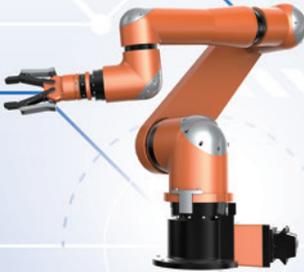


SuperRobotics Limited 超人智能有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8176



Annual Report **2019**



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the emerging nature of companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

*This annual report, for which the directors (the “**Directors**” and each the “**Director**”) of SuperRobotics Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.*

This annual report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.superrobotics.com.hk.

CONTENTS

COMPANY INFORMATION	2
CHAIRMAN'S STATEMENT	3-4
MANAGEMENT DISCUSSION AND ANALYSIS	5-11
DIRECTORS' PROFILE	12-14
DIRECTORS' REPORT	15-28
CORPORATE GOVERNANCE REPORT	29-38
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT	39-49
INDEPENDENT AUDITOR'S REPORT	50-55
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	56
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	57-58
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	59
CONSOLIDATED STATEMENT OF CASH FLOWS	60
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	61-124
FINANCIAL SUMMARY	125

COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Su Zhituan (*Chairman*)
Mr. Sun Ziqiang (*Vice-Chairman*)
Mr. Fu Hengke (*appointed on 21 May 2019*)
Mr. Chen Min (*retired on 8 May 2019*)
Dr. Andrew Goldenberg (*retired on 8 May 2019*)

Non-executive Directors

Mr. Cheng Yu

Independent non-executive Directors

Mr. Tam B Ray, Billy
Mr. Chu Kin Wang, Peleus
Dr. Wang Dangxiao (*appointed on 21 May 2019*)
Mr. Xie Zhichun (*retired on 8 May 2019*)

COMPANY SECRETARY

Mr. Yang Chuen Liang, Charles

COMPLIANCE OFFICER

Mr. Zhang Chong (*resigned on 8 March 2019*)
Mr. Su Zhituan (*appointed on 8 March 2019*)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

AUTHORISED REPRESENTATIVES

Mr. Su Zhituan
Mr. Sun Ziqiang (*Appointed on 8 May 2019*)
Mr. Chen Min (*retired on 8 May 2019*)

REMUNERATION COMMITTEE

Mr. Chu Kin Wang, Peleus (*Chairman*)
Mr. Su Zhituan
Dr. Wang Dangxiao (*appointed on 21 May 2019*)
Mr. Xie Zhichun (*retired on 8 May 2019*)

AUDIT COMMITTEE

Mr. Chu Kin Wang, Peleus (*Chairman*)
Mr. Tam B Ray, Billy
Dr. Wang Dangxiao (*appointed on 21 May 2019*)
Mr. Xie Zhichun (*retired on 8 May 2019*)

NOMINATION COMMITTEE

Mr. Chu Kin Wang, Peleus (*Chairman*)
Mr. Tam B Ray, Billy
Mr. Su Zhituan

PRINCIPAL BANKERS

China CITIC Bank International Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1405, 14/F.,
China Merchants Tower, Shun Tak Centre,
166-200 Connaught Road Central,
Sheung Wan, Hong Kong

LEGAL ADVISORS

As to Hong Kong Law
Michael Li & Co

As to Bermuda Law
Conyers Dill and Pearman

WEBSITE

www.superrobotics.com.hk

STOCK CODE

8176

CHAIRMAN'S STATEMENT

Dear Shareholders,

I presented herewith the audited consolidated financial statements of the Group for the year ended 31 December 2019.

As affected by the severe economic situation and protracted social conflicts in Hong Kong throughout 2019, the tourism, service and retail industries were hit hard. The extreme domestic and foreign demand weakness and the global economic slowdown resulted in the scarcely any significant growth in the Group's sale of beauty products and provision of therapy services (collectively the 'Beauty Business'). In spite of this, the Group has actively adopted a series of responsive measures, including innovating operating ideas, reforming marketing models, increasing product technological investment and optimizing the quality of customized services. Although accompanied by the advancement of medical technology, the introduction of characteristic services, and the expansion of awareness of beauty and health, there were still severe impact of social turmoil on the economic situation, and local shops have been forced to suspend business, traffic arrangements have been disrupted, and private consumption as well as investment sentiment have been seriously affected. The Group does not expect the Beauty Business to grow in the short term and in the long run, the market environment is still not optimistic.

For the provision of engineering Products related services (the "Engineering Business"), the Group provides research and development, design, production, sales, equipment installation, support and maintenance service for robotics and automation systems with multi-applications, comprehensively covering the fields of police, commercial, civilian, industrial and medical with research and development teams globally and nearly 40 years of rich experience.

In 2019, in view of the continuing of Sino-US trade disputes, the exacerbation of social unrest in Hong Kong as well as the outbreak of a sudden national epidemic, the uncertainty of global economic situation increased accordingly and enterprises have become more cautious and prudent in the face of economic outlook since the pressure of economic downward increased sharply. Adhering to the concept of intelligent benefiting the service and intelligent innovating the future, The Group launched self-branded service robots, patrolling robots, and specialized robots that are widely used in exhibition halls, government affairs, public services, smart communities, specialized operations and so on in order to empower and serve users and discover the deep value of artificial intelligence by way of robots and rich intelligent application solutions.

In January 2019, following the official launch of the Zhuhai Port of the Hong Kong-Zhuhai-Macao Bridge, the Group's patrolling robots and guiding robots were subsequently deployed to empower intelligent security for the Zhuhai Port of the Hong Kong-Zhuhai-Macao Bridge. Functions such as face recognition, human-computer interaction and autonomous navigation have effectively improved the port's image of intelligence, reducing labor costs and improving the level of information services in the meanwhile. On January 4th, 2019, Shenzhen Anzer Intelligent Engineering Co. Ltd. ("Anzer"), a subsidiary of the Group, and China Telecom jointly created the Hangzhou Smart Business Hall Demonstration Point, and applied functions such as precision marketing and smart experience to intelligently upgrade its own showroom, becoming a successful exploration and practice in the retail industry for the communications industry; and in May of the same year, in cooperation with China Telecom Zhuhai Branch, for the first time, 5G communication technology and Anzer robots were combined, relying on technological advantages to meet the needs of different fields. The move has played a positive role in promoting the development of robot products, 5G technology, the Guangdong-Hong Kong—Macao Greater Bay District and China's robotics industry as well.

CHAIRMAN'S STATEMENT

In mid-August 2019, Anzer, together with China Mobile Chengdu Branch created a 5G smart medical experience at the Fourth People's Hospital of Sichuan Province. Service robots of the Group joined the scene application with triage and guiding robots. Through fast and efficient human-computer interaction and response, the service robots have improved the hospital's medical work efficiency, benefiting the users with high-quality services. In October 2019, the Group's patrolling robots settled in the Sino-Russian Silk Road Innovation Park. Through autonomous patrolling, intelligent sensation and intelligent dispatching, manpower savings, hidden dangers investigation, and remote interaction have been achieved to empower intelligent management, improving management efficiency significantly. In December 2019, the Group, together with Umetrip and Nanchang Airport launched intelligent guiding and reception robots with functions like autonomous navigation and road-guiding, which have greatly improved airport operation efficiency and service quality, and optimized travel experience of passengers, becoming the mainstream trend in the civil aviation industry. On December 12th, 2019, the service robots of the Group entered the Beijing Fangshan Procuratorate to provide visitors with legal consulting and other services, realizing the informatization construction of the procuratorial authorities, and providing convenient procuratorial services for the needs of the masses. More importantly, it has also highlighted the diversity and intelligence of the Group's products.

The Group has also been invited to participate in various forums and innovation and entrepreneurship achievements exhibitions in 2019, and displayed series of robots of the Group used in different scenarios, such as smart guiding robots, drug delivery robots, exhibition hall robots, indoor reception robots, shopping guiding robots, 5G explosive ordnance disposal robots, etc.. Closely integrated with the 5G era, the Group has been using new technologies to deeply explore the points of convergence between 5G robots and various industries to achieve the integration of various industries and artificial intelligence, which has been spoken highly of by all walks of life.

With the continuous fermentation of the novel coronavirus pneumonia, the Group actively responded to the summon from the nation for assistance in fighting the epidemic. By using the natural contactless characteristics, service robots have been given full play to their huge advantages. The Group's epidemic prevention service robots, epidemic patrolling robots and disinfection and cleaning robots have been made to be mutually interactive to provide comprehensive and diversified services for epidemic prevention through infrared temperature measurement, face recognition, virus disinfection and other more functions, which have avoided the loss of manpower, reduced the possibility of cross-infection, protected the safety of medical personnel, and improved the precision and efficiency of the quarantine process.

At last, I would like to thank our board of Directors (the 'Board'), management and staff for their contribution to the Group. I would also like to extend my sincere gratitude to our shareholders, business partners, customers and suppliers for their continuous supports.

Su Zhituan

Executive Director and Chairman

21 April 2020, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the sale of beauty products and provision of therapy services, as well as the provision of engineering products and related services. For the sale of beauty products, the Group offers a variety of beauty products and a variety of medical skincare products. For the provision of therapy services, the Group operates a medical skincare centre at Soundwill Plaza in Causeway Bay.

For the engineering products, the Group mainly offers robotic products. For the provision of engineering related services, the Group provides equipment installation, support and maintenance services for robotics and automation systems.

Despite facing increased competition and a series of social disruptions in the Hong Kong market, the performance of the Beauty Business as a whole has met the expectation of the Board. The revenue derived from the sale of beauty products and the provision of therapy services rendered has reduced by approximately 29.3% to approximately HK\$2.5 million and approximately increased 1.4% to approximately HK\$50.0 million respectively for the year ended 31 December 2019. The gross profit generated from the Beauty Business was increased by approximately 0.4% to approximately HK\$24.2 million for the year under review.

For the Engineering Business, during the financial year of 2019, the Group continued to develop and improve its robotic products. The Group has also driven the commercialization of its products at steady pace through domestic platforms, upon which large-scale of civil application can be expected. For the period under review, the revenue of the Engineering Business has increased by approximately 227.8% and contributed a total revenue of approximately HK\$35.7 million to the total turnover of the Group.

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately HK\$88.2 million (for the financial year ended 31 December 2018: approximately HK\$63.7 million), of which approximately HK\$2.5 million (for the financial year ended 31 December 2018: approximately HK\$3.5 million), HK\$50.0 million (for the financial year ended 31 December 2018: approximately HK\$49.3 million) and HK\$35.7 million (for the financial year ended 31 December 2018: HK\$10.9 million) were generated from the sale of beauty products, provision of therapy services and the Engineering Business respectively.

The Beauty Business in aggregate contributed approximately HK\$52.5 million to the turnover of the Group, representing approximately 59.5% of the turnover, of which approximately HK\$2.5 million and HK\$50.0 million were generated from the sale of beauty products and provision of therapy services respectively. The Engineering Business contributed approximately HK\$35.7 million to the turnover of the Group, representing approximately 40.5% of the turnover.

For the year ended 31 December 2019, the gross profit was approximately HK\$22.7 million and the gross profit margin was approximately 25.7% (for the financial year ended 31 December 2018: gross profit margin of 30.9%). The Beauty Business in aggregate contributed approximately HK\$24.2 million gross profit to the Group, while the Engineering Business recorded a gross loss of approximately HK\$1.5 million. The decrease in gross profit margin is due to increase in revenue from the Engineering Business as a portion of the total revenue. As gross profit margin of the Engineering Business is lower than the Beauty Business, the gross profit margin as a whole has decreased.

During the year under review, other income was approximately HK\$3.4 million (for the financial year ended 31 December 2018: approximately HK\$1.9 million). The other income was mainly attributable to interest income on bank deposits of approximately HK\$0.2 million and sundry income of approximately HK\$3.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, the carrying amount of the engineering products and related services CGU (“Robotics CGU”) was reduced to its recoverable amount through recognition of an impairment loss of approximately HK\$57.1 million against goodwill. The Group reviewed the goodwill allocated to the Robotics CGU as at 31 December 2019. The recoverable amount of Robotics CGU is determined based on a value-in-use calculation which uses cash flow projection based on financial budgets approved by the directors of the Company. The financial budgets have taken into consideration the developments of the Robotics CGU’s business, including, changes in the product mix, the refinement of the targeted customer segments as well as changes to expected costs and margins resulting from the challenges to procure technology components due to the certain restrictions imposed from the negotiation between China and the United States. The financial budgets are prepared based on a five-year business plan considering the sustainability of business growth, stability of core business developments and achievement of business targets. The directors assessed the recoverable amount of the Robotics CGU with reference to the valuations performed by Vigers Appraisal and Consulting Limited. Based on the assessment performed, the Group recognised a goodwill impairment provision of approximately HK\$57.1 million during the year ended 31 December 2019.

The selling and distribution costs for the year ended 31 December 2019 was approximately HK\$15.9 million (for the financial year ended 31 December 2018: approximately HK\$15.7 million). The selling and distribution costs of the Beauty Business and the Engineering Business accounted for approximately 31.4% or HK\$5.0 million and approximately 68.6% or HK\$10.9 million of the total selling and distribution costs, respectively. The increase in selling and distribution costs was mainly due to an increase in selling and distribution expenses incurred by Engineering Business amounting to approximately HK\$0.6 million.

The administrative expenses for the year ended 31 December 2019 was approximately HK\$114.0 million (for the financial year ended 31 December 2018: approximately HK\$136.0 million). The administrative expenses of the Beauty Business accounted for approximately HK\$11.0 million or 9.7% of the total administrative expenses. Such expenses mainly comprised staff costs of approximately HK\$7.0 million, depreciation expenses of approximately HK\$0.3 million, depreciation of right-of-use assets of approximately HK\$0.5 million, rental expenses of approximately HK\$0.2 million and other administrative expenses of approximately HK\$3.0 million. The administrative expenses of the Engineering Business accounted for approximately HK\$80.4 million or 70.5% of the total administrative expenses. Such expenses mainly comprised staff costs of approximately HK\$30.4 million, depreciation expenses of approximately HK\$5.3 million, depreciation of right-of-use assets of approximately HK\$4.9 million, research expense of approximately HK\$25.4 million, share-based compensation of approximately HK\$4.2 million, and other administrative expenses of approximately HK\$10.2 million. In addition, the Group also incurred administrative expenses relating to general corporate activities amounting to approximately HK\$22.6 million or 19.8% of the total administrative expenses. The general corporate administrative expenses mainly consists of directors’ remuneration amounted to approximately HK\$14.6 million, staff cost of approximately HK\$6.0 million, consulting fee of approximately HK\$1.8 million and other listing and administrative expenses of approximately HK\$0.2 million.

The finance costs for the year ended 31 December 2019 of approximately HK\$4.3 million (for the financial year ended 31 December 2018: approximately HK\$15,000) was mainly attributable to interest on long-term loans.

The consolidated loss amounted to approximately HK\$164.3 million for the year ended 31 December 2019 (for the financial year ended 31 December 2018: approximately HK\$127.7 million), of which a profit of approximately HK\$6.6 million (for the financial year ended 31 December 2018: HK\$10.7 million), a loss of HK\$82.8 million (for the financial year ended 31 December 2018: HK\$65.4 million) and a loss of HK\$88.1 million (for the financial year ended 31 December 2018: HK\$73.0 million) were incurred and generated by the Beauty Business, the Engineering Business and general corporate activities, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had a total secured borrowing of approximately HK\$34.3 million, which was secured over 99% shares of a subsidiary indirectly held by the Company and carried an effective interest rate of 13.7%. The Group also had unsecured borrowings of approximately HK\$21.6 million, which carried an effective interest rate of 10.9%.

The total secured and unsecured borrowings of the Group is approximately HK\$55.9 million, out of which approximately HK\$2.0 million is matured within one year and approximately HK\$53.9 million is matured between one and two years.

Approximately HK\$21.6 million of the borrowings are denominated in Hong Kong dollars and approximately HK\$34.3 million of the borrowings are denominated in Renminbi.

As at 31 December 2019, the Group had total assets of approximately HK\$206.3 million (31 December 2018: approximately HK\$258.8 million), including cash and cash equivalents of approximately HK\$32.7 million (31 December 2018: approximately HK\$43.6 million).

CAPITAL STRUCTURE

As at 31 December 2019, the total issued share capital of the Company was HK\$50,621,967 (31 December 2018: HK\$50,621,967) divided into 506,219,666 (31 December 2018: 506,219,666) ordinary shares of HK\$0.1 each.

USE OF NET PROCEEDS FROM ISSUANCE OF ORDINARY SHARES

Net proceeds from the allotment and issue of 345,000,000 new shares and 30,000,000 convertible preferred shares of the Company, which was completed on 6 November 2015, were approximately HK\$135.0 million. The use of proceeds is as follows:

Intended use	Net proceeds 'million	Utilisation up to 31 December 2015 'million	Utilisation up to 31 December 2016 'million	Utilisation up to 31 December 2017 'million	Utilisation up to 31 December 2018 'million	Utilisation up to 31 December 2019 'million	Remaining balance 'million
Acquisition of equipment and developing in-flight WLAN and WIFI							
Engineering and service business	124.3	19.0	107.8	124.3	124.3	124.3	—
General working capital	10.7	—	—	—	—	10.7	—
	135.0	19.0	107.8	124.3	124.3	135.0	—

MANAGEMENT DISCUSSION AND ANALYSIS

Net proceeds from the subscription of 21,000,000 New Shares of the Company which was completed on 4 August 2017 were HK\$130.0 million. The use of proceeds is as follows:

Intended use	Net proceeds 'million	Utilisation up to 31 December 2017 'million	Utilisation up to 31 December 2018 'million	Utilisation up to 31 December 2019 'million	Remaining balance 'million
Construction of production plants	50.0	16.8	27.9	35.6	14.4 (Note)
General working capital	80.0	40.1	80.0	80.0	—
	130.0	56.9	107.9	115.6	14.4

Note: The utilization period of the remaining balance is expected to be within the next 24 months instead of 12 months as initially planned. The change in utilization period is due to uncertainty faced by the Group arising from the outbreak of the COVID-19 virus and fluctuation of economy in the PRC and the world. As a result, the Group intends to maintain current production capacity and only expand our production capacity when the Group's assessment on the impact from the outbreak of the COVID-19 virus becomes clearer.

GEARING RATIO

The gearing ratio, expressed as percentage of total borrowings to equity attributable to owners of the Company, was approximately 274% (31 December 2018: approximately 0.03%). The increase in gearing ratio is due to increase in other borrowings.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's restricted bank deposits of approximately HK\$19.0 million (as at 31 December 2018: approximately HK\$18.7 million) were deposits held at banks in respect of credit card and instalment sales arrangement for the sale of beauty products and provision of therapy services business.

FOREIGN EXCHANGE RISK

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures when in need.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 December 2019, the Group had 228 employees (as at 31 December 2018: 195 employees). Total staff costs including directors' emolument for the year ended 31 December 2019 amounted to approximately HK\$74.6 million (for the financial year ended 31 December 2018: approximately HK\$77.2 million). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme, the employees in the PRC joined the national statutory social security insurance scheme and the employees in Canada joined the government-mandated retirement plan.

SIGNIFICANT INVESTMENT

The Group did not make any significant investment during the year ended 31 December 2019.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES

The Group did not make any material acquisition or disposal of subsidiaries, associates or affiliated companies during the year ended 31 December 2019.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets for the coming year.

SUBSEQUENT EVENT

Since early 2020, the epidemic of Coronavirus Disease 2019 ("the COVID-19 outbreak") has spread worldwide, and it has caused disruptions to many business and economic activities.

Due to the COVID-19 outbreak and related precautionary and control measures taken place, the Group postponed the resumption of production in certain factories after the Chinese New Year, and the suppliers' delivery of certain raw materials for production was also delayed in the short term. In order to minimise the impact of the COVID-19 outbreak and changes in the market, the Group has actively coordinated relevant resources and adjusted production and operation arrangements to manage the effects of the disruptions. Up to the date of this announcement, the Group is not yet able to quantify the impact of COVID-19 to the Group's financial performance and position. Nonetheless, the Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and take relevant measures.

On 30 March 2020 (after trading hours of the Stock Exchange), 深圳市帝光實業有限公司 (transliterated as Shenzhen Shi Diguang Industrial Company Limited) ("Shenzhen Diguang"), an indirect non-wholly owned subsidiary of the Company, entered into a memorandum of understanding ("MOU") with 惠州市金達勝投資有限公司 (transliterated as Huizhou Shi Jindasheng Investment Company Limited[#]) ("Huizhou Jindasheng") in relation to capitalisation of the Debt (as defined below) into the equity interest on the registered capital of Shenzhen Diguang (the "Possible Transaction").

Shenzhen Diguang is a company established in the People's Republic of China ("PRC") and, through its subsidiaries, principally engaged in the development and manufacturing of robotics products. As at the date of this announcement, Shenzhen Diguang owed a debt in the amount of approximately RMB42,130,000 to Huizhou Jindasheng (the "Debt").

MANAGEMENT DISCUSSION AND ANALYSIS

As at the date of this announcement, the equity interest in Shenzhen Diguang is ultimately owned as to 99% by the Company and as to 1% by a party independent of and not connected with the Company and its connected persons (as defined under the GEM Listing Rules).

Pursuant to the MOU, Shenzhen Diguang and Huizhou Jindasheng shall negotiate in good faith towards one another in ensuring that the Formal Agreement be entered into as soon as possible and in any event within six (6) months from the date of the MOU (or such later date as the parties thereto may agree in writing).

The MOU does not constitute legally binding commitment in respect of the Possible Transaction. The Possible Transaction is subject to execution and completion of a formal agreement.

