



DIVERSIFIED
GROWTH

ANNUAL REPORT 2019

2019: A YEAR OF CONTINUOUS TRANSFORMATION

HealthBank Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) was admitted to the Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in 2014. The Group is headquartered in Singapore with principal activity in the property related investment and hospitality management business targeting at the tourism and hospitality sector in China, Singapore and the region.

On 11 December 2019, the Group completed the acquisition of 90% equity interest in Libre Hospitality Limited, a strategic transformation for the Group as the acquisition presents a good opportunity to invest in Atlantis Garden Project, a residential and service apartment development project in Haikou and tap into the growth potential of the Chinese tourism and hospitality sector in Hainan Province, which is slated by the Chinese Government for development into an international tourism destination and the largest Free Trade Zone in China.

2019 was a tremulous year for the global economy. The ongoing US-China trade friction to an unprecedented degree, plus several years of deleveraging policy implemented by the Chinese Government, contributed to economic development uncertainties and sparked a decline in economic growth.

Since January 2020, the COVID-19 pandemic has struck with unprecedented scale and ferocity. Its shock to the world economy, will be large and sharp, likely surpassing that of 2008 financial crisis. Among the hardest hit is the tourism and hospitality sector. The G20 countries have promised to unleash unprecedented rescue package of USD5 trillion¹ to cushion the economy in free fall, which is the largest amount in modern history. There is little doubt that a global recession is underway.

Obviously, the COVID-19 pandemics would result in a negative impact on the financial performance of the Group and the Group is unable to quantify the magnitude and duration of such impact.

Looking ahead, the Group would not simply let go of the crisis caused by the COVID-19 pandemic, and will actively embrace the challenges, looking for continuous transformation of the Group towards the right direction. The Group continues to identify new growth areas and opportunities for property related investment and hospitality management business targeting at the tourism and hospitality sector in China, Singapore and the region with the goal of expanding and enhancing the performance and net asset value of the Group.

¹<https://www.reuters.com/article/us-health-coronavirus-g20-saudi/g20-leaders-to-inject-5-trillion-into-global-economy-to-fight-coronavirus-idUSKBN21D0XL>



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This annual report has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**").

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made, or reports contained in this annual report.

The contact person for the Sponsor is Ms. Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road #21-00 AIA Tower, Singapore 048542.



DEAR VALUED SHAREHOLDERS

On behalf of the Board, I am pleased to present to you the annual report of HealthBank Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for the financial year ended 31 December 2019 (“**FY2019**”).

FY2019 IN REVIEW

FY2019 was a year of continuous transformation for the Group. Following the acquisition of Beijing Shengting Commercial Management Co., Ltd. (“**BJST**”) in August 2018, the Group has been focusing on managing its existing management contracts and looking for property related investment and management business targeting at the tourism and hospitality sector in China, Singapore and the region.

On 11 December 2019, the Group completed acquisition of Libre Hospitality Limited which presents a good opportunity for the Group to tap into the Chinese tourism and hospitality industries in Hainan Province. The acquisition provides an opportunity for the Group to invest in Atlantis Garden Project, a residential and service apartment development project located in the west side of Qionghuan Avenue, Jiangdong District, Haikou City, Hainan Province. The acquisition also enables the Group to provide hospitality facilities management services to Atlantis Garden.

The Group reported a loss attributable to equity holders of the Company of RMB15.57 million for FY2019 mainly because of the management's prudence approach to impair certain assets due to macro-economic environment uncertainties. The Group remains comfortable with its financial position with net assets attributable to equity holders of the Company of RMB62.33 million and working capital of RMB9.55 million as at 31 December 2019. With the economic uncertainties and the volatile market conditions, the management has implemented various cost cutting measures to improve the profitability of the Group.

Looking ahead, the Group will continue to identify new growth areas and opportunities with the goal of expanding and enhancing the performance and net asset value of the Group.

CHANGES TO THE BOARD OF DIRECTORS

Mr Chong Soo Hoon Sean has left the Board during the year to focus on his other work commitment. We are grateful for his service to the Group and wish him well in all his future endeavours. Finally, we would like to welcome Ms Lo Fui Chu, who was appointed on 1 November 2019 as an Independent Non-Executive Director, to the Board.

APPRECIATION

On behalf of the Board, I thank our customers, business partners, management and employees for their support, commitment and hard work over the past year.

To the shareholders, we would like to thank you, for your loyalty and continued support. I look forward to speaking with all of you at the upcoming Annual General Meeting.

