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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 2020**

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Meilleure Health International Industry Group Limited (the “**Company**”) is pleased to announce the results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

		2020	2019
	Notes	HK\$'000	HK\$'000
Revenue	4	265,135	234,779
Cost of goods sold and service rendered		<u>(153,884)</u>	<u>(162,947)</u>
Gross profit		111,251	71,832
Fair value (losses)/gains on investment properties	11	(16,869)	21,990
Gain on partial disposal of investment in an associate		31,713	–
Gain on disposals of subsidiaries		14,072	–
Other income and gains, net	5	32,255	17,303
Selling and distribution expenses		(8,717)	(3,107)
Administrative expenses		(41,691)	(36,753)
Impairment losses of receivables, net		(544)	(5,436)
Impairment of goodwill		–	(33,017)
Finance costs	6	(13,682)	(16,393)
Share of losses of associates		(4,316)	(22,960)
Share of profits and losses of joint ventures		<u>115</u>	<u>1,197</u>
Profit/(loss) before tax		103,587	(5,344)
Income tax expense	7	<u>(18,521)</u>	<u>(17,666)</u>
Profit/(loss) for the year	8	<u>85,066</u>	<u>(23,010)</u>
Attributable to:			
Owners of the Company		83,439	(20,174)
Non-controlling interests		<u>1,627</u>	<u>(2,836)</u>
		<u>85,066</u>	<u>(23,010)</u>
Earnings/(loss) per share	10		
Basic and diluted		<u>HK1.95 cents</u>	<u>HK(0.48) cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Profit/(loss) for the year	8	<u>85,066</u>	<u>(23,010)</u>
Other comprehensive income/(loss):			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at fair value through other comprehensive income		<u>(8,562)</u>	<u>721</u>
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		63,411	(14,037)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		<u>(967)</u>	<u>–</u>
		<u>62,444</u>	<u>(14,037)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>53,882</u>	<u>(13,316)</u>
Total comprehensive income/(loss) for the year		<u><u>138,948</u></u>	<u><u>(36,326)</u></u>
Attributable to:			
Owners of the Company		137,899	(33,084)
Non-controlling interests		<u>1,049</u>	<u>(3,242)</u>
		<u><u>138,948</u></u>	<u><u>(36,326)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		1,688	2,060
Right-of-use assets		5,118	18,126
Investment properties	<i>11</i>	559,685	594,177
Goodwill		18,500	32,239
Other intangible assets		59	369
Investments in associates		47,327	74,839
Investments in joint ventures		69,164	65,032
Equity investments at fair value through other comprehensive income		28,572	33,825
Derivative financial assets		243	–
Deferred tax assets		12,325	3,372
		742,681	824,039
Current assets			
Inventories		16,163	8,048
Properties held for sale under development	<i>12</i>	245,344	216,177
Trade receivables	<i>13</i>	63,174	104,689
Prepayments, deposits and other receivables	<i>14</i>	348,432	31,685
Investments at fair value through profit or loss		47,813	285,723
Current tax assets		–	1,537
Pledged bank deposits		–	80,276
Bank and cash balances		233,467	156,229
		954,393	884,364
Investment properties held for sale	<i>11</i>	5,786	5,450
		960,179	889,814

		2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
	<i>Notes</i>		
Current liabilities			
Trade payables	15	1,680	1,420
Contract liabilities		15,814	16,132
Accruals and other payables		31,929	25,759
Amounts due to related parties		7,456	7,062
Bank borrowings		30,575	178,776
Lease liabilities		2,474	7,349
Current tax liabilities		18,969	5,991
		<u>108,897</u>	<u>242,489</u>
Net current assets		<u>851,282</u>	<u>647,325</u>
Total assets less current liabilities		<u>1,593,963</u>	<u>1,471,364</u>
Non-current liabilities			
Accruals and other payables		5,938	5,593
Bank borrowings		120,250	131,855
Lease liabilities		1,538	11,390
Deferred tax liabilities		62,974	56,866
		<u>190,700</u>	<u>205,704</u>
NET ASSETS		<u><u>1,403,263</u></u>	<u><u>1,265,660</u></u>
Capital and reserves			
Share capital	16	42,718	42,718
Reserves		<u>1,358,204</u>	<u>1,216,887</u>
Equity attributable to owners of the Company		1,400,922	1,259,605
Non-controlling interests		<u>2,341</u>	<u>6,055</u>
TOTAL EQUITY		<u><u>1,403,263</u></u>	<u><u>1,265,660</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of 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 Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activities of the Group are operation of industrial hemp business and healthcare related business; trading of construction materials; provision of real estate agency services; property investment and leasing; and development of residential properties.

In the opinion of the Directors, as at 31 December 2020, Shunda Investment Limited, a company incorporated in the British Virgin Islands, is the ultimate parent of the Company; and Mr. Zhou Xuzhou ("**Mr. Zhou**"), the co-chairman of the Board and the executive Director, is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not early applied any new or revised HKFRSs that is not yet effective for the current accounting period, except for the amendment to HKFRS 16 "COVID-19-Related Rent Concessions". Impact on the application of the amendment to HKFRS 16 is summarised below.

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions"

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the novel coronavirus ("**COVID-19**") pandemic (the "**Pandemic**"), by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of the Pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessees do not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained profits at 1 January 2020 on initial application of the amendment.

The application of the new or revised HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group will not have material impact on the consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group has six (2019: five) reportable segments as follows:

- (a) Industrial hemp business – Cannabidiol (“**CBD**”) downstream product application
- (b) Healthcare related business – Health management services, aesthetic medical services, healthcare related product sale agency services and sale of healthcare related products
- (c) Trading business – Trading of construction materials
- (d) Agency service – Real estate agency services
- (e) Property investment and leasing – Leasing of investment properties
- (f) Property development – Development and selling of residential properties

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

During the year ended 31 December 2020, in view of the increasing contributions of revenue, and profit from industrial hemp business of the Group, the Group has reorganised its internal reporting structure resulting in changes to the composition of its reportable segments. The industrial hemp business is now separated as a single segment. Prior period segment disclosures have been re-presented to conform with the current year’s presentation.

Segment profits or losses do not include gain on partial disposal of investment in an associate, gain on disposals of subsidiaries, fair value gains on investments at fair value through profit or loss, fair value losses on derivative financial assets, interest income, dividend income from equity investments at fair value through other comprehensive income, investment income, equity-settled share-based payments, impairment of goodwill, finance costs, share of losses of associates, share of profits and losses of joint ventures as well as other unallocated head office and corporate income and expenses. Segment assets do not include deferred tax assets, current tax assets as well as other unallocated head office and corporate assets. Segment liabilities do not include deferred tax liabilities, current tax liabilities as well as other unallocated head office and corporate liabilities.