INDUSTRY OUTLOOK

With the COVID-19 outbreak continuously affecting the livelihood and economy of the whole world, the year 2020 may be a new starting point for China's robotics industry and a major hurdle in the future as well. Based on a comprehensive analysis of various factors such as population structure, application scenarios, industrial policies, and corporate investment confidence, the main development trends of the robotics industry in the near future include the possibly further concentration of market share and the sustainable growth in research and development. Robot companies in the 5G commercial era are expected to deeply integrated with Internet of Industry and the Internet of Things; the demand for collaborative robots is expected to expand rapidly and may become one of the key breakthroughs for local enterprises. With the development of technology, the actual application effect of robots has been upgraded from machine substitution to intelligent manufacturing, and from merely replacing humans to improving enterprise efficiency and the quality of products and services. In addition, national and local policy support has been strengthened, and intelligent upgrading has been strongly assisted, both of which have contributed to providing a relatively favorable environment for the development of the robotics industry. With the transformation and upgrading of China's manufacturing industry, the fields of 3C, semiconductors, new energy, logistics and warehousing will witness tremendous growth in the future, which will help promote the diversified development of industrial robot demand and continue to expand the total domestic market capacity. The service robots in particular, with the rapid advancement of domestic 5G network construction, its ultrawideband, massive connections and ultra-low latency provide a variety of connections and communications between people and people, people and machine and among machines so that it is expected to empower the service robot industry. Because of 5G network, cloud computing and storage are made possible through high-speed and stable data transmission, and robot data collection limits and intelligence are greatly promoted, making service robots become one of the best carriers for 5G technology application services. The Group estimates that 5G commercial is expected to promote China to become the largest market for service robots, and which will be the basis of industrialization. And as high-end intelligent products, service robots and security robots of the Group that keep pace with the times will become a tipping point in the intelligent development of the industry in the future by integrating artificial intelligence, 5G technology and cloud computing technology.

At the same time, the State Council, the National Development and Reform Commission, the Ministry of Science and Technology, and the Ministry of Industry and Information Technology have successively introduced a number of industrial policies to support the development of China's intelligent equipment manufacturing industry. The jointly formulated 'Smart Manufacturing Development Plan' proposes to strengthen overall coordination, improve the innovation system, increase fiscal and taxation support, innovate financial support methods, exert the role of industry organizations, deepen international cooperation and exchanges and so on. IFR estimates that from 2019 to 2021, the global robot sales CAGR will be 1.85%, and the sales volume will reach 11.64% compared with 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Besides, in the face of epidemic nationwide and even affecting the world, the Ministry of Industry and Information Technology issued the 'Fully Exert the Utility of Artificial Intelligent and Unitedly Resist the Novel Coronavirus Pneumonia Initiative' on February 4th, and major companies of artificial intelligent responded actively to resist the epidemic. The widespread application and popularization of the robots have also accelerated and promoted the development of the robotics industry, as well as the contactless economy. During the epidemic prevention and control process, products such as consultation robots, temperature measurement robots, disinfection robots, patrolling and security robots, distribution robots and so on have been comprehensively tested in practice, prompting more medical institutions to introduce robots to provide both human and technical support for epidemic prevention and control. The current consensus is that the epidemic is a catalyst that will accelerate the application process of service robots in China. When the epidemic recedes, the broad application prospects of service robots in medical, communications, security and other fields will be well known to the public, and the significant importance of artificial intelligence and robots will become increasingly prominent. At present, domestic service robots share is less than 30%, and the market potential is huge. With the aging trend, rising labor costs and continuous improvement in product performance, the market potential of domestic service robots is expected to continue to be released, and manufacturers with scale and technological competitive advantages will take the lead. As a result, the Group's future development ideas and prospects have become clearer.

Despite the huge market potential, the Group's business will be facing tremendous risks in a short period of time once external demand weakens for the reason that the epidemic has impacts on the service industry and manufacturing industry in its duration of time and intensity of influence. The severe global situation of the current epidemic will undoubtedly bring a lot of uncertainty to the domestic and international economy recovery in the short term. The social systems, economic development levels, social culture and actual political conditions of different countries have adversely affected the prevention and control of the epidemic in many ways. Normal global production and trade activities have been severely affected, increasing downward pressure on the global economy and even causing a recession. The global commodity markets have been influenced and the stock market has been further frustrated. Outbreak reductions and delays in resumption of work caused by epidemic prevention and control increase risks at global supply chain, and consumption, investment and import and export will also be affected. The Group needs to be prepared to deal with the worsening situation.

In view of the persistent social conflict in Hong Kong and the severe economic downturn that has seriously affected the industry's living environment and the consumers, the Board expects that the Group's Beauty Business may not be optimistic.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Su Zhituan (“**Mr. Su**”), aged 49, has been appointed as the chairman of the Company, and executive Director, the compliance officer and a member of each of the Remuneration Committee and Nomination Committee since 1 June 2018. He holds an Executive Master of Business Administration from Cheung Kong Graduate School of Business, the People’s Republic of China and a Doctor of Business Administration from the program offered by the University of Minnesota in partnership with Tsing Hua University. Mr. Su has extensive experience in business development and management. Mr. Su is the founder, chairman and president of Taidong Group Company Limited* (太東集團) (“**Taidong Group**”), which principally operates business in the real estate, construction materials, natural resources, finance, investment and emerging technology sectors. He is also the chairman of each of TCL & Taidong Petrochemical Investment Company Limited* (TCL太東石化投資有限公司) and Taidong & Country Garden Investment Company Limited* (太東碧桂園投資有限公司) and a director of Huizhou Rural Commercial Bank Company Limited* (惠州農村商業銀行股份有限公司). Mr. Su was elected as the representative of the Twelfth Guangdong Province People’s Congress of China and one of the awardees of the Seventh Top Ten Outstanding Youths in Guangdong Province (第七屆廣東省十大傑出青年). He is also the honorary chairman of Guangdong Charity Federation* (廣東省慈善總會).

Mr. Sun Ziqiang (“**Mr. Sun**”), aged 55, has been appointed as the vice-chairman of the Company and executive Director since 20 August 2018. He obtained a Bachelor of Computer Applied Technology from Wuhan University of Technology and a Master of Business Administration from 中歐國際工商管理學院 (China Europe International Business School) in the People’s Republic of China (the “**PRC**”). Mr. Sun has more than 33 years of experience in corporate management, investment and risk management. He is currently an executive director and the vice-chairman of FDG Kinetic Limited (Stock Code: 378) from 11 March 2016 to November 2018. He has been holding an important position in SK Group from 2006 to 2017 and has been the president, Greater China region of SK Group to manage the business in the PRC. Mr. Sun was the president of 長城寬帶網絡服務公司 (Changcheng Kundai Internet Services Company Limited*), a subsidiary of 長城集團 (Great Wall Group*), a state-owned company from 2002 to 2006. Mr. Sun was the vice president of Great Wall Technology Company Limited, the shares of which were previously listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) from 2003 to 2014. He was the vice president of 諾定 (中國)投資有限公司 (Nuo Ding (China) Investment Company Limited*) from 2000 to 2002. Prior to that, Mr. Sun worked at 中華人民共和國體育運動委員會 (Sports Committee of the PRC*) from 1985 to 1993.

Mr. Fu Hengke (“**Mr. Fu**”), aged 57, has been appointed as an executive Director since 21 May 2019. He obtained a master’s degree from Xidian University and a Doctor of Business Administration from the program offered by the University of Minnesota in partnership with Tsinghua University. Mr. Fu also completed the chief executive officers advanced management program at Harvard University. Mr. Fu worked at 華為技術有限公司 (Huawei Technologies Co., Ltd.*) (“**Huawei**”) from 1992 to 1999 and had assumed various positions including development engineer, general manager of the production department, general manager of the customer services department, vice-president of the marketing department, general manager of Huawei’s branch in Sichuan, general manager of south-west district and head of the joint venture cooperation department. From 1999 to 2001, Mr. Fu worked for 深圳市安聖電氣有限公司 (Shenzhen Ansheng Electrical Co., Ltd.*) (“**Shenzhen Ansheng**”) and had assumed various positions including president for marketing, executive vice-president and acting president. He was also the head of the agent management department of Huawei and the director of the foreign cooperation committee of Huawei. After Shenzhen Ansheng was acquired by Emerson Network Power Co., Ltd. (“**Emerson**”) in 2001, Mr. Fu had worked for Emerson in various positions including executive vice-president, president for marketing and president for the Greater China district until 2016. From 2016 to 2019, Mr. Fu was the Chairman of an investment firm.

DIRECTORS' PROFILE

NON-EXECUTIVE DIRECTOR

Mr. Cheng Yu (**"Mr. Cheng"**), aged 43, has been appointed as a non-executive Director since 20 August 2018. He obtained a Bachelor of Accountancy from Dongbei University of Finance & Economics in 1999, a Master of Business Management from Hull University in 2003 and an Executive Master of Business Administration from the Hong Kong University of Science and Technology in 2016. Mr. Cheng has more than 13 years of experience in accounting and finance. He was the vice president of 太東集團有限公司 (Taidong Holding Group Limited*) (**"Taidong"**) and responsible for finance, capital and operation management and management of joint venture companies. Before joining Taidong in September 2016, he had worked for TCL 多媒體控股有限公司 (TCL Multimedia Holdings Limited*) for over 10 years with the last position as the chief financial officer of the costs centre, operation centre and research and development centre.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kin Wang, Peleus (**"Mr. Chu"**), aged 55, joined the Company as an independent non-executive Director on 5 March 2012. He is also the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chu has over 25 years of experience in auditing, accounting and financial management for both private and listed corporations. He graduated from the University of Hong Kong with a Master Degree in Business Administration. Mr. Chu is a fellow practising member of the Hong Kong Institute of Certified Public Accountants (FCPA (Practising)) and fellow member of the Association of Chartered Certified Accountants (FCCA). He is also an associate member of both the Institute of Chartered Secretaries and Administrators (ACIS) and the Hong Kong Institute of Chartered Secretaries (ACS). Mr. Chu has been an executive director of Chinese People Holdings Company Limited (stock code: 681), a company listed on the Main Board of the Stock Exchange, since 1 December 2008 and appointed as the deputy chairman with effect from 23 March 2015. He has been appointed as an independent non-executive director of National Agricultural Holdings Limited (stock code: 1236), a company listed on the Main Board of the Stock Exchange for the period from 25 June 2015 to 11 September 2015. Mr. Chu has also has appointed as non-executive director of Perfect Group International Holdings Limited (stock code: 3326), a company listed on the Main Board of the Stock Exchange from 19 August 2015 to 1 March 2017. He has also been an independent non-executive director of each of Tianli Holdings Group, Limited (stock code: 117), Huayu Expressway Group Limited (stock code: 1823), Flyke International Holdings Ltd. (stock code: 1998), China First Capital Group Limited (stock code: 1269), Mingfa Group (International) Company Limited (stock code: 846) and ITC Corporation Limited (stock code: 372), all of which are listed on the Main Board of the Stock Exchange, since 16 April 2007, 21 May 2009, 24 February 2010, 19 October 2011, 1 November 2016 and 8 March 2017, respectively. He also served as an independent non-executive director of Telecom Service One Holdings Limited (stock code: 8145), a company listed on the GEM of Stock Exchange from 30 April 2013 to 27 December 2017 and has been appointed as an independent non-executive director of Madison Holdings Group Limited (stock code: 8057), a company listed on the GEM, since 21 September 2015 respectively. He was appointed as independent non-executive director of Tianli Holdings Group Limited (stock code: 117) with effect from 30 March 2017 and as independent non-executive director of China Hui Shan Dairy Holdings Company Limited (stock code: 6863) for the period from 22 June 2017 to 27 September 2017.

DIRECTORS' PROFILE

Mr. Tam B Ray, Billy ("**Mr. Tam**"), aged 51, joined the Company as an independent non-executive Director on 5 March 2012. He is also a member of each of the audit committee of the Board (the "**Audit Committee**") and the Nomination Committee. Mr. Tam has been a practicing solicitor in Hong Kong for over 25 years. He holds an EMBA from the Chinese University of Hong Kong, a Bachelor of Laws degree from the University of London, a Bachelor degree in laws of the People's Republic of China from Tsinghua University and a Master of Laws degree from the University of Hong Kong. Mr. Tam is a partner of Messr. Ho & Tam. He has been an independent non-executive directors of China Fortune Financial Group Limited (stock code: 290), a company listed on the Main Board of the Stock Exchange, from 4 December 2007 to 21 December 2016. He has also been an independent non-executive director of Silk Road Energy Services Group Limited (stock code: 8250), a company listed on GEM, from 10 November 2011 to 18 June 2014. Mr Tam has also been a non-executive director of Larry Jewelry International Company Limited (stock code: 8351), a company listed on GEM of the Stock Exchange, from 16 December 2010 to 19 September 2014 and Milan Station Holdings Limited (stock code: 1150), a company listed on the Main Board of the Stock Exchange, since 28 April 2011 to 3 March 2017.

Dr. Wang Dangxiao ("**Dr. Wang**"), aged 44, has been appointed as an independent non-executive Director and a member of each the Audit Committee and Remuneration Committee since 21 May 2019. He obtained a doctoral degree from Beihang University in 2004. He was appointed as an associate professor in 2007 at Beihang University and promoted to be a professor subsequently. He is also a doctoral adviser, the deputy director of the State Key Laboratory of Virtual Reality Technology and System and the director of the Robotics Research Laboratory at Beihang University. He is the General Chair of AsiaHaptics 2020, a senior member of The Institute of Electrical and Electronics Engineers ("**IEEE**"), a senior member of The China Computer Federation, a senior member of the Chinese Mechanical Engineering Society and a standing committee member of the Special Committee on Human-Machine Interaction of The China Computer Federation. He has also been the chairman of the Haptics Technology Committee of IEEE and the associate editor of IEEE Transactions on Haptics.

DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 35 to the consolidated financial statements. The principal activities of the Group consist of the sale of beauty products, provision of therapy services and the provision of engineering products and related service business. There were no significant changes in the nature of business of the Group during the year under review.

A fair review of business of the Group during the year under review, discussion on the key financial performance indicators of the Group, particulars of important events affecting the Group that have occurred since the end of the period under review and future development of the Group are provided in the section headed "Management Discussion and Analysis" from page 5 to page 11 of this annual report.

Description of the environmental policies and performance, compliance with the applicable laws and regulations which have a significant impact on the Group, relationships with stakeholders and principal risks and uncertainties facing the Group can be found in the paragraphs below.

Environmental Policies and Performance

The Group is committed to creating a successful business that is not achieved at the expense of the environment. The Group is dedicated to creating an environmentally friendly and sustainable operation. The Directors are not expecting that the business of the Group will have a significant impact on the environment due to the nature of its principal businesses. Details on Group's environmental policies are set out in the section headed "Environmental, Social and Governance Report" from page 39 to page 49 of this annual report.

Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group

The Company and its subsidiaries operating in Hong Kong, the PRC and Canada are subject to requirements under various laws and regulations. For subsidiaries operating in Hong Kong, applicable laws and regulations include, among others, the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), the Competition Ordinance (Cap. 619 of the Laws of Hong Kong), the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), and the applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the Group is also subject to the provisions of the GEM Listing Rules. For subsidiaries operating in the PRC, applicable laws and regulations include, among others, Administrative Measures on Foreign Investments in Commercial Sector (外商投資商業領域管理辦法), Law on Environmental Impact Assessment of the PRC (中華人民共和國環境影響評價法), Administrative Measures on Pollutants Discharge Permits (廣東省排污許可證管理辦法), Law on Wholly Foreign Owned Enterprises of the PRC (中華人民共和國外資企業法), Administrative Regulations on Company Registration of the PRC (中華人民共和國公司登記管理條例), Regulations on Certification of Qualification of Civil Aviation Products and Parts (民用航空產品和零部件合格審定規定) and Regulations on Certification of Qualification of Civil Aircrafts Repair Entities (民用航空器維修單位合格審定規定). For the subsidiary operating in Canada, applicable laws and regulations include, among others, the Canada Business Corporation Act, Patent Act, Industrial Design Act, and Canada Labour Code. The Group seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, trainings and oversight of various business units with the designated resources at different levels.

Relationships with Stakeholders

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including its employees, customers, suppliers, business partners and the community.

DIRECTORS' REPORT

The Group considers its employees as key to sustainable business growth. The Group is committed to providing all employees a safe and harassment-free working environment with equal opportunities in relation to employment, reward management, training and career development.

As a customer-focused service provider, the Group considers its customers as one of the most important stakeholders. The Group is committed to serving its customers to the best of its ability and continually elevating the level of service excellence.

The Group is committed to upholding the highest ethical and professional standards when dealing with suppliers. The Group has established suppliers monitoring and screening process and conducted suppliers' performance review regularly. Unsatisfactory rating for rectification or improvements will be communicated to its suppliers.

RISK MANAGEMENT

The risk management process is integrated into our day-to-day activities and is an ongoing process that flows through the Group.

When performing risk identification, the Group takes into account internal and external factors including economic, political, social, technological, environmental and new or updated Group strategy and new regulations, as well as our stakeholders' expectation in these aspects. Each risk identified is analysed on the basis of likelihood and impact consistent with risk parameters set by the Board. Action plans are in place to manage risks. Fundamental to the achievement of our business goal is how the Group can effectively manage existing and emerging risks in economic, social and political environment. A description of the Group's risk factors is shown as below.

Risk factors

Risks and uncertainties can affect the Group's business, financial condition, operation results or growth prospects leading to a divergence from expected or historical result. Key risk factors affecting the Group are outlined below. In dealing with these, the Group remains in touch with stakeholders with the aim of understanding and addressing their concerns.

These factors are not exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could become material in the future.

Macroeconomic Conditions of the World and the PRC

Since early 2020, the epidemic of Coronavirus Disease 2019 has spread worldwide, and it has caused disruption to many businesses and economic activities. Global economic growth has been weaker than expected with sluggish demand conditions in the major economies. Uncertainty in world economic recovery continued due to economic pressures and geopolitical tensions in various areas of the world, slow growth in emerging markets including mainland China.

The Group's target customers of the Engineering Business comprise companies and government agencies operating in the PRC. Any unexpected economic, political and social events or changes in the PRC may have a significant impact on the Engineering Business.

The Group has taken a proactive approach to monitoring changes in macroeconomics factors of Global and China. To address macroeconomics volatility, the Group's strategy is to pursue diversification of product lines and expansion in different geographic areas.

DIRECTORS' REPORT

The Engineering Business may not be able to keep up with technological changes

The engineering industry is moving and customers' preferences change quickly. The introduction of new technology in this industry may render the Group's services to be obsolete and uncompetitive. Accordingly, the Group's future success will depend on its ability to adapt to changing technologies and continually improving the know-how of its staff in response to evolving demands of the market place. Failing to adapt to such changes may result in the Engineering Business losing its customers, which would have a material adverse effect on the financial position of the Group.

The management has been monitoring the latest development in technologies relating to engineering industry. Research and development will be done internally through the Group's own talents or outsourced to qualified third party. When see fit, the Group may also acquire companies with technologies that meet the requirement of business strategy of the Group.

Compliance with the PRC laws and regulations

As set out in the paragraph headed "Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group" above, the operation of the Engineering Business is subject to compliance with various rules and regulations in the PRC. In order to expand into the production of robotics products in the PRC, the Group must obtain certain required qualifications. The Group may not be able to obtain or renew such qualifications and may therefore be unable to expand into the production of robotics products.

The Group has taken a proactive approach to monitoring any change in applicable laws and regulation. The compliance is done through a variety of means including engaging external advisors, performing regulator audits and complying regulatory reporting obligations.

Product liability

The products provided by the Group may contain defects or errors. The Group may incur costs in correcting the defects or errors or defending any legal proceedings and claims brought by its customers. Defects or errors that may be contained in the Group's products may also affect the Group's relationship with such customers and result in negative publicity, hence adversely affecting the Group's reputation. The Group does not currently maintain any product liability insurance but may consider doing so in future. There is no assurance that there will not be any product liability claims against the Group for the loss or damage caused by defective products. If any of the Group's customers make any claim against the Group which is in excess of any insurance coverage of the Group or otherwise falls outside such coverage, the Group will need to bear the costs of settling such claims, and may result in the Group's business and financial condition being adversely affected.

To prevent product liability claims, the Group only deals with qualified and reputable raw material suppliers. The management also conducts regular product safety review should confirm that products comply with the latest industry and government safety standards.

Competition

The Group operates in markets and industries where the regulation is drive to open competition has led to increased competition, pricing pressure, loss of market share, and increased promotional, marketing and customer acquisition expenditures.

The Group has been consistently monitoring its competitors, markets and industries and adjusting this business strategy to adopt the changing market place.

DIRECTORS' REPORT

Client complaints, claims and legal proceedings in the course of the Group's operations

Given the nature of the beauty industry and subjective views on the level of satisfaction of beauty services provided and products, on occasions, the Group is susceptible to complaints associated with its products or services. Common client complaints include (i) unsatisfactory results of the Group's services and products; (ii) physical injury caused by the Group's services; (iii) disputes over payment method (e.g. credit card instalment); (iv) unsatisfactory staff services; (v) unsatisfactory treatment progress; (vi) client's change of mind; and (vii) subsequent argument on the terms of contracts.

Customer complaints are handled in a timely manner by trained customer service team of the Group. In case of legal proceedings being file against the Group, the Group will engage or consult qualified professionals to minimize the impact.

RESULTS AND PROFIT DISTRIBUTION

Details of the Group's results for the financial year ended 31 December 2019 are set out in the consolidated statement of comprehensive income on page 56 of this annual report.