NG FOOK AI VICTOR

Independent Non-Executive Chairman

CEO MESSAGE: OPERATIONAL AND FINANCIAL REVIEW

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DEAR VALUED SHAREHOLDERS

I am pleased to present to you the annual report of HealthBank Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for the financial year ended 31 December (“**FY**”) 2019.

INDUSTRY OVERVIEW

2019 was a tremulous year for the global economy, with the ongoing US-China trade friction to an unprecedented degree. Several years of deleveraging policy implemented by the Chinese Government has also caused uncertainties to economic development and sparked a decline in global economic activities which resulted in China suffering a lower GDP growth of 6.1% in 2019 as compared to GDP growth of 6.6% achieved in 2018⁽¹⁾, the lowest GDP growth in the past thirty years.

The lower GDP growth of China achieved in FY2019 has negatively impacted the hospitality industry where hotel owners are cautious in investing in new projects and travellers are prudent in spending, all of which affected the Company’s ability to achieve higher revenue growth and profitability, as it derives consultancy and management fees for services provided to the hotel owners.

OPERATIONAL AND FINANCIAL REVIEW

Following acquisition of Beijing Shengtong Commercial Management Co., Ltd (“**BJST**”) on 13 August 2018 with its principle business including hospitality facilities management and project consultancy services, it marked its first full year contribution to the Group hospitality division.

As at 31 December 2019, the Group hospitality division has five hotels under long-term hotel management contracts in China. Three of these hotels were in operation during FY2019 and the details are as follows:

Names of hotels/resorts	Number of rooms	Location	Status
Libre Resorts Huangshan	528	Huangshan, Anhui Province, China	In operation from January 2019 to December 2019 ⁽¹⁾
Libre Resorts Lijiang	562	Lijiang, Yunnan Province, China	In operation from January 2019 to December 2019 ⁽¹⁾
Libre Collection Yizheng	36	Yangzhou, Jiangsu Province, China	In operation from January 2019 to December 2019 ⁽¹⁾⁽²⁾

Notes:

- (1) In view of the recent COVID-19 outbreak, these hotels are temporarily closed under the directives from the Chinese Government and local health authorities since 24 January 2020 until further notice.
- (2) The hotel management company, Yangzhou Asset Management Co., Ltd is undergoing restructuring and has dispute with the hotel owner, the Group did not recognize revenue on a prudence basis. In any case, the revenue contribution from this hotel is not expected to be material to the Group.

⁽¹⁾ www.stats.gov.cn

04 CEO MESSAGE: OPERATIONAL AND FINANCIAL REVIEW

REVIEW OF FINANCIAL PERFORMANCE

Revenue

Revenue Type	FY2019	Contribution	FY2018	Contribution	Change
	RMB'000	%	RMB'000	%	%
Consultancy services	–	NM	7,412	72	NM
Hotel management fees	4,043	100	2,829	28	43
TOTAL	4,043	100	10,241	100	(61)

The Group achieved revenue of RMB4.04 million in FY2019 compared to RMB10.24 million in FY2018. While hotel management fees increased by 43% to RMB4.04 million from RMB2.83 million in FY2018, it was offset by a decrease in consultancy services fees which is on project basis.

In FY2019, the Group was facing great challenge in securing new consultancy project contracts due to a slowing China economy and past years' deleveraging policy introduced by the Chinese Government which restricts the hotel operators'/owners' ability and access to liquidity to complete current and invest in new projects.

Other income

The Group recorded other income of RMB25,000 in FY2019 as compared to RMB2.87 million in FY2018 mainly due to the absence of fair value gain on financial assets, at FVTPL as a result of the disposal of the relevant investment units in FY2019.

Other gains

The Group's other gains of RMB13.19 million in FY2019 was mainly attributed to:

- (i) bargain purchase of RMB11.23 million arising from acquisition of 90% equity interest in Libre Hospitality Limited; and
- (ii) gain on disposal of Beijing Libre Hotel Management Co., Ltd. of RMB1.96 million.

The Group recognised the bargain purchase as the fair value of the identifiable assets determined by the independent valuer is higher than the consideration paid for the acquisition in accordance to SFRS (I) 3 Business Combination.

Credit loss allowance on trade and other receivables

The Group has provided in full the expected loss for long outstanding trade receivables of more than 1 year which amounted to RMB3.61 million. In addition, the Group has also fully impaired certain other receivables which amounted to RMB10.78 million in aggregate after considering the financial positions of the relevant debtors.

The credit loss allowance was provided due to slow collection as a result of the slowing China economy and the past years, deleveraging policy which restricts credit



access for the hotel operators'/owners' as well as the economic uncertainties arising from the recent COVID-19 outbreak.