Segment revenues and results

The following is an analysis of the Group's revenues and results from reportable and operating segments:

	Industrial hemp business HK\$'000	Healthcare related business HK\$'000	Trading business HK\$'000	Agency service HK\$'000	Property investment and leasing HK\$'000	Property development HK\$'000	Total HK\$'000
For the year ended 31 December 2020							
Revenue from external customers	<u>25,371</u>	<u>54,757</u>	<u>133,960</u>	<u>29,805</u>	<u>21,242</u>	<u>–</u>	<u>265,135</u>
Segment profit/(loss)	<u>4,027</u>	<u>14,076</u>	<u>22,603</u>	<u>24,090</u>	<u>1,845</u>	<u>(79)</u>	<u>66,562</u>
Gain on partial disposal of investment in an associate							31,713
Gain on disposals of subsidiaries							14,072
Fair value gain on investments at fair value through profit or loss							14,713
Fair value losses on derivatives financial assets							(271)
Interest income							8,237
Dividend income from equity investments at fair value through other comprehensive income							346
Equity-settled share-based payments							(4,279)
Share of losses of associates							(4,316)
Share of profits and losses of joint ventures							115
Unallocated income							5,314
Unallocated expense							(14,937)
Finance costs							(13,682)
Profit before tax							<u>103,587</u>
	Industrial hemp business HK\$'000	Healthcare related business HK\$'000	Trading business HK\$'000	Agency service HK\$'000	Property investment and leasing HK\$'000	Property development HK\$'000	Total HK\$'000
For the year ended 31 December 2019 (Re-presented)							
Revenue from external customers	<u>1,504</u>	<u>42,405</u>	<u>142,801</u>	<u>29,344</u>	<u>18,725</u>	<u>–</u>	<u>234,779</u>
Segment profit/(loss)	<u>(1,035)</u>	<u>(5,686)</u>	<u>7,505</u>	<u>21,991</u>	<u>36,832</u>	<u>(1,342)</u>	<u>58,265</u>
Impairment of goodwill							(33,017)
Interest income							8,252
Dividend income from equity investments at fair value through other comprehensive income							451
Investment income							331
Fair value gains on investments at fair value through profit or loss							10,298
Share of loss of an associate							(22,960)
Share of profits and losses of joint ventures							1,197
Unallocated income							37
Unallocated expense							(11,805)
Finance costs							(16,393)
Loss before tax							<u>(5,344)</u>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Industrial hemp business	114,408	116,817
Healthcare related business	153,804	232,310
Trading business	222,442	133,151
Agency service	42,407	9,426
Property investment and leasing	580,684	604,338
Property development	250,068	216,582
	<hr/>	<hr/>
Total assets of reportable segments	1,363,813	1,312,624
Deferred tax assets	12,325	3,372
Current tax assets	–	1,537
Unallocated corporate assets	326,722	396,320
	<hr/>	<hr/>
Consolidated total assets	<u>1,702,860</u>	<u>1,713,853</u>

Segment liabilities

	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Industrial hemp business	17,303	2,629
Healthcare related business	14,279	45,757
Trading business	14,829	26,449
Agency service	689	1,048
Property investment and leasing	154,134	159,002
Property development	–	–
	<hr/>	<hr/>
Total liabilities of reportable segments	201,234	234,885
Deferred tax liabilities	62,974	56,866
Current tax liabilities	18,969	5,991
Unallocated corporate liabilities	16,420	150,451
	<hr/>	<hr/>
Consolidated total liabilities	<u>299,597</u>	<u>448,193</u>

Other segment information

The following is an analysis of other segment information:

	Industrial hemp business HK\$'000	Healthcare related business HK\$'000	Trading business HK\$'000	Agency service HK\$'000	Property investment and leasing HK\$'000	Property development HK\$'000	Reportable segment total HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
For the year ended									
31 December 2020									
Depreciation and amortisation	(474)	(7,090)	(11)	-	(1)	(10)	(7,586)	(323)	(7,909)
Fair value losses on investment properties	-	-	-	-	(16,869)	-	(16,869)	-	(16,869)
Reversal of impairment losses/(impairment losses) of trade receivables, net	(1,119)	(2,595)	3,541	-	-	-	(173)	-	(173)
Impairment losses of other receivables	(371)	-	-	-	-	-	(371)	-	(371)
Additions to segment non-current assets*	110	261	-	-	-	-	371	46	417
	<u>110</u>	<u>261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371</u>	<u>46</u>	<u>417</u>
As at 31 December 2020									
Investments in associates	36,312	11,015	-	-	-	-	47,327	-	47,327
Investments in joint ventures	3,666	65,498	-	-	-	-	69,164	-	69,164
	<u>36,312</u>	<u>11,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,327</u>	<u>-</u>	<u>47,327</u>
	<u>3,666</u>	<u>65,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,164</u>	<u>-</u>	<u>69,164</u>
	Industrial hemp business HK\$'000	Healthcare related business HK\$'000	Trading business HK\$'000	Agency service HK\$'000	Property investment and leasing HK\$'000	Property development HK\$'000	Reportable segment total HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
For the year ended									
31 December 2019									
(Re-presented)									
Depreciation and amortisation	-	(6,054)	(138)	-	-	-	(6,192)	-	(6,192)
Fair value gains on investment properties	-	-	-	-	21,990	-	21,990	-	21,990
Loss on disposal of investment properties	-	-	-	-	(1,531)	-	(1,531)	-	(1,531)
Impairment losses of trade receivables	-	(1,793)	(3,643)	-	-	-	(5,436)	-	(5,436)
Additions to segment non-current assets*	-	103	14	-	-	22	139	-	139
	<u>-</u>	<u>103</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>139</u>	<u>-</u>	<u>139</u>
As at 31 December 2019									
(Re-presented)									
Investment in an associate	74,839	-	-	-	-	-	74,839	-	74,839
Investments in joint ventures	1,963	63,069	-	-	-	-	65,032	-	65,032
	<u>74,839</u>	<u>63,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,032</u>	<u>-</u>	<u>65,032</u>

This segment information has been included in the measures of segment results or assets.

* Additions to segment non-current assets consist of additions to property, plant and equipment and intangible assets.

Geographical information

	Revenue		Non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
The People's Republic of China, excluding Hong Kong ("PRC")	241,653	214,201	699,572	683,492
Hong Kong	13,357	20,578	1,662	103,350
Others	10,125	–	307	–
Consolidated total	<u>265,135</u>	<u>234,779</u>	<u>701,541</u>	<u>786,842</u>

In presenting the geographical information, revenue is based on the locations of the customers and non-current asset is based on the locations of the assets.

4. REVENUE

	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Sale of CBD downstream products	25,371	1,504
Healthcare management service income	39,528	38,861
Healthcare related products sale agency service income	10,940	–
Sale of healthcare related products	2,810	3,544
Aesthetic medical service income	1,479	–
Sale of construction materials	133,960	142,801
Property sales and consultancy service income	<u>29,805</u>	<u>29,344</u>
Revenue from contracts with customers	243,893	216,054
Rental income	<u>21,242</u>	<u>18,725</u>
Total revenue	<u>265,135</u>	<u>234,779</u>

Note: In the current year, the Group has reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments and groupings on revenue information. Details of the change are set out in note 3 above. Prior period disclosures have been re-presented to confirm with the current year's presentation.

5. OTHER INCOME AND GAINS, NET

	2020 HK\$'000	2019 HK\$'000
Other income		
Interest income	8,237	8,252
Government grants	2,368	884
Dividend income from equity investments at fair value through other comprehensive income – investments held at end of year	346	451
COVID-19-related rental concessions	311	–
Investment income	–	331
Others	1,333	3
	<u>12,595</u>	<u>9,921</u>
Gains/(losses), net		
Fair value gains on investments at fair value through profit or loss (mandatorily measured)	14,713	10,298
Net foreign exchange gains/(losses)	5,218	(640)
Fair value losses on derivative financial assets	(271)	–
Loss on disposals of investment properties	–	(1,531)
Others	–	(745)
	<u>19,660</u>	<u>7,382</u>
	<u><u>32,255</u></u>	<u><u>17,303</u></u>

6. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans	12,989	15,949
Interest on lease liabilities	693	444
	<u>13,682</u>	<u>16,393</u>

7. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current tax – PRC		
Provision for the year	20,378	11,339
Under-provision in prior years	3,161	–
Current tax – Hong Kong		
Provision for the year	689	2,335
(Over)/under-provision in prior years	(1,931)	143
Withholding tax on interest income – Australia		
Provision for the year	1,339	–
Under-provision in prior years	909	–
Deferred tax	(6,024)	3,849
	18,521	17,666

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong for the year, except for one group entity operating in Hong Kong which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK\$2 million of assessable profits are taxed at the rate of 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at the rate of 16.5% (2019: 16.5%).