The Directors did not recommend the payment of any final dividend for the financial year ended 31 December 2019 (for the financial year ended 31 December 2018: Nil).

FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the past five financial years/periods ended 31 December 2015, 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 are set out on page 125 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year under review are set out in Note 15 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year under review are set out in Note 23 to the consolidated financial statements in this annual report.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity on page 59 and Note 30 to the consolidated financial statements, respectively, in this annual report.

DISTRIBUTABLE RESERVE

The Company did not have any reserves available for distribution to the shareholders of the Company as at 31 December 2019 (as at 31 December 2018: Nil).

DIRECTORS' REPORT

CHARITABLE DONATIONS

The Group has made charitable donations of approximately HK\$Nil during the financial year ended 31 December 2019 (for the financial year ended 31 December 2018: HK\$7,000).

DIRECTORS

The Directors who held office during the year under review and up to the date of this annual report were:

Executive Directors

Mr. Su Zhituan
Mr. Sun Ziqiang
Mr. Chen Min (*retired on 8 May 2019*)
Dr. Andrew Goldenberg (*retired on 8 May 2019*)
Mr. Fu Hengke (*appointed on 21 May 2019*)

Non-executive Directors

Mr. Cheng Yu

Independent non-executive Directors

Mr. Tam B Ray, Billy
Mr. Chu Kin Wang, Peleus
Mr. Xie Zhichun (*retired on 8 May 2019*)
Dr. Wang Dangxiao (*appointed on 21 May 2019*)

Pursuant to bye-law 83(2) and 84(1) of the bye-laws of the Company (the "Bye-laws"), Mr. Fu Hengke, Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Dr. Wang Dangxiao shall retire from office by rotation at the forthcoming annual general meeting (the "2020 AGM"), and, being eligible, Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Dr. Wang Dangxiao will offer themselves for re-election at the 2020 AGM. Mr. Fu will not offer himself for re-election at the AGM.

THE BIOGRAPHY OF THE DIRECTORS

The biographical details of the Directors of the Company are set out in the section headed "Directors' Profile" on pages 12 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Chu Kin Wang, Peleus and Mr. Tam B Ray, Billy is not appointed for a specific term and is subject to retirement by rotation in accordance with the Bye-laws of the Company. Each of Dr. Wang Dangxiao and Mr. Cheng Yu is appointed for a term of three years and is subject to retirement by rotation in accordance with the Bye-laws of the Company.

None of the Directors being proposed for re-election at the 2020 AGM has a letter of appointment or a services contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

PERMITTED INDEMNITY

Pursuant to the Bye-laws, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his duty, or supposed duty, in their respective offices or trusts such indemnity provision has been in force throughout the year ended 31 December 2019.

The Company has arranged for appropriate insurance cover for Director's liabilities in respect of legal action against its Directors arising out of corporate activities.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Dr. Wang Dangxiao, all being the independent non-executive Directors during the year under review, in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors are independent in accordance with the guidelines set out in the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long and short positions in the ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Nature of interests	Notes	Interest in shares (Note 1)	Interest in underlying shares (Note 1)	Total interest in shares (Note 1)	Approximate percentage of shareholding (Notes 1 and 3)
Mr. Su Zhituan	Interest of controlled corporation	2	151,425,197(L)	—	151,425,197(L)	29.91%(L)

Notes:

- "L" represents long position in shares or underlying shares of the Company and "S" represents short position in shares or underlying shares of the Company.
- Tai Dong New Energy Holding Limited ("Tai Dong") is ultimately wholly-owned by Mr. Su Zhituan and holds long positions in 151,425,197 shares of the Company. Accordingly, Mr. Su Zhituan is deemed to be interested in the long positions in 151,425,197 shares of the Company.
- The percentage is calculated on the basis of 506,219,666 shares of the Company in issue as at 31 December 2019.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2019, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Save as disclosed in this annual report, at no time during the year under review was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouses and children under the age of 18) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations, and none of the Directors or their respective spouses or children under the age of 18 had any right to subscribe for shares of the Company or any of its associated corporations or had exercised any such right during the year under review.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the year under review.

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their job responsibilities, work performance, professional experience and prevailing industry practices.

The emoluments of the Directors are decided by the Board with reference to the recommendations from the Remuneration Committee, with regard to the Company's operation results, individual performance and comparable market statistics.

The Company has adopted the Share Option Scheme (as defined below) as an incentive to Directors and eligible participants. Please refer to the paragraph headed "Share Option Scheme" on page 23 of this annual report for details.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 11 and Note 10 to the consolidated financial statements, respectively, in this annual report.

DIRECTORS' REPORT

COMPETING INTERESTS OF DIRECTORS

As at 31 December 2019, none of the Directors, substantial shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, so far as is known to the Directors and the chief executives of the Company, the interests and shorts positions of the persons or corporations (other than the Directors and the chief executive of the Company) in the shares and underlying shares as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests and short positions in the ordinary shares or underlying ordinary shares of the Company

Name of shareholder	Nature of interests	Notes	Interest in shares of the Company (Note 1)	Interest in underlying shares of the Company (Note 1)	Total interest in shares of the Company (Note 1)	Approximate percentage of shareholding (Notes 1 and 7)
Tai Dong New Energy Holding Limited ("Tai Dong")	Beneficial owner	2	151,425,197(L)	—	151,425,197(L)	29.91%(L)
Hong Kong Bridge Investments Limited ("Hong Kong Bridge Investment")	Beneficial owner	3	41,666,666(L)	—	41,666,666(L)	8.23%(L)
HKBridge Absolute Return Fund L.P ("HKBridge Absolute")	Beneficial owner	4	64,148,063(L)	—	64,148,063(L)	12.67%(L)
On Top Global Limited ("On Top Global")	Beneficial owner	5	24,397,946(L)	—	24,397,946(L)	4.82%(L)
HKBridge Financial Holdings Limited ("HKBridge Financial")	Interest of controlled corporation	3,4,5	130,212,675(L)	—	130,212,675(L)	25.72%(L)
Bloom Right Limited ("Bloom Right")	Beneficial owner	6	10,870,000(L)	—	10,870,000(L)	2.15%(L)
		6	10,870,000(S)	—	10,870,000(S)	2.15%(S)
Allied Year Limited	Security interest	6	41,666,666(L)	—	41,666,666(L)	8.23%(L)
中國華融資產管理股份有限公司 (China Huarong Asset Management Co., Ltd.) ("China Huarong")	Interest of controlled corporation	6	52,536,666(L)	—	52,536,666(L)	10.38%(L)
		6	10,870,000(S)	—	10,870,000(S)	2.15%(S)
KE10MA Holdings Inc. ("KE10MA Holdings")	Beneficial Owner	7	29,286,971(L)	—	29,286,971(L)	5.78%(L)
Andrew Avi Goldenberg	Interest of controlled corporation	7	29,286,971(L)	—	29,286,971(L)	5.78%(L)
Goldenberg Aviva C	Interest of controlled corporation	7	29,286,971(L)	—	29,286,971(L)	5.78%(L)
Greater Harmony Limited	Beneficial Owner	8	30,000,000(L)	—	30,000,000(L)	5.93%(L)
Ko Chun Shun Johnson	Interest of controlled corporation	8	30,000,000(L)	—	30,000,000(L)	5.93%(L)

Notes:

- "L" represents long position in shares or underlying shares of the Company and "S" represents short position in shares or underlying shares of the Company.
- Tai Dong is interested in 151,425,197 shares of the Company. As Tai Dong is ultimately wholly-owned by Mr. Su Zhituan, Mr. Su Zhituan is deemed to be interested in such 151,425,197 shares of the Company.

DIRECTORS' REPORT

3. Hong Kong Bridge Investments is interested in 41,666,666 shares of the Company. As Hong Kong Bridge Investments is a wholly-owned subsidiary of HKBridge Financial, HKBridge Financial is deemed to be interested in such 41,666,666 shares of the Company.
4. HKBridge Absolute, a Cayman Islands exempted limited partnership, the general partner of which is HKBridge (Cayman) GP2 Limited, a Cayman Islands limited liability company, is interested in 64,148,063 shares of the Company. As the entire issued share capital of the general partner of HKBridge Absolute is indirectly owned by HKBridge Financial, HKBridge Financial is deemed to be interested in such 64,148,063 shares of the Company.
5. On Top Global is interested in 24,397,946 shares of the Company. As On Top Global is a wholly-owned subsidiary of Hong Kong Bridge High-Tech Investment Fund L.P. ("**Hong Kong Bridge High-Tech**"), Hong Kong Bridge High-Tech is deemed to be interested in such 24,397,946 shares. Hong Kong Bridge High-Tech, a Cayman Islands exempted limited partnership, the general partner of which is Hong Kong Bridge High-Tech Investment G.P Limited, a Cayman Islands limited liability company. As the entire issued share capital of the general partner of the Hong Kong Bridge High-Tech is indirectly owned by HKBridge Financial, HKBridge Financial is deemed to be interest in such 24,397,946 shares of the Company.
6. China Huarong indirectly owned 50.99% equity interest in Bloom Right Limited ("**Bloom Right**"). Bloom Right is directly interested in 10,870,000 shares of the Company. China Huarong also indirectly owns 51% equity interest in Allied Year Limited, which has a security interest over 41,666,666 shares of the Company. China Huarong is therefore deemed to be interested in 52,536,666 shares of the Company.
7. KE10MA Holdings is interested in 29,286,971 shares of the Company. As KE10MA Holdings is 50%-owned by Dr. Andrew Avi Goldenberg and 50%-owned by Mrs. Aviva C Goldenberg and Mrs. Aviva C Goldenberg is the spouse of Dr. Andrew Avi Goldenberg, each of Dr. Andrew Avi Goldenberg and Mrs. Aviva C Goldenberg is deemed to be interested in such 29,286,971 shares of the Company.
8. Greater Harmony Limited ("**Greater Harmony**") is interested in 30,000,000 shares of the Company. As Greater Harmony is ultimately wholly-owned by Mr. Ko Chun Shun Johnson. Mr. Ko Chun Shun Johnson is deemed to be interested in such 30,000,000 shares of the Company.
9. The percentage is calculated on the basis of 506,219,666 Shares in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other persons or corporations (other than the Directors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") at the annual general meeting of the Company held on 7 November 2014 (the "**2014 AGM**"). The scheme mandate limit (the "**Scheme Mandate Limit**") of the share Option Scheme was refreshed at the annual general meeting of the Company held on 8 May 2017 (the "**2017 AGM**").

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to certain Eligible Participants (as defined below) as incentives or rewards for their contribution to the Company and/or its subsidiaries.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may, subject to and in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, in its absolute discretion, invite (i) any employees (including, without limitation, executive Directors) of the Company and/or any of its subsidiaries; (ii) any non-executive Directors (including, without limitation, independent non-executive Directors) of the Company and/or any of its subsidiaries; (iii) any consultants, suppliers or customers of the Company and/or any of its subsidiaries; (iv) any employee (whether full-time or part-time and including directors) of any entity in which the Group holds any equity interest; and/or (v) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for options under the Share Option Scheme (the “**Eligible Participant(s)**”) to take up options to subscribe for Shares at the Subscription Price (as defined below).

3. Maximum number of Shares

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the relevant class of shares of the Company in issue from time to time. Subject to the limit above, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme or the date of refreshment of such limit. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Share Option Scheme limit.

As approved by the shareholders of the Company at the 2017 AGM, the maximum number of shares of the Company in respect of which options may be granted under the refreshed Scheme Mandate Limit is 45,521,966 shares of the Company which is equivalent to 10% of the issued shares of the Company as at the 2017 AGM. As at 31 December 2019, 45,521,966 shares of the Company may be issued upon the exercise of all the Share Options to be granted under the Share Option Scheme, representing approximately 8.99% of the issued shares of the Company at 31 December 2019 and the date of this annual report.

4. Maximum entitlement of each participant

Unless approved by the shareholders of the Company in a general meeting and according to the manner prescribed by the provisions of the Share Option Scheme and the GEM Listing Rules, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each Eligible Participant or grantee (including exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue.

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the GEM Listing Rules) of the Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Directors (excluding an independent non-executive Director who or whose associate is the proposed grantee of the options). Where any grant of options to a substantial Shareholder (as defined in the GEM Listing Rules) of the Company or an independent non-executive Director or any of their respective associates, would result in the shares issued or to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by the Shareholders in general meeting.

DIRECTORS' REPORT

5. Offer period and amount payable for options and exercise period

The offer shall remain open for acceptance for 30 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the adoption date (i.e. 7 November 2014) (the “**Adoption Date**”) or the termination of the Share Option Scheme or the Eligible Participant to whom such offer is made has ceased to be an Eligible Participant.

An option shall be deemed to have been accepted (subject to certain restrictions in the Share Option Scheme) when the duplicate letter comprising acceptance of the option duly signed by the Eligible Participant together with a non-refundable nominal consideration of HK\$1.00 is received by the Company from the grantee within 30 days from the date of offer.

The exercise period of the Share Option granted is determinable by the directors of the Company, and which shall not exceed 10 years after the date on which the Share Options are granted.

6. Minimum period for which an option must be held before it can be exercised

There is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

The terms of the Share Option Scheme provide that in granting options under the Share Option Scheme, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance criteria to be satisfied before such options can be exercised and/or any other terms as the Board may determine in its absolute discretion.

7. Basis of determining the exercise price

The exercise price shall be determined by the Board at its absolute discretion, provided that it shall be not less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the date on which an offer is made to an Eligible Participant, which must be a business day (the “**Offer Date**”), (ii) the average closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheets) for the five business days immediately preceding the Offer Date, and (iii) the nominal value of the Shares.

8. Remaining life of the Share Option Scheme

The Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the 10th anniversary thereof (i.e. 6 November 2024), after which period no further options will be issued but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

DIRECTORS' REPORT

Details of movements in the Company's share options during the twelve months ended 31 December 2019 are set out as follows:

	Outstanding as at 1 January 2019	Number of share options				Outstanding as at 31 December 2019
		Granted during the period (Note)	Exercised during the period	Cancelled during the period	Lapsed during the period	
Employees	5,732,000	—	—	(3,117,675)	—	2,614,325
Total	5,732,000	—	—	(3,117,675)	—	2,614,325
Exercisable at the end of the period						—

Note:

A total of 7,480,000 share options were granted on 3 January 2017, with an exercise price of HK\$8.9 and exercise period from 3 January 2018 to 2 January 2022, of which (i) 25% of the share options are exercisable from 3 January 2018 to 2 January 2022; (ii) 25% of the share options are exercisable from 3 January 2019 to 2 January 2022; (iii) 25% of the share options are exercisable from 3 January 2020 to 2 January 2022; and (iv) 25% of the share options are exercisable from 3 January 2021 to 2 January 2022.

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in Note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate sales attributable to the Group's largest customer accounted for approximately 30.7% (for financial year ended 31 December 2018: 10.7%) of the Group's total sales for the year and the five largest customers taken together accounted for approximately 34.8% (for financial year ended 31 December 2018: 19.1%) of the Group's total sales. The Group does not have any significant transaction with any single customer for the financial year ended 31 December 2019.

During the year under review, the aggregate purchases attributable to the Group's largest suppliers accounted for approximately 35.9% (for financial year ended 31 December 2018: 13.9%) of the Group's total purchase for the year and the five largest suppliers taken together accounted for approximately 58.5% (for the financial year ended 31 December 2018: 38.7%) of the Group's total purchase.

Save as disclosed in this annual report and to the best knowledge of Directors, none of the Directors, their associates, or any shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest suppliers or customers during the financial year ended 31 December 2019.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

Details of related party transactions entered into by the Group during the year ended 31 December 2018 and 31 December 2019 are disclosed in Note 34 in the consolidated financial statements. Such related party transactions do not fall under the definition of “connected transaction” or “continuing connected transaction” in Chapter 20 of the GEM Listing Rules.

During the year ended 31 December 2019, the Group did not enter into any connected transactions which required reporting, annual review, announcements and/or independent shareholders' approval under the GEM Listing Rules.

Payments of emoluments to the Directors pursuant to their respective service contracts with the Company were exempt connected transactions under Rule 20.93 of the GEM Listing Rules while payments of emoluments/consultancy fee to senior management do not constitute connected transactions under Chapter 20 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT CONTRACTS

During the year under review, other than the letters of appointment of the Directors, no management and administrative contracts regarding the entire or any major businesses of the Company have been entered into or have existed.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws and there is no restriction against such rights under the law of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available and to the best knowledge, information and belief of the Directors, the Company has maintained a sufficient public float as required under the GEM Listing Rules throughout the year ended 31 December 2019.

EVENTS AFTER THE REPORTING PERIOD

Since early 2020, the epidemic of Coronavirus Disease 2019 (“the **COVID-19 outbreak**”) has spread worldwide, and it has caused disruptions to many business and economic activities. Due to the COVID-19 outbreak and related precautionary and control measures taken place, the Group postponed the resumption of production in certain factories after the Chinese New Year, and the suppliers' delivery of certain raw materials for production was also delayed in the short term. In order to minimise the impact of the COVID-19 outbreak and changes in the market, the Group has actively coordinated relevant resources and adjusted production and operation arrangements to manage the effects of the disruptions. Up to the date of this announcement, the Group is not yet able to quantify the impact of COVID-19 to the Group's financial performance and position. Nonetheless, the Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and take relevant measures.

DIRECTORS' REPORT

On 30 March 2020 (after trading hours of the Stock Exchange), 深圳市帝光實業有限公司 (transliterated as Shenzhen Shi Diguang Industrial Company Limited) (“**Shenzhen Diguang**”), an indirect non-wholly owned subsidiary of the Company, entered into a memorandum of understanding (“**MOU**”) with 惠州市金達勝投資有限公司 (transliterated as Huizhou Shi Jindasheng Investment Company Limited#) (“**Huizhou Jindasheng**”) in relation to capitalisation of the Debt (as defined below) into the equity interest on the registered capital of Shenzhen Diguang (the “**Possible Transaction**”).

Shenzhen Diguang is a company established in the People’s Republic of China and, through its subsidiaries, principally engaged in the development and manufacturing of robotics products. As at the date of this announcement, Shenzhen Diguang owed a debt in the amount of approximately RMB42,130,000 to Huizhou Jindasheng (the “**Debt**”).

As at the date of this announcement, the equity interest in Shenzhen Diguang is ultimately owned as to 99% by the Company and as to 1% by a party independent of and not connected with the Company and its connected persons (as defined under the GEM Listing Rules).

Pursuant to the MOU, Shenzhen Diguang and Huizhou Jindasheng shall negotiate in good faith towards one another in ensuring that the Formal Agreement be entered into as soon as possible and in any event within six (6) months from the date of the MOU (or such later date as the parties thereto may agree in writing).

The MOU does not constitute legally binding commitment in respect of the Possible Transaction. The Possible Transaction is subject to execution and completion of a formal agreement.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 29 to 38 of this annual report.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the reporting period. A resolution will be proposed for approval by shareholders at the 2020 AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Su Zhituan

Executive Director and Chairman

Hong Kong, 21 April 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules which sets out the principles and the code provisions which listed issuers are expected to apply and comply.

During the period under review and up to the date of this annual report, the Company has applied the principles as set out in the CG Code that are considered to be relevant to the Company and has complied with most of the applicable code provisions as set out in the CG Code save for certain deviations, details of which are explained in the relevant paragraphs of this corporate governance report.

The key corporate governance principles and practices of the Company are summarised as follows:

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own codes of conduct regarding Directors’ and relevant employees’ securities transactions, namely “Code for Securities Transactions by Directors” and “Code for Securities Transactions by Relevant Employees”, both of which apply to all Directors and relevant employees of the Company in terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry with each of the Directors, all Directors have confirmed that they have complied with such code and the required standard of dealings on Directors’ securities transactions during the year ended 31 December 2019.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group’s business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibilities for decisions making in all major matters of the Company include approving and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior management. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior management and the Board has the full support of them to discharge its responsibilities. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this corporate governance report.

Composition

As at the date of this annual report, the Board comprises eight Directors and their respective roles are set out as follows:

Executive Directors

Mr. Su Zhituan (*Chairman*)

Mr. Sun Ziqiang (*Vice-chairman*)

Mr. Fu Hengke

CORPORATE GOVERNANCE REPORT

Non-executive Directors

Mr. Cheng Yu

Independent non-executive Directors

Mr. Tam B Ray, Billy
Mr. Chu Kin Wang, Peleus
Dr. Wang Dangxiao

Two of the independent non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.

None of the Board members have financial, business, family or other material/relevant relationship with each other.

Biographical details of the Directors are set out in the section headed “Directors’ Profile” on pages 12 to 14 of this annual report.

The Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All the Directors have given sufficient time and attention to the Company’s affairs. Code provision A.5.6 of the CG Code stipulates that there should be a policy concerning the diversity of Board members. With a view to achieving a sustainable and balanced development, the Company has been seeing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Company will consider board diversity from a number of factors when deciding on new appointments to the Board and the continuation of those appointments in order to achieve a diversity of perspectives among Board members. These factors include but not limited to gender, age, cultural and educational background, professional or industry experience, skills, knowledge and other qualities of Directors. The Board as a whole is responsible for reviewing the structure, size and composition of the Board with due regard to the intended benefits of board diversity. The balance between the number of Executive and Non-Executive Directors is considered effective in ensuring independent judgment being exercised effectively to provide sufficient checks and balances to safeguard the interests of the Company and its shareholders. The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. The Board will review and monitor the implementation of board diversity on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

Following the retirement of Mr. Xie Zhichun as an independent non-executive Director and a member of each of the Audit Committee and Remuneration Committee with effective from 8 May 2019, (i) the Company has only two independent non-executive Directors which deviated from the requirement under the Rule 5.05(1) of the GEM Listing Rules; (ii) the Company has only two members in the Audit Committee which deviated from the requirement under the Rule 5.28 of the GEM Listing Rules; and (iii) the number of independent non-executive Directors in the Remuneration Committee does not meet the majority requirement under Rule 5.34 of the GEM Listing Rules. Following the appointment of Dr. Wang Dangxiao as an independent non-executive Director and a member of each of the Audit Committee and Remuneration Committee with effective from 21 May 2019, the composition of the Board, the audit committee and the remuneration committee of the Company meet the requirements under Rules 5.05(1), 5.28 and 5.34 of the GEM Listing Rules.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Each of Mr. Cheng Yu and Dr. Wang Dangxiao’s appointment is for a term of three years which is subject to retirement at the next general meeting of the Company after his appointment and thereafter subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company. Currently, Mr. Chu Kin Wang, Peleus and Mr. Tam B Ray, Billy are not appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws. Since their appointments will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those set out in the CG Code.

CORPORATE GOVERNANCE REPORT

APPOINTMENTS, RE-ELECTION AND REMOVAL

The Board has established the Nomination Committee on 27 March 2012 with details set out in the paragraph headed “Nomination Committee” on page 33 of this annual report.

According to the Bye-laws, the Board may from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation in general meeting, as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Meetings

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. All Directors are given an opportunity to attend and include matters in the agenda for discussion. During the period under review, at least 14 days’ notice were given to all Directors for a regular board meeting in order to comply with the relevant code provision of the CG Code.

Apart from regular meetings, our senior management from time to time provides Directors with information on activities and development of the businesses of the Group. The company secretary of the Company (the “**Company Secretary**”) takes detailed minutes of the meetings and keeps records of matters discussed and decisions resolved at the meetings. Individual attendance records of each Director at the respective Board and committee meetings are set out in the following section.

DIRECTORS’ ATTENDANCE RECORD AT MEETINGS

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the year ended 31 December 2019 are as follows:

Name of Director	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Su Zhituan	11/11	—	2/2	2/2	1/1
Sun Ziqiang	11/11	—	—	—	1/1
Chen Min (<i>retired on 8 May 2019</i>)	2/2	—	—	—	1/1
Andrew Goldenberg (<i>retired on 8 May 2019</i>)	2/2	—	—	—	0/1
Fu Hengke (<i>appointed on 21 May 2019</i>)	4/4	—	—	—	—
Non-executive Directors					
Cheng Yu	11/11	—	—	—	1/1
Independent non-executive Directors					
Tam B Ray Billy	11/11	4/4	—	2/2	1/1
Chu Kin Wang, Peleus	11/11	4/4	2/2	2/2	1/1
Xie Zhichun (<i>retired on 8 May 2019</i>)	2/2	1/1	—	—	1/1
Wang Dangxiao (<i>appointed on 21 May 2019</i>)	4/4	2/2	—	—	—

CORPORATE GOVERNANCE REPORT

Directors' Training

Up to the date of this annual report, all Directors have participated in continuous professional development by attending training courses on the topics related to corporate governance and regulations to comply with the relevant code provision. For those Directors who did not attend a structured course, the Company has arranged the Company Secretary to provide in-house training to such Directors and maintained a record of training.

A summary of the training received by the Directors for the period under review according to the records provided by the Directors is as follows:

Name of Directors	Type of Continuous Professional Development Reading on corporate governance, regulatory updates development and other relevant topics	Attending relevant training sessions
Executive Directors		
Mr. Su Zhituan	✓	X
Mr. Sun Ziqiang	✓	X
Mr. Chen Min	✓	X
Dr. Andrew Goldenberg	✓	X
Mr. Fu Hengke	✓	X
Non-executive Directors		
Mr. Cheng Yu	✓	X
Independent non-executive Directors		
Mr. Tam B Ray, Billy	✓	✓
Mr. Chu Kin Wang, Peleus	✓	✓
Mr. Xie Zhichun	✓	✓
Dr. Wang Dangxiao	✓	X

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. The position of the chairman is held by Mr. Su Zhituan. The responsibilities of the chairman of the Company is to ensure the Board to work effectively and perform its responsibilities, and all key and appropriate issues are discussed by the Board, draw up and approve the agenda for each board meeting and take into accounts, any matters proposed by others Directors for inclusion in the agenda.

As at 31 December 2019 and up to the date of this report, the Company has not appointed a chief executive officer and is looking for a suitable candidate to act as chief executive officer in order to comply with the CG Code. The office and duties of the chief executive officer in respect of the day-to-day management of the Group's business is handled by the executive Directors collectively.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 5.05 of the GEM listing Rules, the Company must have three independent non-executive Directors; one of them has appropriate professional qualification or accounting or related financial management expertise.

The Company has received annual written confirmations from Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Dr. Wang Dangxiao, all being the independent non-executive Directors during the period under review, in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors to be independent.

BOARD COMMITTEE

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with the GEM Listing Rules. The principal responsibilities of the Remuneration Committee include making recommendation to the Board on the Group's policies and structure for all remuneration of Directors and senior management, determining specific remuneration packages of all executive Directors and senior management, and reviewing and approving performance-based remuneration.

As at 31 December 2019 and up to date of this annual report, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Chu Kin Wang Peleus (chairman) and Dr. Wang Dangxiao and one executive Director, Mr. Su Zhituan.

The Remuneration Committee held two meeting during the year ended 31 December 2019 to determine the policy for the remuneration of executive directors, assess performance of executive director and approve the terms of executive directors' service contracts.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the GEM Listing Rules. The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition of the Board, identification of individuals suitably qualified to become Board members and making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

In respect of the appointment and reappointment of Directors, the nomination committee adopted a nomination policy concerning the selection criteria and procedures. The factors that would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate are reputation for integrity, qualifications, skills and experience that are relevant to the Group's businesses having regard to the corporate strategy and commitment in respect of available time and relevant interest. In the case of nominating the candidate for appointment/re-appointment as an INED, in addition to the selection criteria to which the Nomination Committee would give due regard, the independence of the candidate would be assessed with reference to the independence criteria set out in the Listing Rules. If an INED serves more than nine consecutive years, particular attention would be given to reviewing the independence of such INED for determining his eligibility for nomination by the Board to stand for re-election at a general meeting.

The Nomination Committee also adopted a diversity policy in relation to the nomination and appointment of new directors. The Nomination Committee selects board candidates based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

CORPORATE GOVERNANCE REPORT

As at 31 December 2019 and up to date of this annual report, the Nomination Committee comprises two independent non-executive Directors, namely Mr. Chu Kin Wang Peleus (chairman) and Mr. Tam B Ray, Billy and one executive Director, Mr. Su Zhituan.

The Nomination Committee held two meeting during the year ended 31 December 2019.

Audit Committee

The Audit Committee is currently composed of three independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (chairman), Mr. Tam B Ray, Billy and Dr. Wang Dangxiao. The Audit Committee has reviewed the annual results of the Group for the twelve months ended 31 December 2019 and has provided advice and comments thereon

The principal duties of the Audit Committee include:

- (a) to review the relationship with the external auditor to (i) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; and (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (b) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and review these reports and significant financial reporting judgements contained in them;
- (c) to review the Company's financial controls, risk management and internal control systems, discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, and consider major investigation findings on risk management and internal control matters;
- (d) to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors; and
- (e) to review arrangements that employees of the Company can use, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the 2019 Year, the Audit Committee had four meetings and performed the above mentioned principal duties and reviewed the Company's annual results, annual report, interim report and quarterly reports and to advise and comments thereon to the Board. The Audit Committee has performed the duties to review the compliance procedures, report on the Company's internal control and risk management. The Audit Committee also met the external auditor twice without the presence of the executive Directors. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

The Audit Committee is established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The full terms of reference setting out the Audit Committee's authority and its role and responsibilities are available on the websites of the Company (www.superrobotics.com.hk) and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Following the retirement of Mr. Xie Zhichun, an independent non-executive Director on 8 May 2019, (i) the Company had only two independent non-executive Directors which deviated from the requirement under the Rule 5.05(1) of the Rules Governing the Listing of Securities on the GEM on the Stock Exchange (the “GEM Listing Rules”); (ii) the Company had only two members in the Audit Committee which deviated from the requirement under the Rule 5.28 of the GEM Listing Rules; and (iii) the number of independent non-executive Directors in the remuneration committee of the Company did not meet the majority requirement under Rule 5.34 of the GEM Listing Rules.

On 21 May 2019, Dr. Wang Dangxiao was appointed as an independent non-executive Director. Following the appointment of Dr. Wang, the composition of the Board, the Audit Committee and the remuneration committee of the Company meet the requirements under Rules 5.05(1), 5.28 and 5.34 of the GEM Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board reviewed the Company’s corporate governance policies and practices, training and continuous professional development of Directors and the senior management, the Company’s policies and practices compliance with the legal and regulatory requirements, the compliance of the “Code for Securities Transactions by Directors” and “Code for Securities Transactions by Relevant Employees”, and the Company’s compliance with the CG Code and disclosure in this corporate governance report.

ATTENDANCE OF GENERAL MEETING

Pursuant to code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting of the Company and he should invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and any other committees (as appropriate) to attend. Pursuant to code provision A.6.7 of the CG Code, independent non-executive Director and other non-executive Directors should attend the general meetings of the Company. During the year ended 31 December 2019, the annual general meeting of the Company was held on 8 May 2019 (the “2019 AGM”) and all the then Directors had attended the 2019 AGM except for Dr. Andrew Goldenberg due to other business commitment.

AUDITORS’ REMUNERATION

During the year under review, the remuneration in respect of audit services and non-audit services provided by the Company’s external auditor, PricewaterhouseCoopers, is set out below:

Services rendered	Fee paid/payable <i>HK\$’000</i>
Audit services	1,580
Non-audit services	54

DIRECTORS’ RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company’s financial statements for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control of the Group. To facilitate the effectiveness and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasizes the importance of a sound risk management and internal control systems which is also indispensable for mitigating the Group's risk exposures. The risk management and internal control systems are reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present risk management and internal control of the Group are satisfactory. The Group has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the risk management and internal control systems adopted for the year ended 31 December 2019 is sound and are effective to safeguard the interests of the shareholders' investment and the Company's assets.

With respect to procedures and internal controls for handling dissemination of inside information, the Company is aware of its obligations under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the safe harbours as provided in the SFO. The Company conducts its affairs with close regard to the applicable laws and regulations and the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission. The Company has also communicated to all staff the principal and requirement regarding inside information.

As required under code provision C.2.5 of the CG code, the Company has established an internal audit function. A senior executive has been appointed in charge of the internal audit function and reports directly to the Audit Committee. The senior executive is provided with unrestricted access to all information of on Group's assets, records and personnel in the course of internal audit. The senior executive has attended the Audit Committee meetings and reported findings to members of the Audit Committee. All Directors are informed of the findings of internal audit assignments carried out during the year.

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman on governance matters and also facilitates induction and professional development of the Directors. The Company Secretary reports to the Chairman. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures, all applicable law, rules and regulations are followed. Mr. Yang Chuen Liang, Charles ("**Mr. Yang**") is the Company Secretary. According to Rule 5.15 of the GEM Listing Rules, Mr. Yang has confirmed that he has taken no less than 15 hours of relevant professional training to update his skills and knowledge during the period under review. He will continue to comply with the GEM Listing Rules and take no less than 15 hours of relevant professional training in each financial year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Annual report, interim report and quarterly reports offer comprehensive information to the shareholders of the Company on operational and financial performance whereas annual general meetings provide a forum for the shareholders of the Company to exchange views directly with the Board. All of the then Directors and all members of the Audit Committee attended the 2018 AGM to answer questions raised at the meeting. Each general meeting, other than an annual general meeting, shall be called a special general meeting (the "**SGM**").

CORPORATE GOVERNANCE REPORT

Right to convene SGM

According to the Bye-laws, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition. The requisition must be lodged with the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, a SGM will not be convened as requested. If within twenty-one (21) days from the date of the deposit of the proper and orderly requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the SGM varies according to the nature of the proposal, as follows:

- At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company in SGM;
- At least 21 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes a special resolution of the Company in SGM.

Right to put forward enquiries to the Board

Shareholders of the Company may at any time send their enquiries and concerns to the Board in writing to the Company Secretary at the Company's head office in Hong Kong at Room 1405, 14/F., China Merchants Tower, Shun Tak Centre, 166-200 Connaught Road Central, Sheung Wan, Hong Kong.

Right to put forward proposals at general meetings

Shareholders of the Company should follow the procedures set out in the sub-section headed "Right to convene SGM" above for putting forward proposals at general meetings.

INVESTOR RELATIONS

There is no significant changes in the Company's Bye-laws during the year ended 31 December 2019.

The Company considers that effective communication with shareholders of the Company is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the shareholders of the Company and in particular, through annual general meetings and other general meetings. The website of the Company is <http://www.superrobotics.com.hk>.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 26 March 2019 (“**Dividend Policy**”) which shall take effect on 26 March 2019. The Dividend Policy allows the shareholders of the Company to participate in the Company’s profits by provision of dividends whilst preserving the Company’s liquidity to capture future growth opportunities. According to the Dividend Policy, the Board shall consider the following factors, among others, before proposing and declaring dividends:

- (i) the Group’s operation and financial performance;
- (ii) the Group’s capital requirements and future funding needs;
- (iii) the liquidity conditions of the Group;
- (iv) the availability of reserves of the Company and each of the members of the Group;
- (v) any restriction on payment of dividends;
- (vi) the general economic conditions and other internal and external factors that may have an impact on the business or financial performance and position of the Group; and
- (vii) any other factors that the Board may consider relevant.

The declaration of dividends by the Company is also subject to the compliance with applicable laws and regulations, including the laws of Bermuda, the GEM Listing Rules, bye-laws of the Company and any applicable laws, rules and regulations. The Dividend Policy will be reviewed from time to time by the Board and may adopt changes as appropriate at the relevant time. There can be no assurance that dividends will be paid in any particular amount for any given period.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

About This Report

We are delighted to present the Environmental, Social and Governance (“ESG”) Report of SuperRobotics Limited (the “Company”) together with its subsidiaries (collectively the “Group”). The Group’s main operations include sales of beauty products and the provision of therapy services (the “Beauty Business”), as well as the provision of engineering products and related services (the “Engineering Business”).

We believe that sustainable business growth is of high priority to both the Group and its stakeholders. We are committed to providing quality and socially responsible products and services to the community, whilst minimising the environmental and social impacts from our operations.

The report is compiled in accordance with the disclosure requirement of the “comply or explain” provisions as detailed in the Environmental, Social and Governance Reporting Guide (ESG Guide) under Appendix 20 to the GEM Listing Rules issued by the Stock Exchange of Hong Kong Limited. The disclosure contents of this Report have been confirmed by the Board.

The reporting period of this report shall cover the period between 1 January 2019 and 31 December 2019.

Stakeholder Engagement

We engage our stakeholders on an ongoing basis and seek to collect their views and expectations on our ESG performance and disclosures. In response to the interests and concerns of our stakeholders, the ESG performance of the Group was reviewed using the strictest corporate governance principles, with respect to environmental protection, employee development, community investment. The results of the review are presented in the following sections of the report.

To extend its efforts to a broader audience, the Group had consulted both its internal and external stakeholders on its potential impact on the environment and society as a result of its business operations. The Group understands and values a mutually-beneficial relationship with customers and suppliers, and thus included both parties as our consultation targets.

The table below presents key stakeholders of the Group as well as the engagement channels adopted by the Group during the year to communicate with the respective parties.

Internal Stakeholders

- The Board
- Management
- General Staff

External Stakeholders

- Shareholders
- Investors
- Customers

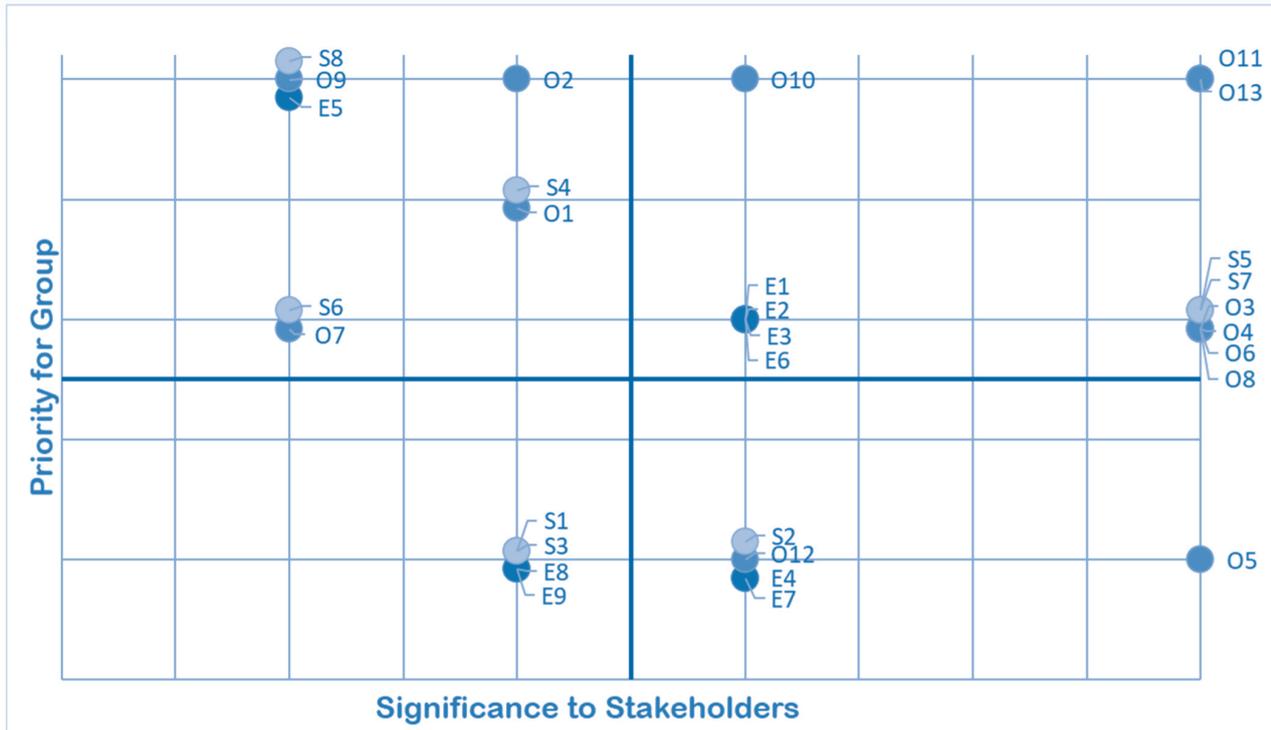
Engagement methods:

Meetings, staff performance appraisal interviews, interviews direct mail, internal publications, Annual General Meeting (“AGM”) and announcements.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Materiality Assessment

To identify the key concerns and interests of the Group's internal and external stakeholders, such as customers, investors, employees, suppliers and the government, we have performed a materiality assessment, and the results of the assessment is presented in the below figures:



Legend

E1	Raw Materials Management	O1	Supplier Management	S1	Child Labour and Forced Labour Management
E2	Wastewater Management	O2	Innovation and Intellectual Property Rights	S2	Diversity and Equal Opportunity
E3	Energy Management	O3	Product Quality Management	S3	Human Right Protection
E4	Air Emission Management	O4	Product Health and Safety	S4	Talent Management
E5	Expenses on Environmental Protection	O5	Anti-competitive behaviour management	S5	Social and Economic Compliance
E6	Waste Management	O6	Product Sales and Labelling	S6	Training and Development
E7	Greenhouse Gases Management	O7	Occupational Safety and Health	S7	Community Relations
E8	Environmental Compliance	O8	Data Security and Customer Privacy Management	S8	Employee communication
E9	Green Product Management	O9	Generation of Economic Value		
		O10	Anti-Corruption		
		O11	Company profitability		
		O12	Anti-discrimination		
		O13	Customer Satisfaction		

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Stakeholder Feedback

Stakeholders' valuable feedback can help us continuously improve with respect to our environmental, social and governance strategy and performance. If you have any questions or comments regarding the contents of this report, please contact us through one of our communication channels.

Environmental Protection

The Group endeavours to create sustained business growth that is not achieved at the expense of our environment. The Group's environmental policy emphasises both impact management and efficient utilization of resources. This is achieved mainly through development of strategies relating to proper waste management, energy efficiency enhancement, and greenhouse gas (GHG) emissions reduction.

The Group is aware of the potential environmental impacts associated with its engineering business and has developed a set of internal regulations with the objective of minimising such impacts. Our robotics business, for instance, has implemented an environmental management system in line with the international standard ISO14001:2015.

Impact Awareness

To measure the impacts from our operations from the robotics business, we have implemented a number of environmental management policies, including Policy for Identification and Evaluation of Environmental Factors (環境因素識別價程序), Policy for Monitoring and Surveying of Environmental Safety (環境安全監視和測量控制程序), and Policy for Environmental Monitoring Management (環境監測管理程序).

The Group adopts a risk-based approach to identify significant environmental aspects by measuring the scale of potential impact and its likelihood. This helps us prioritise mitigation measures to address activities identified to be the most impactful to the environment.

A systematic approach is adopted by the Group to identify factors of environmental impact associated with the Engineering Business. Factors covered by this analysis include emissions (including atmospheric, water, and noise), waste production, land pollution, use of resources, in addition to other environmental and social impacts. In addition to normal operation, the analysis considers potential impacts related to alternate operation modes and emergency scenarios. Major environmental factors identified from this exercise are managed and monitored regularly. In case of significant changes to the premises of the analysis, such as revisions in regulation, the impact identification process will be revisited.

