources of revenue, and improve its operating profitability.

To expedite the establishment of the Company’s global presence in industrial hemp pharmaceutical business and other parts of the industrial hemp industry value chain, the Company intends to invest not less than HK$100 million to establish its industrial hemp holding group company, Meilleure Hemp International Holdings Limited. Currently, the Company has established several subsidiaries within this hemp holding group included but not limited to an Australian subsidiary, called Australia Hemp Health Pty Ltd; and two Swiss subsidiaries, Meilleure Hemp Health Europe SA and Green Gold Health SA.

On 12 August 2019, the Group and Gippro Industrial (HK) Limited (“Gippro Industrial”) entered into a joint venture agreement (“the JV Agreement”). Pursuant to the JV Agreement, both parties agreed to establish a subsidiary in Hong Kong (“HK Subsidiary”) to serve as a holding company and market expansion platform, and to form a wholly owned subsidiary in Japan (“Japan Subsidiary”) under the HK Subsidiary for conducting related business activities. As at the date of this announcement, the HK Subsidiary and the Japan Subsidiary have already been established and is engaged in the research, development and application of CBD and other industrial hemp extracts related atomisation technology, and the promotion of health-related electronic atomisation products in Japanese and international markets. The Group and Gippro Industrial hold a 51% and 49% equity interest in the HK Subsidiary respectively.

The Directors believe that Japanese market has huge potential because Japan has one of the largest aging population in the world with strong spending power and the CBD can be used in cosmetics, food and beverages, supplements, healthcare and pet snacks related products in Japan. The establishment of the HK Subsidiary will add new products to the existing product portfolio, and create new growth opportunities for the Group.

* *For identification purpose only*

On 12 August 2019, the Group and Shenzhen Gippro together with 4 existing shareholders of Shenzhen Gippro entered into a capital increase agreement (the "Capital Increase Agreement"). Pursuant to the Capital Increase Agreement, the Group has the right to subscribe for an aggregate of not more than 16% equity interest in Shenzhen Gippro in two rounds of financing, with a 6% equity interest being subscribed for at a consideration of RMB8.3 million in the first round of financing. On 4 September 2019, the Group entered into an equity transfer agreement to acquire a 8.3077% equity interest in Shenzhen Gippro (the 8.3077% equity interest will be diluted to 7.809231% upon completion of the subscription of the 6% equity interest in Shenzhen Gippro by the Group pursuant to the Capital Increase Agreement) from a natural person at the consideration of RMB10.8 million. Upon completion of the acquisition, the equity interest, coupled with the 6% equity to be subscribed for by the Group pursuant to the Capital Increase Agreement, resulted in the Group holding an aggregate of approximately 13.809231% equity interest in Shenzhen Gippro.

Shenzhen Gippro is an innovative company focused on expanding the market for atomisation products in China. The Directors believe that there is a tremendous expansion in the scale and growth of atomisation products in the Chinese market. The participation in the sales and promotion of atomisation products in China brought about by this investment will further broaden the business portfolio of the Group.

In 2020, the Group will continue to focus on life health and industrialised development of human health solutions and to continuously develop into the world's leading health service provider by integrating the top talents, technology, services, products, channels and various resources.

The continued uncertainty over outbreak of the Epidemic and China-United States trade disputes leads to a slowdown in the global economic growth. Against this background, it is expected that there will be more opportunities for mergers and acquisitions which will be offered at lower prices. The Board believes that the Group has sufficient resources and funds so it is in a good position to select and acquire suitable strategic businesses and assets. The Group will endeavour to further increase the return of the shareholders of the Company.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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 2019, the Company had complied with the CG Code as set out in the Listing Rules.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for 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 2019, they have complied with the required standard set out in the Model Code.

REVIEW OF ACCOUNTS

The Audit Committee of the Company has reviewed with the management of the Company, the consolidated financial statements of the Group for the year ended 31 December 2019 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 2019 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

Notice of the annual general meeting of the Company will be published and dispatched to the Company's shareholders in the manner required by the Listing Rules in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.meilleure.com.cn). The annual report for the year ended 31 December 2019 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

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, 31 March 2020

As at the date of this announcement, the Board comprises Mr. Zhou Xuzhou, Dr. Zeng Wentao 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 Mr. Wu Peng as independent non-executive Directors.