Enterprise Income Tax of the PRC has been provided at the rate of 25% (2019: 25%) on the estimated assessable profits arising in the PRC for the year.

Australia corporate income tax has been provided at the rate of 30% (2019: 30%) on the estimated assessable profits for arising in Australia for the year.

A group entity, which is a non-tax resident enterprise in Australia, is subject to Australia withholding tax at the tax rate of 10% (2019: 10%) on the gross interest income arising from its loans provided to another group entity, which is a tax resident enterprise in Australia.

Corporate income tax in other jurisdictions has been provided at the rates of taxation prevailing in the jurisdictions in which the group entities operate on the estimated assessable profits arising from those jurisdictions for the year.

8. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2020 HK\$'000	2019 HK\$'000
Amortisation of other intangible assets	256	267
Depreciation of property, plant and equipment	782	802
Depreciation of right-of-use assets	6,871	5,123
Gain on partial disposal of investment in an associate	(31,713)	–
Gain on disposals of subsidiaries	(14,072)	–
Fair value losses/(gains) on investment properties	16,869	(21,990)
Auditor's remuneration	1,150	1,783
Cost of inventories sold	123,595	132,647
Impairment losses of receivables, net:		
Trade receivables	173	5,436
Other receivables	371	–
	<u>544</u>	<u>5,436</u>
Impairment of goodwill	–	33,017
Staff costs including directors' emoluments		
Salaries, bonus and allowances	26,775	29,954
Equity-settled share-based payments	4,279	–
Retirement benefits scheme contributions	1,243	790
	<u>32,297</u>	<u>30,744</u>

9. DIVIDENDS

The Board has resolved not to declare any dividend for the year ended 31 December 2020 (2019: Nil).

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$83,439,000 (2019: loss attributable to owners of the Company of approximately HK\$20,174,000) and the weighted average number of ordinary shares of 4,271,752,636 (2019: 4,173,122,499) in issue during the year.

Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as (i) the average market share price of the Company's shares during the period from the date of grant of the share options to 31 December 2020 was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement and, accordingly, the share options in issue during the years ended 31 December 2020 have no dilutive effect on the basic earnings per ordinary shares for the year ended 31 December 2020; and (ii) the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019.

11. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR SALE

	Investment properties HK\$'000	Investment properties held for sale HK\$'000	Total HK\$'000
At 1 January 2019	586,522	17,583	604,105
Transfer from investment properties held for sale	1,834	(1,834)	–
Transfer to investment properties held for sale	(5,450)	5,450	–
Disposals	(1,397)	(15,578)	(16,975)
Fair value gains	21,990	–	21,990
Exchange differences	(9,322)	(171)	(9,493)
At 31 December 2019 and 1 January 2020	594,177	5,450	599,627
Disposal of a subsidiary	(50,300)	–	(50,300)
Fair value losses	(16,869)	–	(16,869)
Exchange differences	32,677	336	33,013
At 31 December 2020	559,685	5,786	565,471
		2020	2019
		HK\$'000	HK\$'000
Analysed as:			
Current assets		5,786	5,450
Non-current assets		559,685	594,177
		565,471	599,627

12. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	2020	2019
	HK\$'000	HK\$'000
Cost		
At 1 January	216,177	208,874
Capitalised expenditure	8,989	8,886
Exchange differences	20,178	(1,583)
At 31 December	245,344	216,177

13. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	65,477	110,391
Provision for loss allowance	<u>(2,303)</u>	<u>(5,702)</u>
	<u>63,174</u>	<u>104,689</u>

The Group generally allows a credit period of 0 to 180 days (2019: 0 to 180 days) to its customers in trading business and agency service. Overdue balances are reviewed regularly by the management of the Group. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The ageing analysis of the trade receivables, based on the invoice date, and net of allowance, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	31,376	19,643
31 to 90 days	17,908	45,636
Over 90 days	<u>13,890</u>	<u>39,410</u>
	<u>63,174</u>	<u>104,689</u>

Reconciliation of loss allowance for trade receivables:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	5,702	266
Increase in loss allowance for the year	173	5,436
Disposal of subsidiaries	(3,691)	–
Exchange difference	<u>119</u>	<u>–</u>
At 31 December	<u>2,303</u>	<u>5,702</u>

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Consideration receivables in relation to:		
– Redemption of unlisted fund investment	212,011	–
– Disposals of subsidiaries	58,840	–
– Partial disposal of investment in an associate	23,752	–
Performance bond receivable	23,752	–
Prepayments	20,446	9,850
Other tax receivables	7,298	8,100
Other receivables	2,573	12,710
Deposits paid	143	1,025
	<u>348,815</u>	<u>31,685</u>
Provision for loss allowance (<i>note a</i>)	(383)	–
	<u>348,432</u>	<u>31,685</u>

Note:

(a) The movements in the loss allowance for other receivables during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	–	–
Increase in loss allowance for the year	371	–
Exchange differences	12	–
	<u>383</u>	<u>–</u>
At 31 December	<u>383</u>	<u>–</u>

15. TRADE PAYABLES

The ageing analysis of trade payables, based on the invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
0 to 90 days	1,675	1,416
Over 90 days	5	4
	<u>1,680</u>	<u>1,420</u>

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2019	3,911,752,636	39,118
Placing of shares (<i>note a</i>)	360,000,000	3,600
At 31 December 2019, 1 January 2020 and 31 December 2020	4,271,752,636	42,718

Note:

- (a) In April 2019, the Company completed the placing of new shares under general mandate. A total of 360,000,000 ordinary shares had been issued with a par value of HK\$0.01 each. The placing price of HK\$0.91 per share had led to the increase in share capital and share premium of approximately HK\$3,600,000 and HK\$324,000,000 (before deduction of share issue expenses) respectively.

17. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2020 HK\$'000	2019 HK\$'000
Contracted, but not provided for:		
Capital contribution to a joint venture	3,207	3,020
Capital contribution to an associate	10,688	–
Capital contribution to an unlisted long-term investment	14,251	–
Acquisition of equity interest of an unlisted long-term investment	7,126	–

EXTRACT FROM CO-CHAIRMAN’S STATEMENT

The following are extracted from the sections headed “Recent Development”, “Overview of Operations” and “Outlook” of the co-chairman’s statement as written by one of the co-chairmen of the Board:

“RECENT DEVELOPMENT

In 2020, the global political landscape and economic activity underwent drastic changes due to the Epidemic, which has brought increased uncertainty in overall situation. The economy of the PRC took the lead in recovery thanks to the government’s dedication in containing the Epidemic. The cell industry has benefited from the Epidemic and the improved policy environment. With increasing public health awareness and demand for healthcare services, the healthcare industry has ushered in new development opportunities. Being innovative and responsive, the Group has made significant progress in the two high-growth businesses that it focuses on, namely the industrial hemp business and healthcare related business. The “one core and two wings” strategy which focuses on high-end health management business driven by the health applications of cannabinoid and cell began to bear fruit, and new profit growth drivers have been identified whilst actively responding to the Epidemic. During the Reporting Period, the Group continued to strengthen the layout of the upstream and downstream industry chains of its healthcare related business and industrial hemp business, increased investment in talent recruitment, basic research and development, products and marketing, integrated human resources and marketing resources from home and abroad, enhanced its research and development capability, marketing capability and sales capability, and improved its overall risk resistance and ability to dominate the market and generate sustainable revenue.