Impairment loss on goodwill and intangible assets

Impairment loss on goodwill of RMB12.16 million and impairment loss on intangible assets of RMB2.15 million which arose from the acquisition of BJST was provided due to the economic uncertainties arising from the US-China trade friction and the recent COVID-19 outbreak.

The impairment of goodwill and intangible assets was assessed in accordance to SFRS (I) 1-36 – Impairment of Assets whereby the carrying amount of goodwill and intangible assets are compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. The management has applied value-in-use model by computing sales and cashflow projection, as well as applying appropriate discount rate to determine the recoverable amount. An impairment loss was recognised as the carrying amount exceeded the recoverable amount.

CEO MESSAGE: 05

OPERATIONAL AND FINANCIAL REVIEW

Amortisation of intangible assets

The Group's amortisation of intangible assets of RMB1.04 million in FY2019 arose from the acquisition of BJST. The Group amortises the intangible assets over the span of 12 to 15 years in accordance to the contract periods of the management contracts and naming rights.

Employee compensation

The employee compensation decreased by RMB3.57 million or 40%, from RMB9.02 million in FY2018 to RMB5.45 million in FY2019 due to various cost management measures including staff restructuring and streamlining of the China team to improve the profitability of the Group.

Other expenses

The decrease in other expenses of RMB1.65 million or 34% was mainly due to the following:

- (i) A reduction in directors' fees of RMB0.21 million, amounting to RMB0.41 million in FY2019 from RMB0.62 million in FY2018, due to a restructuring of board members following the disposal of carpet furnishing business;
- (ii) A reduction in rental related expenses of RMB0.26 million, from RMB0.75 million in FY2018 to RMB0.49 million in FY2019, as the Company is utilizing business associate's working space due to smaller headcounts;
- (iii) A reduction in marketing and promotion as well as travel and entertainment expenses of RMB0.89 million, from RMB1.51 million in FY2018 to RMB0.62 million in FY2019, due to smaller headcounts with

reduced travelling and marketing activities, as the Group focused on managing its existing management contracts; and

- (iv) A reduction in professional fees of RMB0.43 million, from RMB1.30 million in FY2018 to RMB0.87 million in FY2019 due to lower fees incurred for acquisition related activities.

Income tax

The Group incurred an income tax expense of RMB0.41 million in FY2019, an increase of RMB0.26 million from RMB0.15 million in FY2018. The increase was largely attributable to provision for deferred tax liabilities on unremitted earnings from foreign subsidiaries in accordance with SFRS(I) 1-12 – Income Taxes. Furthermore, losses from other companies within the Group were not allowed to offset against the profits from other profitable companies within the Group for income tax purposes.

Loss for the financial year

The Group recorded a loss after tax of RMB21.53 million in FY2019 as compared to a loss after tax of RMB1.42 million in FY2018 due mainly to a decrease in revenue and an increase in amortisation of intangible assets, credit loss allowance on trade and other receivables, impairment loss on goodwill and impairment loss on intangible assets, partially offset by gain on bargain purchase.

Non-controlling interests

The loss attributable to non-controlling interests amounted to RMB5.96 million for FY2019 as compared to a profit of RMB0.88 million in FY2018.



CEO MESSAGE: OPERATIONAL AND FINANCIAL REVIEW

REVIEW OF FINANCIAL POSITION

Current assets

Cash and cash equivalents increased from RMB1.98 million as at 31 December 2018 to RMB9.72 million as at 31 December 2019, mainly due to a full redemption of short-term fixed income instruments denominated in RMB.

Financial assets, at FVTPL of RMB59.53 million was fully redeemed as at 31 December 2019 mainly for the purpose of acquisition of Libre Hospitality Limited in December 2019.

As of 31 December 2019, the Group has trade receivables of RMB3.12 million which comprises of hotel management fees and consultancy services revenue due from customers. The decrease of RMB3.17 million in trade receivables, from RMB6.29 million as at 31 December 2018, was mainly due to credit loss allowance on trade receivables of RMB3.61 million.

Other receivables, deposits and prepayments decreased by RMB11.64 million, from RMB12.28 million as at 31 December 2018 to RMB0.64 million as at 31 December 2019 mainly due to credit loss allowance on other receivables of RMB10.78 million.

Non-current assets

Goodwill from the acquisition of BJST of RMB12.16 million was fully impaired in accordance with SFRS (I)1-36 – Impairment of Assets as the recoverable amount is lower than the carrying amount.

Management contracts and naming rights which arose from the acquisition of BJST decreased by RMB3.19 million, from RMB14.03 million as at 31 December 2018 to RMB10.84 million as at 31 December 2019, mainly due to amortisation of RMB1.04 million and impairment of RMB2.15 million.