Emissions

The Group puts great emphasis on energy conservation and GHG emission reduction at our premises. The use of equipment with higher energy efficiency ratings is strongly encouraged. Hydrofluorocarbon (HFC) refrigerants, which have lower global warming potential compared to traditional Chlorofluorocarbon (CFC) and Hydrochlorofluorocarbon (HCFC) refrigerants, are used in our air conditioning systems as far as possible to limit GHG emissions. The air conditioning systems are regularly maintained to achieve higher energy efficiency and reduce associated GHG emissions.

To reduce automobile emissions, vehicles owned by the Group are regularly inspected and provided with proper maintenance. Also, purchase of vehicles with better fuel economy ratings is preferred, to reduce fuel consumption and associated expenses. Employees are encouraged to prevent idling during everyday use of vehicles.

During the reporting period, the Group operated in compliance with relevant laws and regulations relating to air and greenhouse emissions, and generated 422 tonnes of greenhouse gas (GHG) emissions in total. The majority of the

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

GHG emissions was through indirect means, associated with electricity consumption, which accounts for about 80% of total GHG emissions. Business travel by the Group's employees was another significant source of indirect GHG emission, which was responsible for about 15% of the Group's overall GHG emission total. The Group will continue to strive to minimize business travel through the use of videoconferencing where possible in substitute of face-to-face meetings.

The major source of direct emissions was from the use of petrol-powered automobiles, which emit NOx, SOx and particulate matter in addition to carbon dioxide. Overall, about 2.6kg of NOx, 0.07kg of SOx, and 0.19kg of particulate matter were produced by the Group's operations in 2019.

Environmental KPIs	Unit	2017	2018	2019
Greenhouse gas (GHG) emissions				
Scope 1 — Direct emissions	tonne CO ₂ e	46.75	40.13	11.80
Scope 2 – Energy indirect emissions	tonne CO ₂ e	298.81	379.23	343.26
Scope 3 – Other indirect emissions*	tonne CO ₂ e	-	70.75	67.08
Air Emissions				
Nitrogen Oxides (NOx) emissions	kg	13	10.6	2.6
Sulfur Oxides (SOx) emissions	kg	-	0.22	0.07
Particulate Matter Emissions	kg	-	0.78	0.19

* includes contribution from business air travels and paper waste disposed at landfills

Use of Resources

The Group places a high priority on effective use of resources such as water, electricity, fuel and paper. Resource usage at our robotics offices is addressed in a dedicated policy regarding resource and energy consumption (資源能源控制規定). Consumption is monitored on a monthly basis and corrective actions will be implemented in case excessive consumption is identified. Policies are also in place to regulate the use of air-conditioning. Indoor air-conditioning is turned on when the outdoor temperature is 30°C or higher, and is set at 26°C or above to limit electricity consumption while maintaining a suitable working environment. In addition, the Group's intends to operate its offices in a paperless environment, reducing paper usage where possible. Employees are recommended to use duplex printing and copying. In addition, most of our marketing materials were distributed through electronic means only.

To reduce water consumption, reminders are posted within the Group's offices and beauty centres to promote water conservation practices.

Environmental KPIs	Unit	2017	2018	2019
Energy Consumption				
<i>Direct Energy Consumption</i>				
Petrol	kWh	167,101	140,790	48,056
<i>Indirect Energy Consumption</i>				
Purchased Electricity	kWh	341,523	543,575	525,000
Energy Intensity				
Direct Energy Consumption	kWh/1000 HKD Revenue	2.12	2.20	0.55
Indirect Energy Consumption	kWh/1000 HKD Revenue	4.33	8.50	6.50
Water Consumption				
Water Consumed	m ³	1,261	3,000	4,199
Water Consumption Intensity	m ³ /1000 HKD Revenue	0.016	0.047	0.048

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Managing our Waste

Waste management procedures have been implemented to properly segregate, store and dispose waste generated from our operations in accordance with regulatory requirements. Waste reduction, reuse and recycling of materials where possible are strongly encouraged. To achieve this, a representative from each department is assigned to ensure all produced waste are categorized and disposed accordingly. In addition, the importance of waste categorization, along with categorization techniques are regularly presented to all members of our staff through means such as meetings and signages. Our Waste Management Policy (廢棄物管理規定) also calls for routine maintenance and cleaning of waste collection locations within our facilities to limit foul odours and to repel insects. Relevant national and local laws and regulations with respect to waste disposal are strictly adhered to.

The Group has adopted a number of risk reduction measures at our Robotics manufacturing sites to limit emissions of contaminated water as addressed in its Chemical Substances Management Policy (化學物質管理規定). Disposal of oil and chemicals into the sewer system is strictly prohibited. To prevent contamination of runoff, the Group prohibits the storage of hazardous substances and pollutants near stormwater drainage channels. Furthermore, stormwater channels are segregated from the wastewater disposal network at the Group's production facilities.

Hazardous Waste

The operation of the Group's medical skincare centre in Hong Kong generates medical waste such as syringes and needles, of which their disposal is executed in accordance with Waste Disposal (Clinical Waste) General Regulation (Cap 354O).

In this reporting period, the Group generated a total of 0.04 tonnes of hazardous waste. The Group will continue monitoring closely on reduction efforts to limit the production of hazardous waste.

Non-hazardous Waste

Waste generation data associated with the Group's daily operations is collected and logged in an organized fashion. Non-hazardous waste produced by our Beauty business includes but not limited to cotton swabs, shower caps, paper slippers and towels. As for our Robotics business, examples of typical non-hazardous wastes produced include cardboard cartons, hardware (e.g. screws, nuts, bolts), springs, gloves and masks.

During this reporting period, the Group generated a total of 6.00 tonnes of non-hazardous waste. The Group will continue monitoring closely on reduction efforts.

Environmental KPIs	Unit	2017	2018	2019
Waste Production				
Hazardous waste produced	tonne	0.05	0.04	0.04
Non-hazardous waste produced	tonne	5.55	5.16	6.00

Packaging Materials

During the reporting period, it was recorded that a total of 6.1 tonnes of packaging material was used for the packaging of finished products. The use of packaging materials is associated with the Engineering business only, which includes plastic bubble wraps and cardboard cartons for transport, and wooden boxes.

Environmental KPIs	Unit	2017	2018	2019
Packaging Materials				
Total	tonne	3.6	5.7	6.1

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

SOCIAL

Employment and Labour Practices

Employment

The business of the Group spreads across two industry sectors. The Group understands that our staff is the key to the success of our business and we adopt a people-centric strategy to human capital management. To attract and motivate talent, the Group is committed to providing a rewarding career and maintaining a safe, and positive environment. Our human resources policies and handbook provides clear guidance covering various employment aspects including compensation, dismissal, recruitment, promotion, rest periods, equal opportunity, diversity, anti-discrimination, welfare, and other benefits.

Recruiting and retaining talent is vital to our business growth. To identify and secure suitable young talent with the needed knowledge and skillsets for our high-tech robotics business, we work closely with universities in Shenzhen, Mainland China for campus recruitment. In addition, through usage of popular social media platforms such as WeChat, our career recruitment network extends beyond Shenzhen to engage and attract aspiring talents from the rest of Mainland China.

As one of its guiding principles, the Group commits to growing its business in a manner that is both sustainable and socially responsible. It is the Group's goal to maintain its best management practices and evolve with time through a continual improvement process.

During the reporting period, the Group was in compliance with relevant laws and regulations in Hong Kong SAR and PRC, relating to compensation and dismissal, recruitment and promotion, equal-opportunity and anti-discrimination.

Equal Opportunities, Diversity and Anti-Discrimination

The Group is committed to ensure that our employees are given equal opportunities with respect to recruitment, promotion, training & development, compensation and other aspects of employment practices. All forms of discrimination are prohibited, including on the grounds of gender, religion, race, sexual orientation, age, family status, disability, maternity or political affiliation. This principle against discrimination is applied across all aspects of our human resource management philosophy.

Work-Life Balance

To enhance employee engagement and encourage collaboration, during the year, we organise a range of teambuilding activities, including an outdoor team-bonding day, corporate basketball matches, and public speaking competitions amongst colleagues. Furthermore, the employees are welcomed to organize hobby clubs based on their interests. The Group has allocated an annual sponsorship budget to fund the operations of hobby clubs.

Remuneration

Our employees are assessed and incentivised based on their performance. The Group reviews the remuneration package annually to maintain competitiveness in the market. The Group strictly follows the requirements for working hours and holidays defined in local laws in the jurisdictions where its operations are located. Our employees are entitled to local statutory holidays and paid leaves. In addition, our employees are provided with other forms of paid time off, such as marriage leave, compassionate leave, maternity leave and paternity leave.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Retirement Benefit Scheme

The Group participates in the Mandatory Provident Fund (MPF) scheme and have fulfilled the employer contribution requirements during the Reporting Period in accordance with the Mandatory Provident Fund Schemes Ordinance (Cap. 485). For the employees of the Engineering Business which operate in PRC, the Group makes contributions to the central pension scheme operated by the local municipal government, in compliance with the Labour Law of the People's Republic of China. Similarly, for the Group's qualified Engineering business employees in Canada, the Group participates in the Canada Pension Plan (CPP). The Group makes monthly contributions to the scheme at up to about 5% of the employees' relevant incomes.

During the year ended 31 December 2019, the total contributions paid or payable to the pension fund scheme by the Group amounted to approximately HK\$6.1 million (approximately HK\$9.2 million and HK\$5.5 million in 2018, 2017 respectively), which has been recognized as expenses and included in employee costs in the consolidated statement of comprehensive income.

In addition to standard compensation packages and bonuses, we offer a range of supplementary benefits to our Beauty business employees, including medical coverage, footwear allowance, complementary beauty treatments, staff discounts and meal allowance. For our Engineering business employees, meal and transportation subsidies are provided, in addition to gift-money for special occasions such as Lunar New Year, Mid-Autumn Festival and employee birthdays.

As of 31 December, 2019, the Group has a total of 197 employees, and the breakdown of our workforce distribution is presented in the following table:

Total Number of Employees	197	
Employees Gender Distribution		
Number of Male Employees	168	85%
Number of Female Employees	29	15%
Employees Age Distribution		
Within the age group <24	10	5%
Within the age group 24-30	42	21%
Within the age group 31-40	121	61%
Within the age group 41-50	21	11%
Within the age group 51-60	3	2%
Within the age group >60	0	0%
Turnover Rate of Employees		23%

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Health and Safety

Occupational health and safety (OHS) and the wellbeing of our employees are one of the Group's key priorities. The Group adopts proper procedures at the workplace to ensure employees have sufficient training and support.

The Engineering Business has implemented an OHSAS18001:2007-compliant occupational safety system, with policies and processes in place which clearly define requirements on the continuous improvement of safety risk management. Employees are required to participate in regular safety training, consisting of seminars and workshops to enhance safety awareness and be equipped with necessary safety knowledge.

During the reporting period, the Group was in compliance with relevant laws and regulations relating to the provision of safe working environments and protection of employees from occupational hazards.

Safe Handling of Hazardous Substances

The Group keeps record of all hazardous substances handled within the Group's facilities, documenting information such as the department(s) using the substance, storage location and physical & chemical properties. Specific firefighting measures have been developed based on the hazardous properties of the individual substances. Compatibility between hazardous substances is taken into careful consideration to reduce the risks with leaks, contamination and undesired chemical reactions. Storage depots are provided for storing hazardous chemicals in larger quantities or for over a long period of time. To avoid mishandling of chemicals, containers are provided with colour-coded labels to indicate potential flammable/toxic hazards.

Fire Safety

Firefighting provisions are inspected on a daily basis and maintenance is provided where required to ensure proper functioning of emergency response equipment. Evacuation routes on-site are regularly surveyed to ensure no obstacles are present. The Group maintains consistent contact with local environmental ministries and fire departments to maintain up-to-date information with respect to safety and environmental protection. In addition, fire drills and safety seminars are conducted every year to prepare our employees for potential fire emergencies.

Occupational Health

Personnel working at the Group's engineering business are equipped with suitable personal protection equipment (PPEs) such as gloves, masks and earmuffs to limit exposure to hazardous chemicals and loud noise. Training is provided to workers to ensure proper use of PPEs. In addition, staff is provided with annual health check-ups and are treated accordingly in case any occupational sickness is diagnosed.

At Group's Beauty Business, sharp materials such as needles are used during the delivery of medical skincare services which can pose health and safety risks. Hence, beauty centre staffs are provided with induction and refresher training on safety procedures to reduce the number of workplace injuries. In addition, reminders are set up at the workplace highlighting standard operating procedures and the appropriate emergency response in the event of accidental injury. All workplace injuries and near-miss incidents are required to be reported to the Group for further review.

Therapists are provided with a break of at least 15 minutes between beauty therapy sessions; this aims to help them better concentrate at work and minimise health and safety risks due to fatigue.

During the reporting period, no work-related injury cases were recorded during the Group's operations.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Development and Training

The Group believes that continuous development and training of its staff is the key to sustaining its high service quality and competitiveness in the market. Employees are engaged from time to time for members of the management to understand their developmental needs and encourage them to learn new skills and knowledge for professional and personal development.

The Group's engineering business requires a high level of skills and expertise. To keep our engineers up-to-date with the latest robotics technology development, we regularly arrange training courses on management, software programming, robotics design, technology and manufacturing. Depending on specific training needs, we also invite external consultants to deliver training courses.

To equip the frontline staffs of the Beauty Business with the right skillset and knowledge, a one-month full-time training program is provided for new recruits. Coached by experienced employees and registered doctors, the program covers medical theories, practical skills and customer service. The trainees are required to pass a compulsory stringent examination to qualify as a beauty therapist before providing service to the customer. During the reporting period, we have provided a number of training sessions for our Beauty Business employees, covering topics including product promotion, equipment handling and career goal setting.

During the reporting period, the Group's employees received a total of 1426 man-hours of training. The average training received per employee was 7.2 hours during the reporting period. A breakdown of training statistics is presented below:

Training Statistics	
Total Training Hours	
Male Employees	1,066
Female Employees	360
Senior Management Staff	34.5
Middle Management Staff	108
Other Employees	1,283
Average Training Hours	
Male Employees	7.7
Female Employees	6.1

Labour Standards

The Group strictly complies with the labour standards in the local jurisdictions where its businesses are located, including "Labour Law of the People's Republic of China" 《中華人民共和國勞動法》, "Labour Contract Law of the People's Republic of China" 《中華人民共和國勞動合同法》, "Provisions and Prohibition of Using Child Labour" 《禁止使用童工規定》, "Law of the People's Republic of China on the Protection of Minors" 《中華人民共和國未成年人保護法》 as well as the Employment Ordinance (Cap. 57) of Hong Kong. Use of child or forced labour in our operations is strictly prohibited, and is enforced through verification of identity information of job candidates. We expect our suppliers to adhere to the same standard of labour practices.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Operating Practices

Supply Chain Management

The Group interacts with a number of suppliers and avoids use of a single supplier for products and services to minimise supply chain risks. We are committed to upholding high ethical and professional standards when dealing with suppliers. We have established and implemented a procedure for supplier monitoring and screening. Compliance with national and local laws and regulations is an essential criterion in our supplier-selection process. Supplier performance, including quality and safety, is assessed regularly; in the event of unsatisfactory performance, the supplier will be required to take timely follow-up actions. Suppliers failing to comply with our standards can be suspended from initiating business operations with us.

In addition to our Engineering Business, our Quality Assurance team conducts factory inspections to assess the quality and suitability of the products, as well as to identify any failures during production. Our Procurement team will be informed should suppliers fail the inspection and such suppliers shall subsequently be removed from the approved list.

Product Responsibility

The quality of our products and impeccable customer service is the foundation to the long-term sustainability of our business. The Group aspires to deliver high-standard beauty solutions, engineering products and related professional services to our customers.

We are committed to delivering products of high quality. Our Engineering Business has implemented a quality management system in line with the ISO9001:2015 standard. Independent and accredited laboratories are engaged to assure the quality, performance and durability of our products such as bomb-disposal robots, to ensure compliance with customer specifications and relevant regulatory requirements. With an aim to facilitate quality management efficiency at our Engineering Business, we plan to set up in-house testing laboratories for our robotic and line machinery products at our future manufacturing facilities. Products that do not meet customer requirements or have potential safety concerns will be subject to investigation and recall; follow-up actions will be timely taken as appropriate to identify and rectify the root cause.

Our Beauty Business has stringent criteria on product ingredients, certification and the place of origin when procuring beauty products. Products that are free of fragrance and preservatives are given priority. Products are tested by our experienced staff prior to customer use. We have stronger preferences on skincare treatment machines that are being certified by reputable authorities such as the US Food and Drug Administration.

Our medical skincare centre adheres to its “3S” core values when delivering beauty therapy services to the customers, namely “strive for excellent and sustainable development” through excellent service, “self-esteem” through professional expertise and “sincere” through understanding the needs of customers.

Labelling and advertising of our products and services are in line with the applicable regulations to ensure that the information conveyed is complete and accurate.

During the reporting period, the Group was in compliance with relevant laws and regulations relating to health & safety, advertising, labelling, with respect to the products and services provided by the Group.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Customer Feedback

We welcome constructive feedback from our customers and provide them with various communication channels. At our Beauty Business, customer opinions and feedback is collected through questionnaires after therapy. Customer complaints including post-treatment allergic reactions are documented in writing upon receipt for follow-up. Our customer service staffs are well-trained and capable of handling customer complaints in a timely and efficient manner. Compensation is decided and provided to customers based on our established procedures for confirmed cases.

Privacy and Intellectual Property Rights

The Group is committed to protecting customer privacy and has established and implemented respective policies and procedures. All employees are required to sign a Confidentiality and Non-Disclosure Agreement and abide by its requirements.

The Group respects intellectual property rights and is committed to avoiding any infringement of intellectual property rights of other parties. Employees are required to obtain licences or other permissions and follow relevant requirements. Most of our robotics products are developed in-house and out of our patent applications, 11 patents were granted in Mainland China in 2019. Our employees are required to strictly follow relevant laws and regulations, as well as internal policies and procedures in protecting our own intellectual property rights from infringement.

Anti-corruption

The Group attaches great importance to business integrity and upholds high standards in business ethics. We have zero tolerance for any form of corruption, bribery, fraud, and money laundering and have specified relevant requirements to all employees in the employee handbook. Employees are provided with channels to raise concerns and report any suspected misconduct in a confidential manner. Reported cases are investigated and evidences are collected for evaluation. Where required, necessary actions will be taken based on the conclusions of the investigation.

The operation of the Group complies with the standards of conduct specified in the relevant regulations and laws relating to bribery, extortion, fraud and money laundering. This includes “Criminal Law of the PRC” 《中華人民共和國刑法》, “Interim Provisions on Banning Commercial Bribery” 《關於禁止商業賄賂行為的暫行規定》 in mainland China, and “Prevention of Bribery Ordinance” of Hong Kong. There were no cases of corruption during the reporting period.

Community Investment

The Group strives to contribute to the community with its resources and expertise. We have been supporting non-profit organizations in their community projects by offering charitable donations.

In the coming years, we will continue to seek opportunities to cooperate with other external organisations to increase our community outreach and contribution.

Regulatory Compliance

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas such as environmental protection, employment, labour practices and operating practices.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of SuperRobotics Limited
(incorporated in Cayman Islands and continued in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of SuperRobotics Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 124, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition from sales of prepaid treatment services;
- Impairment assessment of goodwill; and
- Going concern assessment

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition from sales of prepaid treatment services

Refer to Notes 2.22, 4(c), 5 and 27 to the consolidated financial statements.

During the year ended 31 December 2019, revenue from treatment services contracts amounting to HK\$49,986,000, and HK\$16,905,000 of which was related to recognition of revenue from expired treatment contracts. At 31 December 2019, the Group had contract liabilities of HK\$38,574,000.

As described in the Accounting Policies in Note 2.22 to the consolidated financial statements, revenue from service income is recognised when services are provided. Payments from customers that are related to services not yet rendered are shown as contract liabilities in the consolidated statement of financial position.

The Group recognises revenue in the consolidated statement of comprehensive income for prepaid treatment services when the services are provided or the performance obligations for treatment services are lapsed or remote. At each reporting date, the Group reviews on a case by case basis with reference to past customers behaviour and relationship with the relevant customers to evaluate whether performance obligations of prepaid treatment services are lapsed or remote to determine the amount of revenue to be recognised and the amounts to be deferred and shown as contract liabilities.

We focused on this area due to the significant management judgement involved to evaluate whether performance obligations are lapsed or remote at the reporting date.

Our procedures in relation to management's judgements used to determine revenue recognition from sales of prepaid treatment services include the following procedures:

- Obtaining an understanding and evaluating the appropriateness of the basis management used in assessing the amount of performance obligations that are lapsed or remote at the reporting date.
- Comparing the assumptions used in evaluating whether performance obligations are lapsed or remote to the historical customer behaviour statistics.
- Testing, on a sample basis, the accuracy of the historical customer behaviour statistics being used by management.

Based on the above, we found management judgements used to determine the amount of performance obligations are lapsed or remote as at the year end to be supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment of goodwill

Refer to Notes 2.6, 4(b) and 17 to the consolidated financial statements.