OVERVIEW OF OPERATIONS

Healthcare Related Business Segment – Health Management and Cellular Healthcare Application Business

In respect of this business, the Group pursues a development strategy of paying equal attention to upstream multi-disease research and development with cellular technology and downstream products and services. In terms of the upstream of the industrial chain and products, following the acquisition of Shenzhen Wingor Biotechnology Co., Ltd.* (深圳市茵冠生物科技有限公司) (“**Wingor Bio**”) in 2019, a state-level high-tech enterprise, the Group continued its deployment in the area of cellular immunotherapy and established Beijing Mei Ai Kang Technology Co., Ltd.* (北京美艾康科技有限公司) (“**Mei Ai Kang**”) in the first half of 2020. As the immune cells of patients with acquired immunodeficiency syndrome (AIDS) are attacked by the human immunodeficiency virus (“**HIV**”), the immune system collapses and bacteria and viruses invade the body, causing a number of infections and malignancies in the infected person. Cellular immunotherapy aims to stimulate the patient’s own immune system to produce or enhance an anti-tumor immune response, improve the body’s immune system, thereby reducing HIV infections and controlling or even eradicating cancer cells.

During the Reporting Period, Mei Ai Kang cooperated with the Fifth Medical Centre of the General Hospital of the People's Liberation Army, the Fourth People's Hospital of Nanning and the Shanghai Public Health Clinical Centre to conduct clinical studies and has enrolled cases in the study.

Wingor Bio also made numerous business progresses during the Reporting Period. During the Reporting Period, Wingor Bio signed a strategic cooperation agreement for joint application for a stem cell clinical research base and signed the Cell Therapy Clinical Research and Scientific Research Cooperation Agreement for conducting clinical research on stem cell treatment of decompensated liver cirrhosis with The Third People's Hospital of Shenzhen (the only designated hospital for patients with COVID-19 in Shenzhen); signed the Joint Development Agreement for the Key Technology Development Project of CRISPR Rapid Detection Kit for Novel Coronavirus with Shenzhen Hospital of Southern Medical University to jointly carry out related technology research and product development; conducted clinical research on stem cell therapy for ischaemic stroke; worked in a well-organised manner with the People's Hospital of Wuhan University, the People's Hospital of Hubei Province and Zhongda Hospital Affiliated to Southeast University on the clinical research project on stem cells in treating diseases including chronic refractory wounds, femoral head necrosis, diabetic nephropathy, ischemic stroke and acute respiratory distress syndrome; made steady progress in the filing work with several other hospitals; signed a strategic cooperation agreement with Affiliated Stomatological Hospital of Xuzhou Medical University, and a strategic framework cooperation agreement with Boai Hospital of Zhongshan. In terms of the Investigational New Drugs ("IND") filing, stem cell drug IND applications for osteoarthritis of the knee, diabetic nephropathy and ischemic stroke are in steady progress.

In terms of qualification recognition and government support, during the Reporting Period, Wingor Bio was once again recognised as a national high-tech enterprise; was granted the qualification of "South China Integrated Cell Bank" and "South China Regional Cell Preparation Centre"; was granted the qualification of level 2 pathogenic microorganism laboratory of Guangdong Province; was granted support fund for biomedical field under the special funds for strategic emerging industry for 2020 in Shenzhen; signed a service contract with the National Institutes for Food and Drug Control, the highest inspection body for biological products in the PRC, and was awarded, for its technology system, the most authoritative recognition in the field of quality certification of cellular products in the PRC, providing a solid foundation for the development of clinical research on cell therapy and the registration of cellular biological products. In the health management business, demand for health care from the general public continued to rise due to the impact of the Epidemic. The Group's revenue from healthcare related business grew significantly by approximately 29.2% and turned into a profit. In addition, the Group launched the "Science for Better Sleep Project" (科學優眠項目) in 2020, in view of the rapidly rising demand for improving sleep.

During the Reporting Period, in the context of sudden outbreak of the Epidemic, cellular technology showed great promise in the treatment for COVID-19 and related complications, and policies from the central to local governments have been introduced to accelerate the research and application of cellular technology, while the demand for health management has been on the rise. With favourable policies, the Group has made considerable progress in

basic cellular research and application of cell transformation, and has been operating steadily in the health management area and initiated the project for improving sleep. In the future, the Group will continue to leverage on its strengths in the industry chain to actively explore in the areas of health management and cellular transformation applications, increase investment and research and development, constantly develop new products and services, and expand external cooperation to establish endogenous association between the health management business and other business segments.

Healthcare Related Business Segment – Business of Anti-Epidemic Supplies

Globally, with the exception of the PRC, the Epidemic was not effectively contained throughout 2020. With the Epidemic dragging on, demand for anti-epidemic supplies remains high. The Group assessed the situation to turn crisis into opportunity and provide prompt response, made full use of the flexible production capabilities of its joint venture, integrated its overseas sales network and related domestic industry chain, adjusted short-term business strategies, and participated in the production and domestic and foreign sales of anti-epidemic supplies. Shenzhen Meiray Vap Technology Co., Ltd.* (深圳市美深瑞科技有限公司) (“**Meiray Vap**”), a joint venture established by the Group in collaboration with Shenzhen Mason Vap Technology Co., Ltd* (深圳市美深威科技有限公司) (“**Mason Vap**”), a renowned atomiser foundry, in 2019, quickly transformed to engage in the production of medical masks and received orders from the government during the outbreak of the Epidemic. During the Reporting Period, a total of 250.2 million pieces of masks were shipped by Meiray Vap, the revenue from which amounted to RMB 20.9 million. In addition, during the Reporting Period, the Group reached in-depth business cooperation with well-known domestic kit manufacturers, namely Sansure Biotech Inc. and Nanjing Vazyme Medical Technology Co., Ltd. to act as an agent of their kit products for COVID-19 on a global scale. The cumulative sales transaction amount amounted to over US\$5.2 million during the Reporting Period, and the scope of sales covered 65 countries around the world, contributing to the fight against the Epidemic at home and abroad and also cultivating new profit growth area for the Group in such critical period.

Industrial Hemp Business Segment

During the Reporting Period, the Group accelerated the promotion of downstream CBD application based on insightful analysis of the industrial hemp market worldwide, particularly in the PRC, and continued to create and invest in CBD consumer health brands in multiple countries and across different sectors. In 2019, the Group and a Hong Kong subsidiary of Shenzhen Gippro Technology Innovation Limited* (深圳龍舞科技創新有限公司) (“**Shenzhen Gippro**”), a renowned health-related atomisation brand, established Meipro Biological Technology Company Limited (“**Meipro Biological**”), a subsidiary of the Company in Hong Kong. The CBD atomisation brand under Meipro Biological, CANNERGY, first launched in Japan at the end of 2019. Currently, a variety of CBD atomisation products have been rolled out under the brand in Japan. During the Reporting Period, CANNERGY continued to expand and consolidate its first-mover advantage, with a number of suppliers on the production side, basically achieving localised production of all product lines; set up a dual online and offline presence on the sales side by entering mainstream e-commerce platforms including Rakuten,

Yahoo, Amazon and Qoo10, and expanding into a number of offline channels such as physical stores for e-cigarette, high-end beauty salon chains, gyms and cosmetics stores. In Europe, the Group plans to launch its CBD healthcare brand, Alp Releaf, through its wholly-owned subsidiary, Green Gold Health SA.

In view of the fruitful prospects of CBD as a core raw material applied in skin care and the rapid development of the beauty industry in the PRC, the Group launched the new CBD skincare brand, “Mazhuang”, in August 2020 after half a year of preparation. Within five months of its launch, contracted sales of Mazhuang’s hemp leaf essence treatment mask amounted to over HK\$30 million, setting a new record for sales of CBD skincare products of the same category and being the number one bestseller of facial masks on Tmall during the Double 11 Festival in November 2020. Mazhuang was also awarded the “WISE 2020 King of China’s New Economy – Most Influential Brand in Consumer Brands and Lifestyle Sector” by 36 Krypton, the leading new economy science and innovation media.

In order to build a leading CBD skincare brand in the industry, the Group has been accumulating reserves in the products research and development, production, marketing and sales channels under “Mazhuang”.

On the research and development side, the Group has initiated various forms of collaboration with renowned scientific teams and large factories in the industry, including scientific research, product and efficacy research, to expedite the development of CBD series skincare products that meet market demand. On the production side, the Group has cooperated with top international suppliers to ensure the quality and speed of response in the supply chain. On the marketing side, the Group has placed emphasis on content marketing and digital-driven strategies and collaborated with top domestic variety artists for content co-creation to reach the brand’s target customer groups accurately; published content to mainstream social media such as WeChat, RED (Xiaohongshu), TikTok and Weibo, and accumulated resources for cooperation with the industry’s leading video platforms and built its own refined placement data model for rapid iteration. On the sales channel side, the Group has established mainstream online channels on Tmall, Mini Program stores function of WeChat and Red Mall section of Xiaohongshu etc., as well as new offline beauty channels with great potential.

As the world’s most populous country with the second highest GDP, the PRC is undoubtedly the most promising market for CBD consumption worldwide. In the current policy environment, CBD skincare products has become the most mainstream track for downstream CBD applications in the PRC, with a surge in the number of filing for CBD skincare products in the PRC in 2020. As the industry heats up, there are more players in the racetrack, which will lead to faster and wider market education and user awareness, fueling the accelerated expansion of the CBD skincare market. In the beauty industry, with the triple whammy of skincare products with new ingredients and additive efficacy and the new power of Chinese products, leading global CBD skincare brands are expected to emerge in the PRC.

In addition, up to the date of this announcement, the Group further developed the industrial hemp industry chain by investing in the establishment of Meiray Vap, a manufacturer of CBD atomisers, and taking a strategic stake in Mason Vap, a leader in atomisation technology, and signed a strategic cooperation framework agreement with an industrial hemp investment company in Yunnan Province in November 2020, with a view to initiating comprehensive cooperation in the areas of scientific research, extraction, conversion of results and equity cooperation.

As at the end of the Reporting Period, the Group's downstream applications in the industrial hemp industry chain had covered three areas, namely health-related atomisation products, healthcare products and cosmetics, and the integrated industry chain strategy covering domestic and international research and development, production and branding progressed smoothly.

In 2020, the health and emotional problems caused by the Epidemic created a huge demand for CBD healthcare products. The research and clinical trials of the use of CBD for adjuvant therapy for COVID-19 have also commenced. At the end of 2020, the United Nations Commission on Narcotic Drugs (CND) voted to remove cannabis and cannabis-related substances from Schedule IV of the Single Convention on Narcotic Drugs of 1961, lowering the level of control of cannabis and cannabis-related substances. The relaxation of the international convention is expected to lead to more liberal industrial hemp policies in a number of countries around the world. In the PRC, the local governments of Yunnan and Heilongjiang have shown a friendly attitude towards the industrial hemp industry, and official industry organisations have been established, including the Yunnan Industrial Hemp Industry Association. Overall, the Group believes that the policy and market environment of the industrial hemp industry is improving. The Group will continue to make efforts in upstream research and development and downstream marketing to maintain its first-mover advantage, build a brand moat and create a sustainable and healthy source of revenue growth.

OUTLOOK

Looking back at 2020, while the Epidemic became a severe global crisis resulting in significant economic recession worldwide, the Group sought changes and innovations to turn the crisis into an opportunity. Looking ahead to 2021, the global risks posed by the Epidemic remain unresolved, the trend of globalisation has reversed and sustainable development is being hampered. However, thanks to the effective containment of the Epidemic, domestic economy in the PRC took the lead in recovery and is expected to continue to lead global growth in 2021. As for the Group, at the business level, the traditional businesses will continue to grow steadily, while the two future-proof core businesses which experienced accelerated development and achieved breakthroughs in research and development, clinical and downstream markets in 2020, have laid the foundation for stronger organic growth and are expected to continue such momentum in 2021.

In terms of assets, the Group has current assets of HK\$960.2 million as at 31 December 2020, including bank and cash balances of HK\$233.5 million, redeemable investments at fair value through profit or loss of HK\$47.8 million and consideration receivable for redemption of unlisted fund investment of HK\$212.0 million which was fully received in January 2021. As a result of these favorable factors, the Group have laid a solid foundation for its development and won a competitive advantage, which has given it the confidence to deal with the uncertain economic situation and even expand against the trend.

As a group with a certain degree of influence in the healthcare industry at home and abroad, the Group will continue to focus on the layout of the industry chain, increase investment in technology research and development, product innovation and marketing, create international and differentiated products and services, continue to promote a multi-sector and multi-category brand matrix, and build a core brand competitive barrier. The Group will continue to increase its investment in various resources, including capital and manpower, strengthen the innovative linkage among business segments, expand external cooperation in multiple dimensions, adhere to the “one core and two wings” strategy which focuses on high-end health management business driven by the health applications of cannabinoid and cell, enhance the momentum of organic growth and build up core competitive advantages.

For the high-end health management business, we have started to replicate the successful business model of our clinic in Shenzhen with high growth, high returns and high quality in the most promising cities across the country to continue to grow our healthcare business for the benefit of the people. Our clinic in Nanjing commenced service in March 2021, representing an important first step of our high-end health management strategy, and is expected to bring new growth to the healthcare segment.

Moreover, as the brand awareness of Mazhuang grows further, we believe that sales of Mazhuang products will continue to grow at a rapid pace in 2021. In the wake of the industrial hemp boom, we plan to introduce a renowned industrial hemp industry fund to Mazhuang to further strengthen our shareholder structure. At the same time, we will promote a management incentive scheme to motivate management to continue to capture the high growth CBD cosmetics market.

In the foreseeable future, the traditional business is expected to continue to provide stable cash flow, while the industrial hemp business and the healthcare related business will maintain good growth momentum. We are confident in the future development of the Group’s business operations.”

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	265,135	234,779
Gross profit	111,251	71,832
Gross profit margin	42.0%	30.6%
Other income and gains, net	32,255	17,303
Total operating expenses (<i>Note</i>)	50,408	39,860
Finance costs	13,682	16,393
Profit/(loss) before tax	103,587	(5,344)
Profit/(loss) after tax	85,066	(23,010)
Profit/(loss) attributable to owners of the Company	83,439	(20,174)

Note: Total operating expenses included (i) selling and distribution expenses; and (ii) administrative expenses.