As at 31 December 2019, the Group had goodwill attributable to the Robotics CGU and Beauty Products and Services CGU of HK\$78,888,000 and HK\$18,266,000, respectively, before impairment provision. The Group tests goodwill for impairment at least annually or whenever events or changes in circumstances give rise indicator of impairment in accordance with the policies set out in Note 2.6 to the consolidated financial statements. Management prepared value-in-use calculations of the Robotics CGU and Beauty Products and Services CGU with the support of an independent valuer to determine the recoverable amounts of the CGUs. Significant management judgements and estimates are used to project the future cash flows and the key assumptions, including, the compound annual growth rate of revenue, operating profit margin, pre-tax discount rate and terminal growth rate, underlying the value-in-use calculations.

Management has concluded that an impairment loss of HK\$57,144,000 is necessary to adjust the carrying amount of the Robotics CGU to its recoverable amount, and no impairment provision is necessary in respect of the Beauty Products and Services CGU.

We focused on this area due to the significant management judgement involved to determine the key assumptions underlying management's impairment assessment.

Our procedures in relation to management's impairment assessment of goodwill included:

- Assessing the objectivity, independence and expertise of the external valuer used by management.
- Evaluating the appropriateness of the value-in-use calculations methodology adopted by management and the external valuer with the support of our in-house valuation specialist.
- Discussing with management to understand and evaluate the basis and reasonableness of the key assumptions, including, the compound annual growth rate of revenue, operating profit margin, pre-tax discount rate and terminal growth rate, underlying the value-in-use calculations, with reference to market developments.
- Comparing the Group's forecasts for the current year made as of 31 December 2018 to the actual results of the current year to assess the quality of management's forecasting process.
- Reconciling the cash flow forecasts used in the value-in-use calculations to management's approved budgets and evaluating the reasonableness of these budgets by comparing historical information and business plan.
- Comparing the revenue growth rate adopted by the Group to the revenue growth rates adopted by other market players.
- Evaluating the reasonableness of the discount rates used in the calculations by comparing with the industries or market data.
- Testing the mathematical accuracy of the value-in-use calculations.
- Evaluating the sensitivity analysis management prepared in respect of the key assumptions of the value-in-use calculations to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be materially adjusted.

We found that the judgement and estimations used to determine the key assumptions underlying management's impairment assessment of goodwill to be supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Going concern assessment

Refer to Note 2.1(c) to the consolidated financial statements.

The Group reported loss of the year of HK\$164,313,000 and net cash used in operating activities of HK\$44,920,000 for the year ended 31 December 2019. The cash and cash equivalents and short-term borrowings were HK\$32,708,000 and HK\$2,000,000, respectively, at the end of 2019. The Coronavirus Disease 2019 ("COVID-19") outbreak has led to disruptions to the operations of the Group's business in Mainland China and Hong Kong where the Group's operation performance and cash flows can be adversely affected.

In connection with the preparation of the Group's consolidated financial statements, management performed an assessment on working capital sufficiency, as supported by cash flow projections, to evaluate the Group's ability to continue as a going concern. The cash flow projections have taken into account the anticipated cash flows to be generated from the Group's operations as well as the availability of borrowing facilities.

Based on the cash flow projections, management concluded that the Group will have sufficient financial resources to satisfy its future working capital requirements and to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2019. As such management considers that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

We focused on the evaluation of management's assessment of going concern as it involves significant judgements and assumptions regarding inherently uncertain outcomes of future events and conditions.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's assessment of going concern include the following procedures:

- Assessing the reasonableness of the anticipated cash flows to be generated from the Group's operations by reference to the basis of estimating the revenue growth rate, the projected gross margin rate, estimated period to collect receivables from customers and settle payables to vendors.
- Comparing the current year actual cash flows with prior year cash flow projections to identify if the latest projections includes any assumption that was overly optimistic.
- Validating, on a sample basis, the input data to management's cash flow projections underlying the assessment of working capital sufficiency to supporting documents, such as approved budgets, sales contracts, historical and subsequent receipts and payments;
- Validating borrowing facilities utilised to the relevant facilities agreement and supporting documents to substantiate the drawdown of new borrowing facilities subsequent to the balance sheet date;
- Confirming the continuous availability of borrowing facilities ; and
- Evaluating management's sensitivity analysis of the Group's cash flow projections by considering downside scenarios against possible changes to the key assumptions.

Based upon the above, we found the judgements and assumptions used in management's assessment of going concern to be supported by evidence we obtained.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Hang, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	5	88,155	63,739
Cost of sales		(65,461)	(44,060)
Gross profit		22,694	19,679
Other income	6	3,407	1,889
Other (losses)/gains, net	7	(570)	970
Impairment of goodwill	17	(57,144)	—
Selling and distribution expenses		(15,897)	(15,682)
Administrative expenses		(113,974)	(136,023)
Operating loss	8	(161,484)	(129,167)
Finance costs	9	(4,283)	(15)
Loss before income tax		(165,767)	(129,182)
Income tax credit	12	1,454	1,476
Loss for the year		(164,313)	(127,706)
Loss is attributable to:			
Owners of the Company		(168,425)	(132,345)
Non-controlling interests		4,112	4,639
		(164,313)	(127,706)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Company:			
Basic and diluted per share	13	(33.27)	(27.41)
Loss for the year		(164,313)	(127,706)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations		3,635	(9,733)
Other comprehensive income/(loss) for the year		3,635	(9,733)
Total comprehensive loss for the year		(160,678)	(137,439)
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(164,800)	(142,084)
Non-controlling interests		4,122	4,645
		(160,678)	(137,439)

The above consolidated statement of comprehensive income should be read in conjunction with the accompany notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	24,668	25,679
Right-of-use assets	16	22,315	—
Intangible assets	17	53,217	113,387
Deposits	21	3,764	3,609
		103,964	142,675
Current assets			
Inventories	19	27,867	28,900
Trade receivables	20	15,627	13,536
Deposits, prepayments and other receivables	21	7,120	11,343
Restricted bank deposits	22	18,970	18,729
Cash and cash equivalents	22	32,708	43,604
		102,292	116,112
Total assets		206,256	258,787
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	23	50,622	50,622
Reserves		(30,211)	130,413
		20,411	181,035
Non-controlling interests		6,607	5,425
Total equity		27,018	186,460

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred taxation	28	3,482	5,159
Other borrowings	26	53,930	—
Amounts due to directors	34	10,617	—
Lease liabilities	16	11,064	—
		79,093	5,159
Current liabilities			
Trade payables	24	7,350	4,836
Accruals and other payables	25	38,738	29,639
Other borrowings	26	2,000	53
Tax payables		1,281	1,491
Contract liabilities	27	38,574	31,149
Lease liabilities	16	12,202	—
		100,145	67,168
Total liabilities		179,238	72,327
Total equity and liabilities		206,256	258,787
Net assets		27,018	186,460

The above consolidated statement of financial position should be read in conjunction with the accompany notes.

The consolidated financial statements on pages 56 to 124 were approved by the Board of Directors on 21 April 2020 and were signed on its behalf.

Su Zhituan
Chairman, Director

Fu Hengke
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital- ordinary shares HK\$'000	Share capital- preferred shares HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
				(Note a)						
At 1 January 2018	47,622	3,000	488,163	27,141	9,293	13,694	(273,346)	315,567	2,250	317,817
(Loss)/profit for the year	—	—	—	—	—	—	(132,345)	(132,345)	4,639	(127,706)
Other comprehensive (loss)/income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	(9,739)	—	—	(9,739)	6	(9,733)
Total comprehensive (loss)/income for the year	—	—	—	—	(9,739)	—	(132,345)	(142,084)	4,645	(137,439)
Conversion of preferred shares	3,000	(3,000)	—	—	—	—	—	—	—	—
Equity-settled share-based compensation	—	—	—	—	—	7,552	—	7,552	—	7,552
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(1,470)	(1,470)
At 31 December 2018 and at 1 January 2019	50,622	—	488,163	27,141	(446)	21,246	(405,691)	181,035	5,425	186,460
(Loss)/profit for the year	—	—	—	—	—	—	(168,425)	(168,425)	4,112	(164,313)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	3,625	—	—	3,625	10	3,635
Total comprehensive income/(loss) for the year	—	—	—	—	3,625	—	(168,425)	(164,800)	4,122	(160,678)
Equity-settled share-based compensation	—	—	—	—	—	4,176	—	4,176	—	4,176
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(2,940)	(2,940)
At 31 December 2019	50,622	—	488,163	27,141	3,179	25,422	(574,116)	20,411	6,607	27,018

Note:

(a) Contributed surplus

With effect from 22 April 2014, the Company had been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda (the "Change in Domicile"). Contributed surplus represents the amount transferred from share premium for the purpose of setting off against the accumulated losses pursuant to the Companies Act 1981 of Bermuda and the special resolution passed at the extraordinary general meeting held on 28 February 2013 as a result of the Change in Domicile and related capital reorganisation.

The above consolidated statement of charges in equity should be read in conjunction with the accompany notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Cash used in operations	33	(44,313)	(122,408)
Hong Kong profits tax paid		(2,032)	(776)
Canada corporate tax refunded		1,425	1,458
Net cash used in operating activities		(44,920)	(121,726)
Cash flows from investing activities			
Interest received		222	862
Placement of restricted bank deposits		(241)	(2)
Proceeds from disposal of property, plant and equipment	33	580	192
Proceeds from disposal of financial assets at fair value through profit or loss		—	107,946
Payments of financial assets at fair value through profit or loss		—	(9,554)
Purchases of property, plant and equipment		(7,657)	(11,132)
Net cash (used in)/generated from investing activities		(7,096)	88,312
Cash flows from financing activities			
Interest paid		(11)	(15)
Principal elements of lease payments		(11,571)	—
Proceeds from other borrowings		56,449	—
Repayment of other borrowings		(53)	(1,515)
Dividend paid to non-controlling interests		(2,940)	(1,470)
Net cash generated from/(used in) financing activities		41,874	(3,000)
Net decrease in cash and cash equivalents		(10,142)	(36,414)
Cash and cash equivalents at the beginning of the year		43,604	80,434
Effect of foreign exchange rate changes		(754)	(416)
Cash and cash equivalents at the end of the year	22	32,708	43,604

The above consolidated statement of cash flows should be read in conjunction with the accompany notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company are principally engaged in the sale of beauty products, provision of therapy services and provision of engineering products and related services.

The Company is a limited liability company incorporated in the Cayman Islands and with effect from 22 April 2014, the Company deregistered in the Cayman Islands and continued in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of SuperRobotics Limited and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) *New standard, amendments to standards and interpretation adopted by the Group*

The Group has applied the following new standard, amendments to standards and interpretation for the first time for their annual reporting period commencing 1 January 2019:

HKFRS 16 Annual improvements projects (Amendment)	Leases Annual Improvements 2015-2017 Cycle
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (new interpretation)

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) New standard and amendments to standards not yet adopted

Certain new accounting standard and amendments to standards have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest rate benchmark reform	1 January 2020
HKFRS 3 (Amendments)	Definition of business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

(c) Going concern basis

The Group reported loss of the year of HK\$164,313,000 and net cash used in operating activities of HK\$44,920,000 for the year ended 31 December 2019. The cash and cash equivalents and short-term borrowings were HK\$32,708,000 and HK\$2,000,000, respectively, at the end of 2019.

The Coronavirus Disease 2019 (“COVID-19”) outbreak that led to a series of severe administrative control and precautionary measures taken by governments and authorities in Mainland China and Hong Kong have disrupted the operations of the Group’s robotics business in Mainland China and its beauty business in Hong Kong. The factory of the Group’s robotics business was closed for an extended period after Chinese New Year and is only able to gradually resume normal operations in March 2020. For the Group’s beauty therapy services, the short-term psychological impact of the public on the epidemic in Hong Kong has negatively impacted on the customer demand for the services. The duration and intensity of the COVID-19 outbreak and related containment measures remained uncertain. If the present situation in respect of the COVID-19 outbreak continued and the restrictions and control measures are prolonged, the Group’s operation performance and cash flows may be adversely affected.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) Going concern basis (continued)

- (i) the Group obtained a borrowing facility of RMB30.7 million from an independent third party (the “Lender”) in 2019. The facility bears interest of 10% to 15% per annum and is secured by the Group’s entire equity interest in a subsidiary, 深圳市安澤智能機器人有限公司 (“Anzer”) and is repayable by eight tranches starting from April 2021 through December 2021. The Group had subsequently entered into a supplementary agreement with the Lender on 3 January 2020 to increase the limit of the borrowing facility by RMB6.3 million to RMB 37 million which was fully drawn down in January and February 2020. Amounts drawn under the RMB6.3 million facility are repayable 24 months from date of drawdown and bears interest at 15% per annum. Furthermore, the Group is also planning to negotiate with the Lender to convert the loan and interest outstanding under this borrowing facilities to equity interest in an indirect non-wholly owned subsidiary of the Company;
- (ii) the Group has entered into a new borrowing facility agreement with the Lender on 1 March 2020 with a limit of RMB80 million that bears interest at 15% per annum, secured by the Group’s entire equity interest in Anzer and repayable 24 months from date of draw down. This facility is available for draw down before March 2022 where the Group has drawn down RMB3 million and RMB38.6 million from this facility in March and April 2020, respectively. It is expected that the remaining amount will be drawn down in the second half of year 2020;
- (iii) the Group is closely monitoring the development of COVID-19 and continuously assessing the impact to the Group’s operation. The Group has communicated with the suppliers and customers of its robotics business in Mainland China and believed that the supply chain will resume to normal in near term. For the beauty therapy business, the Group is taking measures to contain operating costs to mitigate the negative impact;
- (iv) the Group will continue to take active measures to improve profitability and cash flows through various initiatives, such as, leveraging capital investments made in automation to reduce production costs, reduce the material costs through the use of in-house developed components and software, control the staff costs through streamlining headcounts; using finance lease to purchase equipment and building stronger relationships with major customers to secure more recurring orders to improve the Group’s cash flows from operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) Going concern basis (continued)

Notwithstanding the above, whether management is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions as described above, and consequently be able to generate adequate financing and operating cash flows to continue as a going concern would depend upon, among other things, the successful implementation of business plan for its robotic business and beauty therapy business to mitigate the negative impact of COVID-19 and improve operation results; and successful drawdown of funds from the above-mentioned borrowing facility as and when need. The directors of the Company have reviewed the Group's cash flow projection covering a period of twelve months from 31 December 2019 prepared by the management and have considered the possible downward changes in its operating performance. They are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 2.25.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.62%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(i) Practical expedients applied (continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected to reassess whether a contract is, or contains a lease at the date of initial application.

(ii) Measurement of lease liabilities

	2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	22,449
Discounted using the lessee's incremental borrowing rate at the date of initial application	17,245
(Less): short-term leases not recognised as a liability	(1,248)
Add: contracts reassessed as lease contracts	14,737
Lease liability recognised as at 1 January 2019	30,734
Of which are:	
Current lease liabilities	9,773
Non-current lease liabilities	20,961
	30,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(iii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combination by the Group (Note 2,3(b)).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Consolidation *(continued)*

(b) Business combinations (continued)

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Consolidation *(continued)*

(d) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who collectively make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and all other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "administrative expense".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(b) Transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(d) Disposal of foreign operation and partial disposal (continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(b) Other intangible assets

Intangible assets acquired in business combination are identified and recognised separately from goodwill where they satisfy the definition of intangible assets and their fair values can be measured reliably. Such intangible assets are recognised at their fair values at the acquisition date. The other intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives of 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and machinery	20%-33%
Leasehold improvement	20%-33%
Furniture, fixtures and equipment	14%-33%
Motor vehicles	20%-25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are recognised within 'other (losses)/gains, net' in the consolidated statement of comprehensive income.

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets

(a) Classification

The Group classifies its financial assets category as financial assets at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments into financial assets at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the termination of a contract.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

2.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax *(continued)*

(b) Deferred income tax (continued)

(i) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg the Research and Development Tax Incentive). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Employee benefits

(a) Pension obligations

The Group operates a number of defined contribution plans in Hong Kong, the Mainland China and Canada. Under the defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Share-based payments

Share-based compensation benefits are provided to employees. Information relating to these schemes is set out in Note 29.

Employee options

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining employees of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.21 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition

(a) Sale of robots

Sales of robots are recognised when control of products has transferred, being when the products are delivered to the customers. Delivery occurs when the robots have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from robot sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No significant element of financing is deemed present as the sales are made with a credit term stated in the contract, which is consistent with market practice. The Group's obligation to repair or replace faulty robots under the standard warranty terms is recognised as a provision.

(b) Sale of beauty products

The Group operates a retail stores selling beauty products. Revenue from the sales of beauty products are recognised when the Group sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the beauty product and takes delivery in store. Retail sales are usually in cash or by credit card.

(c) Revenue from therapy service

Revenue from therapy services is recognised when the services are provided or the performance obligations for the services are lapsed or remote. Payments that are related to services not yet rendered or services for which performance obligation not yet discharged are shown as contract liabilities in the consolidated statement of financial position.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 31). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Leases *(continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group mainly operates in Hong Kong, Mainland China (the "PRC") and Canada with transactions settled in HK\$, Renminbi ("RMB"), Canadian dollars ("CAD") and US dollars ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in currencies other than the functional currency of the individual group companies and net investment in foreign operations.

As at 31 December 2019 and 2018, most of the financial assets and liabilities of the Group's subsidiaries are denominated in their functional currencies. Hence, the Directors of the Company consider the Group does not have any material foreign exchange risk exposure. No sensitivity analysis is presented.

(ii) *Cash flow and fair value interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. In the opinion of the Directors, the expected change in fair values as a results of change in market interest rates will not be significant, thus no sensitivity analysis is presented.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's assets and liabilities, which bear variable interest rates mainly, include cash at bank and restricted bank deposits. The Directors does not anticipate significant change in cash flow as a results of change in market interest rates will not be significant, thus no sensitivity analysis is presented.

Management manages the interest rate risk exposure through regular review to determine the funding strategy as appropriate to its current business profile.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

(i) Risk management

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, restricted bank deposits and cash and cash equivalents included in the consolidated statement of financial position, which represent the Group's maximum exposure to credit risk in relation to its financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Company's cash and restricted bank deposits are placed with reputable banks and financial institutions. The Company reviews regularly the recoverable amount of other receivables to ensure that adequate impairment losses are made for irrecoverable amounts. For trade receivables from customers, management assesses the credit quality of each individual major customer, taking into account its financial position, past experience and other factors.

(ii) Impairment of financial assets

The Company has two types of financial assets that are subject to the expected credit loss model:

- Trade receivables
- Other financial assets carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, management considers that the impairment loss is immaterial.

(1) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The expected credit losses for collectively assessed trade receivables are not material.

Trade receivables in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. Trade receivables are written off when there is no reasonable expectation of recovery. The expected credit loss in respect of individually assessed trade receivables as at 31 December 2019 are assessed to be approximately HK\$674,000 (2018: HK\$721,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

(II) Other financial assets carried at amortised cost

The Group applies a 12-month expected credit loss on other financial assets at amortised cost. Management considered among other factors, analysed historical pattern and concluded that the expected credit loss for other financial assets at amortised cost to as at 31 December 2019 was approximately HK\$241,420,000 (2018: HK\$241,420,000).

(c) Liquidity risk

Ultimate responsibility for liquidity risk rests with the Board, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate level of cash and cash equivalents and by continuously monitoring forecast and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Less than 1 year HK\$'000	Between 1 and 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2019					
Trade payables	7,350	—	—	7,350	7,350
Accruals and other payables	33,046	—	—	33,046	33,046
Amounts due to directors	—	10,617	—	10,617	10,617
Other borrowings	2,096	63,058	—	65,154	55,930
Lease liabilities	12,572	11,375	—	23,947	23,266
	55,064	85,050	—	140,114	130,209
At 31 December 2018					
Trade payables	4,836	—	—	4,836	4,836
Accruals and other payables	14,656	—	—	14,656	14,656
Other borrowings	53	—	—	53	53
	19,545	—	—	19,545	19,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The primary objective of the Group's capital management is to safeguard that the entities in the Group will be able to continue as a going concern and maintain healthy ratios in order to support its business and enhance shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue of new shares and repurchase of shares as well as obtain borrowings from banks or other third parties. The Group's capital management objective, policies or processes were unchanged from prior year.

The Group is not subject to any external imposed capital requirements.

The Group monitors capital using gearing ratio, which is the Group's total borrowings over equity attributable to owners of the Company. The gearing ratios as at 31 December 2019 and 31 December 2018 were as follows:

	2019 HK\$'000	2018 HK\$'000
Total borrowings (<i>Note a</i>)	55,930	53
Less: cash and cash equivalents	(32,708)	(43,604)
Net debt/(cash)	23,222	(43,551)
Equity attributable to owners of the Company	20,411	181,035
Gearing ratio	274.02%	0.03%

Note:

(a) Borrowings include other borrowings.

3.3 Fair value estimation

According to HKFRS 13, financial instruments measured in the consolidated statement of financial position at fair value are required to disclose the fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 — Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

As at 31 December 2018 and 31 December 2019, no financial assets or liabilities are measured at fair value.

There were no transfers among levels 1, 2 and 3 during the year ended 31 December 2019.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment of non-financial assets

Non-financial assets including property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in asset impairment review particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset is less than the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) whether appropriate key assumptions are applied in preparing cash flow projections including using an appropriate discount rate. Changing the assumptions selected by management in the impairment assessment, including the discount rates or the gross margin rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to charge an impairment loss to the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

(c) Revenue recognition from sales of prepaid treatment services

Revenue from sales of prepaid treatment services is recognised when the services are provided or the performance obligations for the treatment services are lapsed or remote. Whether the performance obligations are lapsed or remote varied from case to case and depend on the facts and circumstances for each case. Management judgement is required to assess whether the performance obligations are lapsed or remote at the end of each reporting period based on past experiences of the customer behaviour and relationship with the relevant customers.