Revenue

Revenue for the year ended 31 December 2020 was HK\$265.1 million (2019: HK\$234.8 million), mainly generated by (i) sale of CBD downstream products; (ii) healthcare management service income; (iii) healthcare related products sale agency service income; (iv) sale of healthcare related products; (v) aesthetic medical service income; (vi) sale of construction materials; (vii) property sales and consultancy service income; and (viii) rental income.

Revenue increased by approximately 12.9% from HK\$234.8 million for the year ended 31 December 2019 to HK\$265.1 million for the year ended 31 December 2020. The increase in revenue of HK\$30.3 million was mainly due to (i) an increase in sale of CBD downstream products of HK\$23.9 million; and (ii) the sale of the COVID-19 related healthcare products such as COVID-19 test kits (where the Group acts as an agent) since the first half of 2020 which led to the recognition of healthcare related products sale agency service income of HK\$9.7 million during the year ended 31 December 2020.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 December 2020 was HK\$111.3 million (2019: HK\$71.8 million), representing an increase of 55.0% compared to that for the year ended 31 December 2019. Gross profit margin for the year increased to 42.0% from 30.6% for the year ended 31 December 2019.

The increase in gross profit of HK\$39.5 million and the increase in gross profit margin was mainly due to increases in gross profit in industrial hemp business and healthcare related business of HK\$19.1 million and HK\$11.6 million respectively mainly benefited from (i) the sale of Mazhuang products launched in the second half of 2020; and (ii) the sale of the COVID-19 related healthcare products (where the Group acts as an agent) since the first half of 2020 while such sales have relatively high gross profit margins.

Other Income and Gains, Net

Other income and gains, net for the year ended 31 December 2020 was HK\$32.3 million (2019: HK\$17.3 million), representing an increase of HK\$15.0 million or 86.7% as compared to 2019. Such increase was mainly due to (i) a positive financial impact arising from foreign exchange rate changes, which changed from exchange loss of HK\$0.6 million for the year ended 31 December 2019 to exchange gain of HK\$5.2 million for the year ended 31 December 2020; (ii) an increase in fair value gains on investments at fair value through profit or loss of HK\$4.4 million; and (iii) an increase in government grants of HK\$1.5 million.

Total Operating Expenses

Total operating expenses for the year ended 31 December 2020 was HK\$50.4 million (2019: HK\$39.9 million), representing an increase of HK\$10.5 million or 26.3% as compared to 2019. Such increase was mainly attributable to (i) an increase in selling and distribution expenses of HK\$5.6 million mainly due to marketing and promotion expenses incurred for promotion of products under our self-owned brands "Mazhuang" and "CANNERGY"; and (ii) the incurrence of equity-settled share-based payments of HK\$4.3 million resulting from granting share options to the certain directors and employees of the Group, and other eligible participants as an incentive for their contributions or potential contributions to the Group.

Finance Costs

Finance costs for the year ended 31 December 2020 was HK\$13.7 million (2019: HK\$16.4 million), representing a decrease of HK\$2.7 million or 16.5% as compared to 2019. Such decrease was mainly due to a decrease in interest on bank loans of HK\$3.0 million.

Profit/(Loss) after Tax

The Group recorded a profit after tax of HK\$85.1 million for the year ended 31 December 2020 as compared to a loss after tax of HK\$23.0 million for the year ended 31 December 2019. The change from loss to profit is mainly due to the following reasons:

- (i) an increase in gross profit of HK\$39.5 million;
- (ii) no incurrence of impairment of goodwill during the year ended 31 December 2020, compared to the recognition of impairment of goodwill of HK\$33.0 million during the year ended 31 December 2019;
- (iii) the recognition of gain on partial disposal of investment in an associate of HK\$31.7 million during the year ended 31 December 2020;
- (iv) a decrease in share of losses of associates of HK\$18.6 million;
- (v) an increase in other income and gains, net of HK\$15.0 million; and
- (vi) the recognition of gain on disposals of subsidiaries of HK\$14.1 million during the year ended 31 December 2020, details of which are included in the sub-section “Material Acquisitions and Disposals” below.

Such increases were offset by a decline in fair value on investment properties, which changed from a gain of HK\$22.0 million for the year ended 31 December 2019 to a loss of HK\$16.9 million for the year ended 31 December 2020.

BUSINESS REVIEW

To better reflect the Group's latest business strategy and operations, the Group has reorganised the composition of its reportable segments and now the Group has six business segments in 2020, namely, (i) industrial hemp business; (ii) healthcare related business; (iii) trading business; (iv) agency service; (v) property investment and leasing; and (vi) property development. Details of the change are set out in note 3 in notes to the consolidated financial statements contained in this announcement.

Industrial Hemp Business

The revenue derived from the industrial hemp business for the year ended 31 December 2020 was HK\$25.4 million, representing an increase of nearly 16 times as compare to HK\$1.5 million for the year ended 31 December 2019. The result for this segment changed from a loss of HK\$1.0 million for the year ended 31 December 2019 to a profit of HK\$4.0 million for the year ended 31 December 2020. This was mainly contributed by an increase in gross profit of HK\$19.1 million, which was mainly benefited from sale of Mazhuang products launched in the second half of 2020. Such increase was offset by an increase in operating expenses of HK\$12.8 million due to the development of industrial hemp business.

Healthcare Related Business

The revenue derived from the healthcare related business for the year ended 31 December 2020 was HK\$54.8 million, representing an increase of 29.2% as compared to HK\$42.4 million for the year ended 31 December 2019. The result for this segment changed from a loss of HK\$5.7 million for the year ended 31 December 2019 to a profit of HK\$14.1 million for the year ended 31 December 2020. This was mainly contributed by (i) an increase in gross profit HK\$11.6 million which was mainly benefited from sale of the COVID-19 related healthcare products (where the Group acts as an agent) since the first half of 2020; and (ii) a decrease in operating expenses of HK\$7.0 million due to effective expense control in this segment during the year ended 31 December 2020.

Trading Business

The revenue derived from the trading business for the year ended 31 December 2020 was HK\$134.0 million, representing a decrease of 6.2% as compared to HK\$142.8 million for the year ended 31 December 2019. The profit derived from this segment for the year ended 31 December 2020 was HK\$22.6 million, representing an increase of approximately 2 times as compared to HK\$7.5 million for the year ended 31 December 2019. The increase was mainly contributed by (i) a positive financial impact arising from a change in loss allowance for trade receivables which changed from impairment loss of HK\$3.6 million for the year ended 31 December 2019 to reversal of impairment loss of HK\$3.5 million for the year ended 31 December 2020; (ii) an increase in gross profit of HK\$3.6 million resulted from an increase in gross profit margin; and (iii) a decrease in operating expenses of HK\$2.9 million due to effective expense control in this segment during the year ended 31 December 2020.

Agency Service

The revenue derived from the agency service for the year ended 31 December 2020 was HK\$29.8 million, representing an increase of 1.7% as compared to HK\$29.3 million for the year ended 31 December 2019. The profit derived from this segment for the year ended 31 December 2020 was HK\$24.1 million, representing an increase of 9.5% as compared to HK\$22.0 million for the year ended 31 December 2019. Such increase was mainly contributed by a decrease in cost of service rendered of HK\$1.6 million due to effective expense control in this segment during the year ended 31 December 2020.

Property Investment and Leasing

The revenue from the property investment and leasing business for the year ended 31 December 2020 was HK\$21.2 million, representing an increase of 13.4% as compared to HK\$18.7 million for the year ended 31 December 2019. The profit derived from this segment for the year ended 31 December 2020 was HK\$1.8 million, representing a decrease of 95.1% as compared to HK\$36.8 million for the year ended 31 December 2019. The decreases were mainly due to a decline in fair value on investment properties, which changed from a gain of HK\$22.0 million for the year ended 31 December 2019 to a loss of HK\$16.9 million for the year ended 31 December 2020.

Property Development

The Group has a 100% interest in residential development project located at Lot A & B, 626 Heidelberg Road, Alphington, VIC, 3078, Australia. The project covers a total site area of approximately 11,488 square meter (“**sq.m.**”) and a total gross floor area of approximately 18,752 sq.m.. During the year ended 31 December 2020, the project was progressing satisfactorily. Up to 31 December 2020, construction agreement of this project had already been signed. All development design applications such as services design, construction design had already been approved and the design of marketing materials had also been finished. In addition, the approval of construction management plan was still in process and construction work of the project is expected to be commenced in the first half of the year 2021.

REVIEW OF FINANCIAL POSITION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current Assets		
Investment properties	559,685	594,177
Investments in joint ventures	69,164	65,032
Investments in associates	47,327	74,839
Equity investments at fair value through other comprehensive income	28,572	33,825
Goodwill	18,500	32,239
Others	19,433	23,927
Total Non-current Assets	742,681	824,039
Current Assets		
Prepayments, deposits and other receivables	348,432	31,685
Properties held for sale under development	245,344	216,177
Bank and cash balances	233,467	156,229
Trade receivables	63,174	104,689
Investments at fair value through profit or loss	47,813	285,723
Pledged bank deposits	–	80,276
Others	21,949	15,035
Total Current Assets	960,179	889,814
Total Assets	1,702,860	1,713,853
Liabilities		
Bank borrowings	150,825	310,631
Deferred tax liabilities	62,974	56,866
Accruals and other payables	37,867	31,352
Contract liabilities	15,814	16,132
Others	32,117	33,212
Total Liabilities	299,597	448,193
Net Assets	1,403,263	1,265,660

Non-current assets of the Group as at 31 December 2020 were HK\$742.7 million (2019: HK\$824.0 million), representing a decrease of HK\$81.3 million which was mainly due to (i) a decrease in investment properties of HK\$34.5 million; (ii) a decrease in investments in associates of HK\$27.5 million; (iii) a decrease in goodwill of HK\$13.7 million; and (iv) a decrease in equity investments at fair value through other comprehensive income of HK\$5.3 million. Current assets of the Group as at 31 December 2020 were HK\$960.2 million (2019: HK\$889.8 million), representing an increase of HK\$70.4 million which was mainly due to (i) an increase in prepayments, deposits and other receivables of HK\$316.7 million; and (ii) an increase in bank and cash balances of HK\$77.2 million. Such increases were offset by (i) a decrease in investments at fair value through profit or loss of HK\$237.9 million; and (ii) a decrease in pledged deposits of HK\$80.3 million.

As at 31 December 2020, the Group's total liabilities were HK\$299.6 million (2019: HK\$448.2 million), representing a decrease of HK\$148.6 million which was mainly due to a decrease in bank borrowings of HK\$159.8 million. Such decrease was offset by (i) an increase in accruals and other payables of HK\$6.5 million; and (ii) an increase in deferred tax liabilities of HK\$6.1 million.

NET ASSET VALUE

As at 31 December 2020, the Group's total net assets amounted to HK\$1,403.3 million (2019: HK\$1,265.7 million), representing an increase of HK\$137.6 million which was mainly due to (i) profit for the year ended 31 December 2020 of HK\$85.1 million; and (ii) exchange gain on translating foreign operations of HK\$63.4 million. Such increases were offset by fair value losses of equity investments at fair value through other comprehensive income of HK\$8.6 million.

LIQUIDITY AND FINANCIAL RESOURCES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net cash generated from operating activities	70,805	25,409
Net cash generated from/(used in) investing activities	108,138	(360,094)
Net cash (used in)/generated from financing activities	(108,877)	327,780
Net increase/(decrease) in cash and cash equivalents	70,066	(6,905)
Effect of foreign exchange rate changes	7,172	1,992
Cash and cash equivalents at 1 January	156,229	161,142
Cash and cash equivalents at 31 December	<u>233,467</u>	<u>156,229</u>

As at 31 December 2020, total cash and cash equivalents of the Group was HK\$233.5 million (2019: HK\$156.2 million), of which approximately 76.6% was denominated in Chinese Yuan Renminbi (“**RMB**”), 17.6% was in Hong Kong dollars (“**HKD**”), 2.4% was in United States dollars, 2.1% was in Australian dollars (“**AUD**”), 1.2% was in Japanese Yen and 0.1% was in Swiss Franc.

The Group generated net cash inflows from operating activities for the year ended 31 December 2020 of HK\$70.8 million, which was mainly contributed to net cash generated from industrial hemp business; healthcare related business; trading business; agency business; and property investment and leasing business.

Net cash flows generated from investing activities was HK\$108.1 million which was mainly contributed to (i) a decrease in investments at fair value through profit or loss of HK\$42.2 million; (ii) dividend received from an associate of HK\$28.3 million; (iii) proceeds from partial disposal of investment in an associate of HK\$17.7 million; and (iv) net cash inflow arising on disposal of subsidiaries of HK\$14.0 million.

Net cash flows used in financing activities was HK\$108.9 million, which was mainly represented net amount of (i) proceeds received from new bank borrowings of HK\$10.4 million; (ii) repayment of bank borrowings of HK\$179.7 million; (iii) release of pledged deposits of HK\$82.7 million; and (iv) payment of loan interest of HK\$13.2 million.

As at 31 December 2020, total bank borrowings of the Group were HK\$150.8 million (2019: HK\$310.6 million), which are mainly used as working capital of the Group. The unutilised banking facilities were HK\$31.7 million (2019: HK\$23.8 million).

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

	2020 HK\$’000	2019 HK\$’000
Floating rate HKD bank loans	–	145,710
Floating rate RMB bank loan	140,137	141,431
Fixed rate RMB bank loan	10,688	23,490
	150,825	310,631

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

	2020 HK\$’000	2019 HK\$’000
Within one year	30,575	128,276
In the second year	19,629	41,745
In the third to fifth years, inclusive	54,837	65,243
Beyond five years	45,784	75,367
	150,825	310,631

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 Company (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.

As at 31 December 2020, the net proceeds have been used in the following manner:

	<i>HK\$ million</i>
Net proceeds unutilised as at 31 December 2019	278.2
Net proceeds utilised up to 31 December 2020	
Working capital for operation of industrial hemp business	(37.7)
Working capital for development of residential properties	(11.7)
Further acquisition of 20% equity interest in Meipro Biological	(2.0)
Further acquisition of equity interest in Shenzhen Gipro	(1.6)
	<hr/>
Net proceeds unutilised as at 31 December 2020	<hr/> 225.2 <hr/>

As at 31 December 2020, net proceeds unutilised of approximately HK\$212.0 million represented proceeds receivable from redemption of the unlisted investment fund subscribed in 2019 and the proceeds receivable had already been fully received in January 2021. The remaining balance of net proceeds unutilised of approximately HK\$13.2 million was kept in bank accounts of the Group and used as general working capital.

GEARING RATIO

The Group's gearing ratio, expressed as the percentage of net debts (includes bank borrowings, trade payables, contract liabilities, accruals and other payables and amounts due to related parties, less bank and cash balances) over the sum of equity attributable to owners of the Company and net debt, was negative (i.e. -1.4%) (2019: 14%).