5 SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors, being the Group's chief operating decision-maker, which are used for the purposes of assessing performance and making strategic decisions. The Group's operating segments are structured and managed separately according to the nature of their operations, and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has three operating segments:

- (a) Sale of beauty products;
- (b) Provision of therapy services; and
- (c) Provision of engineering products and related services (*Note*).

Note:

For the engineering products, the Group offers robotic products. For the provision of engineering related services, the Group provides equipment installation, support and maintenance services for robotics and automation systems.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

An analysis of the Group's revenue, results, assets, liabilities and other selected financial information by operating segment are as follows:

For the year ended 31 December 2019

	Sale of beauty products <i>HK\$'000</i>	Provision of therapy services <i>HK\$'000</i>	Provision of engineering products and related services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
Segment revenue	2,503	49,986	35,666	88,155
Timing of revenue recognition				
At a point in time	2,503	49,986	35,666	88,155
	2,503	49,986	35,666	88,155
Results				
Segment (loss)/profit	(2,912)	10,659	(147,176)	(139,429)
Interest income on bank deposits (Note 6)				222
Finance costs (Note 9)				(4,283)
Unallocated corporate income				3,185
Unallocated corporate expenses				(25,462)
Loss before income tax				(165,767)
Income tax credit (Note 12)				1,454
Loss for the year				(164,313)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

At 31 December 2019

	Sale of beauty products HK\$'000	Provision of therapy services HK\$'000	Provision of engineering products and related services HK\$'000	Consolidated HK\$'000
Assets and liabilities				
Assets				
Segment assets for operating segments	257	65,430	137,824	203,511
Unallocated corporate assets				2,745
Consolidated total assets				206,256
Liabilities				
Segment liabilities for operating segments	627	38,942	65,591	105,160
Unallocated corporate liabilities				74,078
Consolidated total liabilities				179,238

For the year ended 31 December 2019

	Sale of beauty products HK\$'000	Provision of therapy services HK\$'000	Provision of engineering products and related services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Other segment information					
Amount included in the measure of					
segment (loss)/profit and segment assets					
Additions to property, plant and equipment	—	115	7,542	—	7,657
Amortisation of other intangible assets	—	—	6,866	—	6,866
Depreciation of property, plant and equipment	—	1,356	6,012	273	7,641
Share-based compensation	—	—	4,176	—	4,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

An analysis of the Group's revenue, results, assets, liabilities and other selected financial information by operating segment are as follows:

For the year ended 31 December 2018

	Sale of beauty products <i>HK\$'000</i>	Provision of therapy services <i>HK\$'000</i>	Provision of engineering products and related services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
Segment revenue	3,540	49,320	10,879	63,739
Timing of revenue recognition				
At a point in time	3,540	49,320	10,879	63,739
	3,540	49,320	10,879	63,739
Results				
Segment (loss)/profit	(48)	12,063	(121,461)	(109,446)
Interest income on bank deposits (Note 6)				862
Financial assets at fair value through profit or loss				
— fair value gain (Note 7)				856
Finance costs (Note 9)				(15)
Unallocated corporate income				1,027
Unallocated corporate expenses				(22,466)
Loss before income tax				(129,182)
Income tax credit (Note 12)				1,476
Loss for the year				(127,706)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

At 31 December 2018

	Sale of beauty products <i>HK\$'000</i>	Provision of therapy services <i>HK\$'000</i>	Provision of engineering products and related services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets and liabilities				
Assets				
Segment assets for operating segments	5	57,559	196,361	253,925
Unallocated corporate assets				4,862
Consolidated total assets				<u>258,787</u>
Liabilities				
Segment liabilities for operating segments	287	34,931	34,329	69,547
Unallocated corporate liabilities				2,780
Consolidated total liabilities				<u>72,327</u>

For the year ended 31 December 2018

	Sale of beauty products <i>HK\$'000</i>	Provision of therapy services <i>HK\$'000</i>	Provision of engineering products and related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other segment information					
Amount included in the measure of segment (loss)/profit and segment assets					
Additions to property, plant and equipment	—	1,190	9,174	768	11,132
Amortisation of other intangible assets	—	—	7,032	—	7,032
Depreciation of property, plant and equipment	24	1,401	4,904	211	6,540
Share-based compensation	—	—	7,552	—	7,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: Nil).

Segments results represent (loss incurred)/profit earned by each segment without allocating certain administration items including directors' emoluments, other income, partial other losses, finance costs and income tax expense. This is the measure reported to the chief operating decision-makers for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than partial property, plant and equipment, partial deposits, prepayments and other receivables, restricted bank deposits and cash and cash equivalents that are not attributable to individual segments. Assets used jointly by individual segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to operating segments other than partial accruals and other payables, tax payables and other borrowings that are not attributable to individual segments.

Entity-wide information

Breakdown of the revenue from all services is as follows:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysis of revenue by category		
Sales of beauty products	2,503	3,540
Provision of therapy services	49,986	49,320
Provision of engineering products and related services	35,666	10,879
	88,155	63,739

Geographical information

The Group mainly operates in Hong Kong, Mainland China and Canada. The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	52,489	52,860	11,142	5,493
Mainland China	34,564	10,780	31,627	17,099
Canada	1,102	99	61,195	120,083
	88,155	63,739	103,964	142,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(continued)*

Information about major customers

Revenue from one customer (2018: one customer) from “provision of engineering products and related services” operating segment, individually contributing over 31% of the total revenue of the Group, is HK\$27,063,000 (2018: HK\$6,795,000).

6 OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Management income	120	120
Interest income on bank deposits	222	862
Sundry income <i>(Note i)</i>	3,065	907
	3,407	1,889

Note:

- (i) The Sundry income includes government grants of HK\$2,686,000 (2018: HK\$417,000). There are no unfulfilled conditions or other contingencies attaching to these grants.

7 OTHER (LOSSES)/GAINS, NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss)/gain on disposal of property, plant and equipment, net	(328)	114
Financial assets at fair value through profit or loss		
— fair value gain	—	856
Forfeit of rental deposits	(338)	—
Gain on early termination of leases	96	—
	(570)	970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 OPERATING LOSS

Operating loss has been arrived at after charging:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Auditor's remuneration		
— audit services	1,580	1,780
— non-audit services	54	52
Depreciation of property, plant and equipment (<i>Note 15</i>)	7,641	6,540
Amortisation of other intangible assets (<i>Note 17</i>)	6,866	7,032
Depreciation charge of right-of-use assets (<i>Note 16</i>)	11,423	—
Operating lease rentals in respect of rental premises	3,681	15,130
Staff costs (including directors' emoluments) (<i>Note 10</i>)	74,629	77,181
Write-off of property, plant and equipment	—	15
Provision for impairment of inventories (<i>Note 19</i>)	306	—

9 FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest expense on lease liabilities (<i>Note 16</i>)	1,204	—
Interest expense on other borrowings	3,068	—
Bank charges	11	15
	4,283	15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 HK\$'000	2018 HK\$'000
Salaries and other allowances	64,387	60,402
Pension costs — defined contribution plans (Note 32)	6,066	9,227
Equity-settled share-based compensation (Note 29)	4,176	7,552
	74,629	77,181

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2018: two) directors whose emoluments are reflected in the analysis shown in Note 11. The emoluments payable to the remaining two (2018: three) individuals during the year are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other allowances	6,500	7,319
Pension costs — defined contribution plans	36	54
	6,536	7,373

The emoluments of the afore-mentioned individuals fell within the following bands:

Emolument bands (in HK dollar)	Number of individuals	
	2019	2018
HK\$1,000,001 — HK\$1,500,000	—	1
HK\$2,500,001 — HK\$3,000,000	1	1
HK\$3,000,001 — HK\$3,500,000	—	1
HK\$3,500,001 — HK\$4,000,000	1	—
	2	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Pension costs HK\$'000	Total HK\$'000
For the year ended					
31 December 2019					
Executive Directors					
Mr. Su Zhituan	3,950	—	—	—	3,950
Mr. Sun Ziqiang	5,000	—	—	—	5,000
Mr. Chen Min (<i>Note (iii), Note (x)</i>)	845	—	—	—	845
Dr. Andrew Goldenberg (<i>Note (iii)</i>)	—	1,309	—	—	1,309
Mr. Fu HengKe (<i>Note (ix)</i>)	2,861	—	—	—	2,861
Non-Executive Director					
Mr. Cheng Yu	120	—	—	—	120
Independent Non-Executive Directors					
Mr. Chu Kin Wang, Peleus	138	—	—	—	138
Mr. Tam B Ray, Billy	138	—	—	—	138
Mr. Xie Zhichun (<i>Note (iii)</i>)	107	—	—	—	107
Dr. Wang Dangxiao (<i>Note (ix)</i>)	88	—	—	—	88
For the year ended					
31 December 2018					
Executive Directors					
Mr. Su Zhituan (<i>Note (iv)</i>)	—	—	—	—	—
Mr. Sun Ziqiang (<i>Note (v)</i>)	1,828	—	—	—	1,828
Mr. Chen Min (<i>Note (iv)</i>)	2,300	—	—	36	2,336
Dr. Andrew Goldenberg	—	3,924	—	—	3,924
Mr. Cai Zhaoyang (<i>Note (vi)</i>)	—	—	—	—	—
Mr. ZhangChong (<i>Note (vii)</i>)	—	—	—	—	—
Mr. ZhangChongdi (<i>Note (viii)</i>)	—	1,636	—	—	1,636
Non-Executive Director					
Mr. Cheng Yu (<i>Note (v)</i>)	44	—	—	—	44
Independent Non-Executive Directors					
Mr. Chu Kin Wang, Peleus	120	—	—	—	120
Mr. Tam B Ray, Billy	120	—	—	—	120
Mr. Xie Zhichun (<i>Note (v)</i>)	117	—	—	—	117
Mr. Tse Joseph (<i>Note (vii)</i>)	76	—	—	—	76

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

Notes:

- (i) Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking.
- (ii) No remuneration has been paid by the Group to the Directors as an inducement to join upon joining the Group, or as compensation for loss of office during the current and prior years.
- (iii) Retired on 8 May 2019.
- (iv) Appointed on 1 June 2018.
- (v) Appointed on 20 August 2018.
- (vi) Resigned on 25 May 2018.
- (vii) Resigned on 20 August 2018.
- (viii) Resigned on 1 June 2018.
- (ix) Appointed on 21 May 2019.
- (x) During this year Mr. Chen Min waived emoluments of approximately HK\$471,000.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2018: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled bodies corporate by and connected entities with such directors (2018: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX CREDIT

Hong Kong profits tax has been provided for at the rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 (2018: Same). No income tax has been provided for the subsidiaries in Mainland China and Canada since the subsidiaries had no assessable profit for the year ended 31 December 2019 (2018: Nil).

	2019	2018
	HK\$'000	HK\$'000
Hong Kong profits tax:		
— Current taxation	(1,819)	(1,908)
Canada corporation income tax incentive (<i>Note a</i>)	1,425	1,458
Deferred taxation (<i>Note 28</i>)	1,848	1,926
	1,454	1,476

Note:

- (a) One of the Company's subsidiaries in Canada claimed a refundable tax credit in being a qualifying corporation for qualified expenditures on scientific research and experimental development performed in Ontario. The amount of HK\$1,425,000 (2018: HK\$1,458,000) of Ontario innovation tax credit was refunded by Canada Revenue Agency.

The difference between the actual income tax charged to the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	2019	2018
	HK\$'000	HK\$'000
Loss before income tax	(165,767)	(129,182)
Tax calculated at the domestic income tax rates	34,210	24,846
Income not subject to tax	37	68
Expenses not deductible for tax purpose	(14,828)	(5,974)
Tax losses not recognized	(19,439)	(18,984)
Effect of withholding taxes (<i>Note 28</i>)	29	62
Tax incentive (<i>Note a</i>)	1,425	1,458
Tax concession	20	—
Income tax credit	1,454	1,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 LOSS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	168,425	132,345
	2019 <i>'000</i>	2018 <i>'000</i>
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	506,220	482,877

For the years ended 31 December 2019 and 31 December 2018, the computation of diluted loss per share does not assume the conversion of the Company's outstanding preferred shares since their exercise would result in a decrease in loss per share.

Diluted loss per share for the year ended 31 December 2019 equals basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

The directors of the Company do not recommend any payment of dividends for the year ended 31 December 2019 (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Leasehold improvement	Furniture, fixture and equipment	WiFi and connection equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost						
At 1 January 2018	7,821	13,889	11,479	24,696	2,080	59,965
Additions	3,305	903	5,456	—	1,468	11,132
Disposals	(490)	—	(363)	—	—	(853)
Write-off	—	—	(76)	—	—	(76)
Exchange difference	(125)	(638)	(631)	(1,177)	(140)	(2,711)
At 31 December 2018 and 1 January 2019	10,511	14,154	15,865	23,519	3,408	67,457
Additions	6,308	92	1,257	—	—	7,657
Disposals	(20)	—	(6)	—	(1,421)	(1,447)
Exchange difference	(140)	(28)	7	—	(18)	(179)
At 31 December 2019	16,659	14,218	17,123	23,519	1,969	73,488
Accumulated depreciation and impairment						
At 1 January 2018	4,902	3,741	4,619	24,340	241	37,843
Depreciation (Note 8)	1,322	2,121	2,112	352	633	6,540
Disposals	(490)	—	(285)	—	—	(775)
Write-off	—	—	(61)	—	—	(61)
Exchange differences	(15)	(149)	(398)	(1,173)	(34)	(1,769)
At 31 December 2018 and 1 January 2019	5,719	5,713	5,987	23,519	840	41,778
Depreciation (Note 8)	1,951	2,362	2,716	—	612	7,641
Disposals	(13)	—	(3)	—	(523)	(539)
Exchange differences	(20)	(22)	(8)	—	(10)	(60)
At 31 December 2019	7,637	8,053	8,692	23,519	919	48,820
Carrying amounts						
At 31 December 2019	9,022	6,165	8,431	—	1,050	24,668
At 31 December 2018	4,792	8,441	9,878	—	2,568	25,679

Depreciation expense, of which approximately HK\$1,008,000 (2018: HK\$1,021,000), HK\$5,946,000 (2018: HK\$5,121,000), HK\$11,423,000 (2018: Nil) and HK\$687,000 (2018: HK\$398,000) was charged to “cost of sales”, “administrative expenses”, “right-of-use assets” and “inventory” respectively, aggregated to a total depreciation expense of approximately HK\$19,064,000 (2018: HK\$6,540,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2019 HK\$'000	2018 HK\$'000
Right-of-use assets		
Buildings	22,315	—
	22,315	—
Lease liabilities		
Current	12,202	—
Non-current	11,064	—
	23,266	—

Additions to the right-of-use assets during the year ended 31 December 2019 were HK\$6,046,000.

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
Depreciation charge of right-of-use assets			
Buildings	8	11,423	—
Interest expense (included in finance cost)	9	1,204	—
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)		3,435	—
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)		72	—

The total cash outflow for leases during the year ended 31 December 2019 was HK\$16,282,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 LEASES (continued)

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 3 months to 5 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

17 INTANGIBLE ASSETS

	Goodwill	Other intangible asset	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost			
At 1 January 2018	100,036	36,049	136,085
Exchange differences	(6,011)	(2,650)	(8,661)
At 31 December 2018 and 1 January 2019	94,025	33,399	127,424
Exchange differences	3,129	1,380	4,509
At 31 December 2019	97,154	34,779	131,933
Amortisation			
At 1 January 2018	—	7,941	7,941
Amortisation charge (Note 8)	—	7,032	7,032
Exchange difference	—	(936)	(936)
At 31 December 2018 and 1 January 2019	—	14,037	14,037
Amortisation charge (Note 8)	—	6,866	6,866
Impairment charge	57,144	—	57,144
Exchange difference	—	669	669
At 31 December 2019	57,144	21,572	78,716
Carrying amount			
At 31 December 2019	40,010	13,207	53,217
At 31 December 2018	94,025	19,362	113,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS *(continued)*

As at 31 December 2019, the carrying amount of the Robotics CGU was reduced to its recoverable amount through recognition of an impairment loss of approximately HK\$57,144,000 against goodwill. This loss is included in the consolidated statement of comprehensive income.

Goodwill of HK\$18,266,000 arose from the acquisition of China Honest Enterprises Limited (“China Honest”) was allocated to the sale of beauty products and provision of therapy services CGU (the “Beauty Products and Services CGU”), which are operating segments.

Goodwill arose from the acquisition of Engineering Services Inc. (“ESI”) of HK\$78,888,000 was allocated to the Robotics CGU. Other intangible asset, arose from the acquisition of the ESI, represents the patents registered in various countries.

Other intangible asset is amortised over the estimated useful life of 5 years. For the year ended 31 December 2019, amortisation of HK\$6,866,000 (2018: HK\$7,032,000) has been charged to “cost of sales” in the consolidated statement of comprehensive income.

Impairment assessment of Beauty Products and Services CGU

The Group reviewed the goodwill allocated to the Beauty Products and Services CGU for impairment assessment as at 31 December 2019. The recoverable amount of Beauty Products and Services CGU is determined based on a value-in-use calculation which uses cash flow projection based on financial budgets approved by the directors of the Company covering a five-year period, and a pre-tax discount rate of 16.9% per annum (2018: 17.6% per annum).

The financial budgets are prepared based on a five-year business plan having considered the sustainability of business growth, stability of core business developments and achievement of business targets. The financial projection assumes an average growth rate of 2% (2018: 2%) per annum beyond the five-year period taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors assessed the recoverable amount of the Beauty Products and Services CGU with reference to the valuations performed by Vigers Appraisal and Consulting Limited (“Vigers”), an independent qualified professional valuer, and determined that no impairment loss is recognised for the years ended 31 December 2019 as the recoverable amounts exceeds the carrying amounts (2018: No impairment loss).

The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed the their recoverable amounts.

Impairment assessment of Robotics CGU

The Group reviewed the goodwill allocated to the Robotics CGU as at 31 December 2019. The recoverable amount of Robotics CGU is determined based on a value-in-use calculation which uses cash flow projection based on financial budgets approved by the directors of the Company covering a five-year period, and a pre-tax discount rate of 22.1% (2018: 26.8%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS (continued)

Impairment assessment of Robotics CGU (continued)

The financial budgets have taken into consideration the developments of the Robotics CGU's business, including, changes in the product mix, the refinement of the targeted customer segments as well as changes to expected costs and margins resulting from the challenges to procure technology components due to the certain restrictions imposed from the negotiation between China and the United States. The financial budgets are prepared based on a five-year business plan considering the sustainability of business growth, stability of core business developments and achievement of business targets. The financial model assumes gross margins of approximately 27% (2018: from 31% to 35%), an average growth rate of 2% (2018: 2%) per annum beyond the five-year period taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors assessed the recoverable amount of the Robotics CGU with reference to the valuations performed by Vigers. Based on the assessment performed, the Group recognised a goodwill impairment provision of approximately HK\$57,144,000 during the year ended 31 December 2019.

If the gross margin rate used in the value-in-use calculation for the Robotics CGU deviate by 3% from management's estimates at 31 December 2019, the recoverable amount of Robotics CGU would be approximately HK\$47,853,000 higher or lower than the current estimate amount.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% lower or higher than management's estimates, the recoverable amount of Robotics CGU would be approximately HK\$8,874,000 higher or lower than the current estimate amount.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Financial assets at amortised cost:		
— Trade receivables (Note 20)	15,627	13,536
— Deposits (Note 21)	3,892	3,949
— Other receivable (Note 21)	3,464	4,771
— Restricted bank deposits (Note 22)	18,970	18,729
— Cash and cash equivalents (Note 22)	32,708	43,604
	74,661	84,589

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	2019 HK\$'000	2018 HK\$'000
Financial liabilities		
Financial liabilities at amortised cost:		
— Trade payable <i>(Note 24)</i>	7,350	4,836
— Accruals and other payables (excluding employee benefits and other tax payables) <i>(Note 25)</i>	33,046	14,656
— Amounts due to directors <i>(Note 34)</i>	10,617	—
— Other borrowings <i>(Note 26)</i>	55,930	53
— Lease liabilities <i>(Note 16)</i>	23,266	—
	130,209	19,545

19 INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Raw materials	8,952	7,140
Work-in-progress	4,409	3,096
Finished goods	14,506	18,664
	27,867	28,900

The cost of inventories recognised as expenses and included in “cost of sales” amounted to approximately HK\$34,618,000 (2018: approximately HK\$16,154,000). The provision for impairment of inventories of approximately HK\$306,000 (2018: HK\$nil) was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE RECEIVABLES

The Group allows credit periods to customers ranging from 0 day to 120 days.

The ageing analysis of trade receivables net of loss allowance, presented based on invoice date were as follow:

	2019	2018
	HK\$'000	HK\$'000
0 – 30 days	9,951	7,520
31 – 60 days	683	751
61 – 90 days	262	751
Over 90 days	5,405	5,235
	16,301	14,257
Less: Provision for impairment of trade receivables	(674)	(721)
Trade receivables, net	15,627	13,536

The carrying amounts of the Group's trade receivables approximate their fair values.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019	2018
	HK\$'000	HK\$'000
HK\$	6,723	6,769
RMB	8,168	6,767
CAD	736	—
	15,627	13,536

Movement in the loss allowance for the Group is as follows:

	2019	2018
	HK\$'000	HK\$'000
At 1 January	721	756
Exchange difference	(47)	(35)
At 31 December	674	721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Non-current assets		
Deposits	3,764	3,609
	3,764	3,609
Current assets		
Deposits	128	340
Prepayments	3,528	6,231
Other receivables (<i>Note a</i>)	244,884	246,192
Loss allowance	(241,420)	(241,420)
	7,120	11,343
	10,884	14,952

There is no movement of impairment of other receivables during the years ended 31 December 2019

Deposits, prepayments and other receivables are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK\$	3,557	4,358
RMB	5,827	8,650
CAD	1,500	1,933
USD	—	11
	10,884	14,952

Note:

- (a) Included in the other receivables was a balance of HK\$241,420,000 due from Blu Spa Group Limited, a former subsidiary. The balance was non-interest bearing, unsecured and repayable on demand. The subsidiary had not been consolidated since July 2011 due to lack of books and records and was subsequently disposed of at HK\$1 on 19 December 2014 to Koffman Investment Limited, a company held by a former director of the Company. Full impairment had been made by 30 June 2014. During the year ended 31 December 2019, the Directors of the Company filed a claim against the related former auditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 CASH AND CASH EQUIVALENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cash at bank and on hand	32,708	43,604
Restricted bank deposits:		
Interest-bearing	18,970	18,729
	51,678	62,333
Maximum exposure to credit risk	51,330	62,129

The bank balances are deposited with creditworthy banks with no recent history of default.

There is no concentration of credit risk with respect to bank balances, as the Group has placed deposits with a number of banks.

Restricted bank deposits were deposits held at bank in respect of credit card and instalment sales arrangement from its sale of beauty products and provision of therapy services business for varying periods of between one month to three months and earn interest at rates ranging from 0.40% to 1.72% per annum (2018: 0.64% to 1.86% per annum).

Cash and cash equivalents are denominated in the following currencies:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
HK\$	46,327	45,181
RMB	4,373	16,042
USD	60	88
CAD	918	1,022
	51,678	62,333

At 31 December 2019, approximately HK\$4,346,000 (2018: HK\$15,814,000) of the Group's cash and cash equivalents placed with banks in Mainland China were denominated in RMB, which is subject to foreign exchange control regulations of Mainland China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each (2018: HK\$0.10 each)		
Authorised:		
At 31 December 2018, at 1 January 2019 and at 31 December 2019	4,950,000	495,000
Issued and fully paid:		
At 1 January 2018	476,220	47,622
Conversion of preferred shares (<i>Note a</i>)	30,000	3,000
At 31 December 2018, at 1 January 2019 and at 31 December 2019	506,220	50,622
Preferred shares of HK\$0.10 each (2018: HK\$0.10 each)		
Authorised:		
At 31 December 2018, at 1 January 2019 and at 31 December 2019	50,000	5,000
Issued and fully paid:		
At 1 January 2018	30,000	3,000
Conversion of preferred shares (<i>Note a</i>)	(30,000)	(3,000)
At 31 December 2018, at 1 January 2019 and at 31 December 2019	—	—

Notes:

- (a) On 11 October 2018, 30,000,000 new ordinary shares of HK\$0.1 each were converted at a price of HK\$0.4 per ordinary share from the Preferred Shares. Pursuant to the terms of the preferred shares, 30,000,000 ordinary shares were allotted and issued by the Company to Tai Dong on 11 October 2018, and after such conversion, the Company has no more preferred shares in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 TRADE PAYABLES

As at 31 December 2019, the ageing analysis of trade payables by invoice date is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	7,350	4,836
	7,350	4,836

The carrying amounts of the Group's trade payables approximate their fair values.

The carrying amounts of the Group's trade payables balances are denominated in the following currencies:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
HK\$	622	283
RMB	6,380	1,636
CAD	333	30
USD	15	2,887
	7,350	4,836

25 ACCRUALS AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accruals	25,641	14,715
Other payables	13,097	14,924
	38,738	29,639

The carrying amounts of the Group's accruals and other payables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 ACCRUALS AND OTHER PAYABLES (continued)

The carrying amounts of the Group's accruals and other payables balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK\$	8,077	5,059
RMB	28,963	22,888
CAD	984	1,338
USD	714	354
	38,738	29,639

26 OTHER BORROWINGS

	2019			2018		
	Current HK\$'000	Non- current HK\$'000	Total HK\$'000	Current HK\$'000	Non- current HK\$'000	Total HK\$'000
Secured (Note)	—	34,304	34,304	—	—	—
Unsecured	2,000	19,626	21,626	53	—	53
Total borrowings	2,000	53,930	55,930	53	—	53

Note: The balance is secured by 99% share of Anzer indirectly held by the Company.

As at 31 December 2018 and 31 December 2019, the borrowings were payable as follows:

	2019 HK\$'000	2018 HK\$'000
Within 1 year	2,000	53
Between 1 and 2 years	53,930	—
	55,930	53

The effective annual interest rates at the consolidated statement of financial position date were as follows:

	2019	2018
Secured	13.7%	N/A
Unsecured	10.9%	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 OTHER BORROWINGS (continued)

The carrying amounts of borrowings approximate their fair values.

The carrying amount of the borrowings are denominated in the following currencies:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
HKD	21,626	53
RMB	34,304	—
	55,930	53

27 CONTRACT LIABILITIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contract liabilities from provision of therapy service	28,395	31,149
Contract liabilities from provision of engineering products (Note e)	10,179	—
	38,574	31,149

The movement of contract liabilities from provision of therapy service are as follows:

	<i>HK\$'000</i>
At 1 January 2018	30,030
Sales contracts entered into during the year (Note a)	50,350
Revenue recognised upon the provision of services (Note b)	(44,841)
Revenue recognised upon expiry of prepaid treatment packages (Note c)	(4,321)
Refunds of treatment packages (Note d)	(69)
At 31 December 2018 and at 1 January 2019	31,149
Sales contracts entered into during the year (Note a)	47,727
Revenue recognised upon the provision of services (Note b)	(33,576)
Revenue recognised upon expiry of prepaid treatment packages (Note c)	(16,905)
At 31 December 2019	28,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CONTRACT LIABILITIES (continued)

Notes:

- (a) The amounts represent receipts from provision of therapy services to clients during the year which were to be settled via credit cards, Electronic Payment System, cash and instalment payment arrangement.
- (b) The amounts represent revenue recognised in the consolidated statement of comprehensive income as a result of therapy services rendered to clients during the years ended 31 December 2019 and 2018.
- (c) The amounts represent revenue recognised in consolidated statement of comprehensive income for prepaid service packages expired in accordance with the contractual service periods stipulated in the respective sale contracts, which last for 3 months to 2 years from the invoice date of the sale contracts.
- (d) The amounts represent refunds of treatment packages as a result of certain clients' claims for the years ended 31 December 2019 and 2018 in relation to treatment outcome assessed with reference to individual physical conditions and treatment progress on a case-by-case basis.
- (e) The amounts represent the receipt in advance from the sales of robots.

28 DEFERRED TAXATION

The followings are the deferred tax liabilities recognised and movements thereon:

	Recognition of other intangible assets <i>HK\$'000</i>	Unremitted earnings of subsidiaries in the PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	7,448	94	7,542
Credit to profit or loss (Note 12)	(1,864)	(62)	(1,926)
Exchange difference	(454)	(3)	(457)
At 31 December 2018 and at 1 January 2019	5,130	29	5,159
Credit to profit or loss (Note 12)	(1,819)	(29)	(1,848)
Exchange difference	171	—	171
At 31 December 2019	3,482	—	3,482

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$96,443,000 (2018: HK\$72,896,000) in respect of losses amounting to HK\$386,034,000 (2018: HK\$322,773,000) that can be carried forward against future taxable income, of which HK\$238,788,000 and HK\$123,756,000 (2018: HK\$182,999,000 and HK\$103,836,000) will expire in five years and twenty years respectively. The remaining amount has no expiry date.

The Group is subject to withholding tax on distribution of profits generated from the Group's foreign-invested enterprises in the PRC. As one of the Group's foreign-invested enterprises is directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of its respective withholding tax. In respect of the entity that is not wholly owned by a Hong Kong incorporated subsidiary, a rate of 10% is applicable to the calculation of its respective withholding tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 SHARE-BASED PAYMENTS

Under the share option scheme which was granted on 3 January 2017 (the "Grant Date"), the exercise price of the granted options is equal to HK\$8.90. Options are conditional on completing ranging from one to four years of services (the "Vesting Period"). The options are exercisable within five years from the Grant Date and are expiring on 2 January 2022 (both days inclusive).

Movements of the share options under the share option scheme during the year ended 31 December 2019 are as follows:

Grantee	Date of Grant	Exercise price HK\$	Exercise period	As at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 December 2019
Employees of the Group	3 January 2017	8.90	3 January 2018 to 2 January 2022	5,732,000	—	—	(3,117,675)	—	2,614,325
Total				5,732,000	—	—	(3,117,675)	—	2,614,325

The share options granted to the employees of the Group shall be vested in four equal tranches. The vesting periods of the share options are between the date of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

Number of options	Vesting period	Exercise period
744,325	3 January 2017 to 2 January 2020	3 January 2020 to 2 January 2022
1,870,000	3 January 2017 to 2 January 2021	3 January 2021 to 2 January 2022
2,614,325		

The Company has used the Binomial Option Pricing Model for assessing the fair value of the share options granted. According to the Binomial Option Pricing Model, the fair value of the options granted during the year ended 31 December 2019 measured as at the date of grant of 3 January 2017 was approximately in a range of HK\$3.3730 to HK\$3.8671 for each of the four tranches at its closing price at HK\$8.90 per share, taking into account various factors, variables and assumptions which include the following:

- (i) the risk-free interest rate used was 1.592%;
- (ii) the expected volatility was about 49%; and
- (iii) the expected annual dividend yield of 0%.

The expense for share options granted to the employees of HK\$4,176,000 is recognised as "staff costs" in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2019 HK\$'000	2018 HK\$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	48,571	343,539
	48,571	343,539
Current assets		
Deposits, prepayments and other receivables	400	236
Cash and cash equivalents	1,291	2,075
	1,691	2,311
Total assets	50,262	345,850
EQUITY		
Capital and reserves		
Share capital	50,622	50,622
Reserves	(23,994)	292,451
Total equity	26,628	343,073
LIABILITIES		
Non-current liabilities		
Amounts due to directors	10,617	—
Other borrowings	7,626	—
	18,243	—
Current liabilities		
Accruals	3,004	2,777
Amount due to a subsidiary	387	—
Other borrowings	2,000	—
	5,391	2,777
Total liabilities	23,634	2,777
Total equity and liabilities	50,262	345,850
Net current liabilities	(3,700)	(466)
Total assets less current liabilities	44,871	343,073

The statement of financial position of the Company was approved by the Board of Directors on 21 April 2020 and was signed on its behalf.

Su Zhituan
Chairman, Director

Fu Hengke
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(b) Movement of reserves of the Company

	Share premium	Contributed surplus	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2018	488,163	27,141	(207,803)	307,501
Loss and other comprehensive loss	—	—	(15,050)	(15,050)
At 31 December 2018 and at 1 January 2019	488,163	27,141	(222,853)	292,451
Loss and other comprehensive loss	—	—	(316,445)	(316,445)
At 31 December 2019	488,163	27,141	(539,298)	(23,994)

31 COMMITMENTS

The Group leases various offices, warehouses and retail stores equipment under non-cancellable operating leases expiring within 3 months to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 16 for further information.

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	—	10,242
In the second to fifth year inclusive	—	12,207
	—	22,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RETIREMENT BENEFIT SCHEME

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of HK\$1,500 per month, as appropriate, as defined in the Mandatory Provident Fund Ordinance, and thereafter contributions are voluntary.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the government of the PRC is to make the specified contributions under the schemes.

The Group participates in a retirement scheme for qualified employees of its subsidiary in Canada. Under the retirement scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the relevant income (comprising wages and salaries) at maximum. The monthly contributions of each of the employer and the employee are subject to a cap of CAD2,749 (equivalent to approximately HK\$16,200). The Group has no further obligations for post-retirement benefits beyond the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to cash used in operations:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss before income tax	(165,767)	(129,182)
Adjustments for:		
Amortisation of other intangible assets (<i>Note 17</i>)	6,866	7,032
Depreciation of property, plant and equipment (<i>Note 15</i>)	7,641	6,540
Depreciation charge of right-of-use assets (<i>Note 16</i>)	11,423	—
Loss/(gain) on disposal of property, plant and equipment, net (<i>Note 7</i>)	328	(114)
Financial assets at fair value through profit or loss		
— fair value gain (<i>Note 7</i>)	—	(856)
Gain on early termination of leases (<i>Note 7</i>)	(96)	—
Impairment of goodwill (<i>Note 17</i>)	57,144	—
Interest expenses (<i>Note 9</i>)	4,283	15
Interest income (<i>Note 6</i>)	(222)	(862)
Write-off of property, plant and equipment	—	15
Equity-settled share-based compensation (<i>Note 10</i>)	4,176	7,552
Operating cash flows before movements in working capital	(74,224)	(109,860)
— Inventories	929	(24,344)
— Trade receivables	(2,229)	619
— Deposits, prepayments and other receivables	4,004	437
— Trade payables	2,531	4,250
— Accruals and other payables	6,486	5,371
— Amounts due to directors	10,617	—
— Contract liabilities	7,573	1,119
Cash used in operations	(44,313)	(122,408)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Net book amount (<i>Note 15</i>)	908	78
(Loss)/gain on disposal of property, plant and equipment, net (<i>Note 7</i>)	(328)	114
Proceeds from disposal of property, plant and equipment	580	192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Others borrowings <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	1,568	—	1,568
Financing cash flows	(1,515)	—	(1,515)
As at 31 December 2018	53	—	53
As at 1 January 2019	53	—	53
Recognised on adoption of HKFRS 16	—	30,734	30,734
Financing cash flows	56,396	(11,571)	44,825
Acquisition of leases	—	6,046	6,046
Other changes <i>(i)</i>	—	(1,821)	(1,821)
Exchange difference	(519)	(122)	(641)
As at 31 December 2019	55,930	23,266	79,196

- (i) Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the consolidated statement of cash flow when paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management compensation

Key management personnel are the Company's executive directors. Details of compensation of key management personnel are disclosed in Note 11 to the consolidated financial statements.

(b) Amounts due to directors

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current		
Mr. Su Zhituan (<i>Note i</i>)	3,950	—
Mr. Sun Ziqiang (<i>Note i</i>)	4,167	—
Mr. Fu HengKe (<i>Note i</i>)	2,500	—
	<hr/> 10,617	<hr/> —
Current		
Dr. Andrew Goldenberg (<i>Note ii</i>)	654	—
	<hr/> 11,271	<hr/> —

Notes:

- (i) The payables balances with directors are unsecured, interest free and are repayable on 31 December 2021.
- (ii) The payable balances with director is unsecured, interest free and are repayable on demand. The balance was included in accruals and other payables (Note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting periods are set out as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and paid up share capital	Effective interest held (%)		Principal activities
			2019	2018	
Century Capital Holdings Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Century Finance (BVI) Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Century Finance Limited	Hong Kong	HK\$1	100%	100%	Investment holding
China Honest Enterprises Limited ("China Honest")	Hong Kong	HK\$100	51%	51%	Marketing development, product distribution and customer support services
EDS (Asia) Limited [#]	Hong Kong	HK\$1	—	100%	N/A
EDS (China) Limited [#]	Hong Kong	HK\$1	—	100%	N/A
EDS Distribution Limited	Hong Kong	HK\$1	100%	100%	Marketing development, product distribution and customer support services
EDS International Holdings Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
China SuperRobotics Limited	Hong Kong	HK\$1	100%	100%	Investment holding and investment in securities
ESI Automation Systems Corporation (Formerly known as Engineering Service Inc.)	Canada	CAD12	100%	100%	Provision of engineering products and related services
Donica Connectivity [@]	The PRC	RMB50,000,000	100%	100%	Provision of engineering products and related services
Ace Force Holding Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
安兆科技(深圳)有限公司 [@]	The PRC	HK\$25,000,000	100%	100%	Dormant
ESI Robotics Limited	Hong Kong	HK\$1	100%	100%	Dormant
Star Run Investments Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
深圳市安澤智能機器人有限公司	The PRC	RMB50,000,000	99%	99%	Provision of engineering products and related services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and paid up share capital	Effective interest held (%)		Principal activities
			2019	2018	
深圳市帝光實業有限公司	The PRC	RMB500,000	99%	99%	Investment holding
深圳市安卓智能工程有限公司	The PRC	RMB30,000	99%	99%	Provision of engineering products and related services
New Best Finance Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
ESI Robotics Corporation (Formerly known as Renaissance Surgical Inc.)	Canada	CAD1	100%	100%	Provision of engineering products and related services
Tritop Management Limited	British Virgin Islands	US\$1	100%	100%	Investment holding

@ Wholly-owned foreign enterprise in the PRC
Deregistered during the year

None of the subsidiaries had debt securities outstanding at the end of the reporting periods or at any time during the years.

Material non-controlling interests

As at 31 December 2019, the total non-controlling interests represent the following:

	2019 HK\$'000	2018 HK\$'000
China Honest	7,774	6,050
Anzer	(1,137)	(625)
Others	(30)	—
	6,607	5,425

Set out below are the summarised financial information for China Honest that has non-controlling interests that are material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 PARTICULARS OF SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Summarised statement of financial position

	2019 HK\$'000	2018 HK\$'000
Current assets	54,654	52,709
Non-current assets	10,776	4,852
Current liabilities	(47,094)	(45,214)
Non-current liabilities	(2,470)	—
Equity attributable to owners of the Company	8,092	6,297
Non-controlling interests	7,774	6,050

Summarised statement of comprehensive income

	2019 HK\$'000	2018 HK\$'000
Revenue	52,489	52,860
Profit for the year	9,520	10,753
Profit attributable to owners of the Company	4,856	5,484
Profit attributable to the non-controlling interests	4,664	5,269
Profit for the year	9,520	10,753
Other comprehensive income attributable to owners of the Company	—	—
Other comprehensive income to the non-controlling interests	—	—
Other comprehensive income during the year	—	—
Total comprehensive income attributable to owners of the Company	4,856	5,484
Total comprehensive income to the non-controlling interests	4,664	5,269
Total comprehensive income	9,520	10,753
Dividend paid to non-controlling interests	(2,940)	(1,470)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 PARTICULARS OF SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Summarised cash flows

	2019 HK\$'000	2018 HK\$'000
Net cash inflow from operating activities	13,521	12,363
Net cash outflow from investing activities	(356)	(1,084)
Net cash outflow from financing activities	(10,859)	(3,000)
Net cash inflow	2,306	8,279

36 SUBSEQUENT EVENT

- (a) Since early 2020, the epidemic of Coronavirus Disease 2019 (“the COVID-19 outbreak”) has spread worldwide, and it has caused disruptions many business and economic activities.

Due to the COVID-19 outbreak and related precautionary and control measures taken place, the Group postponed the resumption of production in certain factories after the Chinese New Year, and the suppliers’ delivery of certain raw materials for production was also delayed in the short term. In order to minimise the impact of the COVID-19 outbreak and changes in the market, the Group has actively coordinated relevant resources and adjusted production and operation arrangements to manage the effects of the disruptions. Up to the date of authorising this set of consolidated financial statements for issue, the Group is not yet able to quantify the impact of COVID-19 to the Group’s financial performance and position. Nonetheless, the Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and take relevant measures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 SUBSEQUENT EVENT *(continued)*

- (b) On 30 March 2020 (after trading hours of the Stock Exchange), 深圳市帝光實業有限公司 (transliterated as Shenzhen Shi Diguang Industrial Company Limited) (“Shenzhen Diguang”), an indirect non-wholly owned subsidiary of the Company, entered into a memorandum of understanding (“MOU”) with 惠州市金達勝投資有限公司 (transliterated as Huizhou Shi Jindasheng Investment Company Limited#) (“Huizhou Jindasheng”) in relation to capitalisation of the Debt (as defined below) into the equity interest on the registered capital of Shenzhen Diguang (the “Possible Transaction”).

Shenzhen Diguang is a company established in PRC and, through its subsidiaries, principally engaged in the development and manufacturing of robotics products. As at the date of this announcement, Shenzhen Diguang owed a debt in the amount of approximately RMB 42,130,000 to Huizhou Jindasheng (the “Debt”).

As at the date of this announcement, the equity interest in Shenzhen Diguang is ultimately owned as to 99% by the Company and as to 1% by a party independent of and not connected with the Company and its connected persons (as defined under the GEM Listing Rules).

Pursuant to the MOU, Shenzhen Diguang and Huizhou Jindasheng shall negotiate in good faith towards one another in ensuring that the Formal Agreement be entered into as soon as possible and in any event within six (6) months from the date of the MOU (or such later date as the parties thereto may agree in writing).

The MOU does not constitute legally binding commitment in respect of the Possible Transaction. The Possible Transaction is subject to execution and completion of a formal agreement.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Results					
Revenue	88,155	63,739	78,799	61,521	46,989
(Loss)/profit for the year attributable to:					
– Owners of the Company	(168,425)	(132,345)	(99,059)	(44,946)	(42,086)
– Non-controlling interests	4,112	4,639	1,948	1,198	2,409
	(164,313)	(127,706)	(97,111)	(43,748)	(39,677)
Assets and liabilities					
	As at 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Total assets	206,256	258,787	383,289	318,643	211,545
Total liabilities	(179,238)	(72,327)	(65,472)	(58,288)	(71,368)
Non-controlling interests	(6,607)	(5,425)	(2,250)	(308)	(825)
Equity attributable to owners of the Company	20,411	181,035	315,567	260,047	139,352