As at 31 December 2020, the Group had net cash (i.e. negative net debt) of HK\$19.8 million (2019: net debt of HK\$210.4 million), while the equity attributable to owners of the Company was amounted to HK\$1,400.9 million (2019: HK\$1,259.6 million).

CAPITAL EXPENDITURE

During the year ended 31 December 2020, the expenditure of purchasing intangible assets, namely computer system, was HK\$52,000 (2019: HK\$4,000), while the expenditure of purchasing property, plant and equipment amounted to HK\$365,000 (2019: HK\$135,000).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitments of HK\$35.3 million (2019: HK\$3.0 million) in respect of (i) capital contributions payable to a joint venture, an associate and an unlisted long-term investment; and (ii) acquisition of equity interest of an unlisted long-term investment (2019: capital contribution payable to a joint venture) which are contracted for but not provided for in the consolidated financial statements.

CHARGES ON GROUP ASSETS

As at 31 December 2020, the bank borrowings amounting to HK\$150.8 million (2019: HK\$310.6 million) was secured by the investment properties situated in the PRC with a carrying amount of HK\$338.7 million (2019: the investment property situated in Hong Kong with a carrying amount of HK\$62.2 million, the investment properties situated in the PRC with a carrying amount of HK\$503.8 million and the bank pledged deposits with a carrying amount of HK\$80.3 million).

CONTINGENT LIABILITIES

Saved as the possible obligations arising from the litigation as mentioned below, the Group did not have any material contingent liabilities as at 31 December 2020 and 2019.

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"), a direct wholly-owned subsidiary of La Clinique de Paris International Limited ("LCDPI"), which was then 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 had 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 December 2019, the Action was at a preliminary stage of court proceedings as Ms. Feng and LCDPHK had not yet filed any evidence. The Directors were of the opinion that as a result of the preliminary stage of the Action as at 31 December 2019, it was difficult to assess the probability that Ms. Feng may recover any amount from the Group.

In addition, the Directors represented 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 were of the view that there was no need to make a provision in respect of the claim as at 31 December 2019.

During the year ended 31 December 2020, the Group had disposed 60% of the issued share capital of LCDPI and upon completion of such disposal, LCDPHK had ceased to be a subsidiary of the Company. Therefore, the Group had no longer been involved in the outstanding lawsuit since then.

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

On 20 November 2020, Meilleure Hemp International Holdings Limited (“**Meilleure Hemp**”), as vendor, a direct wholly-owned subsidiary of the Company, and Yee Sheng Enterprises Company Limited (“**Yee Sheng**”), as purchaser, entered into the a sale and purchase agreement, pursuant to which Meilleure Hemp had agreed to sell and Yee Sheng had agreed to acquire 200 ordinary shares of Tech-Medi Development Limited (“**Tech-Medi**”), representing the entire issued share capital of Tech-Medi, and the shareholder’s loan of Tech-Medi at an aggregate consideration of HK\$62,740,000 (the “**Disposal of Tech-Medi**”). The Directors believed that the Disposal of Tech-Medi represented a good opportunity for the Company to realise the value of the Tech-Medi and the property held by Tech-Medi at a favourable price and the proceeds from the Disposal of Tech-Medi would improve the financial position and increase the general working capital of the Group. At the time of the Disposal of Tech-Medi, Yee Sheng was indirectly wholly-owned by Mr. Zhou, an executive Director and controlling shareholder of the Company. Accordingly, Yee Sheng was a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Disposal of Tech-Medi constitutes a connected transaction of the Company.

On 14 December 2020, Meilleure Group Health Service Company Limited (“**Meilleure Group Health**”), an indirect wholly-owned subsidiary of the Company, Taiyue Inc. (“**Taiyue**”) and La Clinique de Paris Health Group Limited (“**LCDP Health Group**”), an indirect wholly-owned subsidiary of LCDPI, which was then an indirect non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement, pursuant to which (i) Meilleure Group Health had agreed to sell and Taiyue had agreed to acquire 60% of the issued share capital of LCDPI at an aggregate consideration of HK\$25,200,000 (the “**Disposal of LCDPI**”); and (ii) LCDP Health Group had agreed to sell and Meilleure Group Health had agreed to acquire the entire equity interest of Bairui (Shenzhen) Health Management Company Limited* (柏瑞(深圳)健康管理有限公司) (“**Shenzhen Bairui**”), which was then an indirect non-wholly owned subsidiary of the Company, at an aggregate consideration of HK\$7,200,000 (the “**Acquisition of Shenzhen Clinic**”). Due to the unsatisfactory performance of LCPDI and its subsidiaries (excluding Shenzhen Bairui and its subsidiary (the “**PRC Target Group**”)) which were engaged in the provision of health management services in Hong Kong and Shanghai (the “**BVI Target Group**”), the Group would like to dispose of the BVI Target Group and focus its resources on developing its health management business in the PRC Target Group, which had better potential compared to that of the BVI Target Group, hence the Directors believed that the Acquisition of Shenzhen Clinic and the Disposal of LCDPI could strengthen the Group’s financial position by focusing the development of the health management business currently engaged by the PRC Target Group in the PRC market. At the time of the Disposal of LCDPI and the Acquisition of Shenzhen Clinic, Taiyue held approximately 27.27% of the issued share capital of LCDPI and accordingly was its substantial shareholder. Taiyue was therefore a connected person at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal of LCDPI and the Acquisition of Shenzhen Clinic constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirement applicable to the Disposal of Tech-Medi, the Disposal of LCDPI and the Acquisition of Shenzhen Clinic under Chapter 14A of the Listing Rules, details of which are set out in the Company's announcements dated 20 November 2020, 14 December 2020 and 18 December 2020.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020 and up to the date of this announcement.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the investment portfolio of the Group amounted to HK\$193.1 million (2019: HK\$459.4 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;
- equity investments at fair value through other comprehensive income;
- investments at fair value through profit or loss; and
- derivative financial assets.

There was no single investment in the Group's investment portfolio that was considered a significant investment given that none of the investments has a carrying amount accounting for more than 5% of the Group's audited total assets as at 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in the section "Capital Commitments" above, there were no other plans authorised by the Board for material investments or additions of capital assets as at 31 December 2020.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The revenue, expenses and monetary assets and liabilities of the Group are mainly denominated in RMB, HKD and AUD.

The Group did not enter into any foreign currency forward contract during the year ended 31 December 2020. As at 31 December 2020 and 2019, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had approximately 116 employees (2019: 110 employees). Staff costs (including Directors' emoluments) charged to profit or loss amounted to HK\$32.3 million (2019: HK\$30.7 million) for the year ended 31 December 2020.

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 (including Directors). Apart from base salaries, other staff benefits included pension schemes and medical schemes. The remuneration policy and remuneration packages of the Directors and members of the senior management of the Group are reviewed by the remuneration committee of the Company.

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

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any event having a significant effect on the Group after the end of the Reporting Period and up to the date of this announcement.

DIVIDENDS

The Board has resolved not to declare any dividend for the year ended 31 December 2020 (2019: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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 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 2020, the Company had adopted the principles and complied with all the applicable code provisions of the CG Code as set out in Appendix 14 to 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 2020, 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 Group, the consolidated financial statements of the Group for the year ended 31 December 2020 including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group’s auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited 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 HKICPA, and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited 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 2020 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
Executive Director and Chief Executive Officer

Hong Kong, 19 March 2021

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.

* *For identification purpose only*