The Group recorded new financial assets, at FVTPL of RMB55.23 million which was arising from acquisition of 90% equity interest in Libre Hospitality Limited which indirectly holds an 8% interest in Atlantis Garden Project in Hainan Province, China.

Other receivable increased by RMB8.50 million due to loan to related party for Atlantis Garden Project.

Current liabilities

Trade and other payables decreased by RMB1.33 million, from RMB5.20 million as at 31 December 2018 to RMB3.87 million as at 31 December 2019, mainly due to lower staff cost accrued as a result of reduced headcounts from staff restructuring and streamlining of the China team to improve the profitability of the Group.

Non-current liabilities

Deferred income tax liabilities of RMB3.92 million as at 31 December 2019 was pertaining to the deferred tax liabilities allocated to the intangible assets based on the application of statutory tax on the fair value of the intangible assets and provision for deferred tax liabilities on unremitted earnings from foreign subsidiaries.

Working capital

Working capital of the Group decreased by RMB65.23 million to RMB9.55 million as at 31 December 2019, from RMB74.78 million as at 31 December 2018 due mainly to credit loss allowance on trade and other receivables of RMB14.39 million and cash amounted to RMB39.60 million being used for the acquisition of Libre Hospitality Limited and loan to related party of RMB8.50 million.

Shareholders' equity

The Group's equity attributable to equity holders of the Company decreased by RMB15.60 million to RMB62.33 million as at 31 December 2019, from RMB77.93 million as at 31 December 2018. The decrease is due to losses as a result of lower revenue and increase in amortisation of intangible assets, credit loss allowance on trade and other receivables, impairment loss on goodwill and intangible assets, partially offset by gain on bargain purchase.

REVIEW OF CASH POSITION

Net cash generated from operating activities of the Group amounted to RMB8.27 million for FY2019 was mainly due to operating cash outflows before movements in working capital of RMB18.98 million, partially offset by a decrease in financial assets, at FVTPL of RMB11.43 million and an increase in trade and other receivables of RMB1.79 million, an increase in trade and other payables of RMB17.86 million and income tax paid of RMB0.28 million.

Net cash used in investing activities of RMB0.53 million was mainly due to RMB0.51 million disposal of a subsidiary corporation.

Overall, the Group recorded a net cash increase of RMB7.74 million in FY2019.

OUTLOOK

With the ongoing US-China trade friction and past years' China Government deleveraging policy, China achieved a lower GDP growth of 6.1% for 2019 as compared to GDP growth of 6.6% achieved in 2018. China's FY2020 economic and GDP growth will be greatly affected by the uncertainties, although the exact amount of huge losses China suffered due to the on-going COVID-19 pandemic remains unknown.

CEO MESSAGE: 07 OPERATIONAL AND FINANCIAL REVIEW

The recent COVID-19 pandemic which was first developed in late December 2019 has quickly swept the whole of China as well as dozens of countries around the world. The Chinese Government has mobilized the whole country to prevent and fight the COVID-19, and has severely restricted the mobility of large segments of the population and the operation of non-fundamental businesses, with the objective of slowing and reducing the spread of the COVID-19, which leads to the China economy coming to a standstill, significantly affecting hospitality industry and hotel occupancy rates.

As the situation relating to the spread of the COVID-19 remains uncertain and continues to develop, it is currently difficult to quantify the financial impact it has on the financial performance of the Group for FY2020.

Meanwhile, as part of the Group's long term growth plan to focus its attention and resources on the development of property related investment and management business targeting at the tourism and hospitality industries in China, the acquisition of Libre Hospitality Limited on 11 December 2019 presents a good opportunity for the Group to tap into the potential growth of the Chinese tourism and hospitality industries in Hainan Province, which is slated by the Chinese Government for development into an international tourism destination and the largest Free Trade Zone ("FTZ") in China, ultimately being for the benefit of and in the best interests of the Company and the Company's shareholders.

The acquisition provides an opportunity for the Group to invest in Atlantis Garden Project, a residential and service apartment development project located in the west side of Qionghua Avenue, Jiangdong District, Haikou City, Hainan Province. The acquisition also enables the Group to provide hospitality facilities management services to Atlantis Garden Project upon completion and foray into Hainan real estates and hospitality facilities management services which allow the Group to create recurring income sources from Hainan Province.

China is the second largest economy in the world and the largest contributor to world economic growth, accounting for 30% of world economic growth in 2018. Even though China is facing severe challenges in the short term, its economic outlook in the long-term remains positive and resilient, which will continue to support the growth of the Group's hospitality business. Statistics from the Ministry of Culture and tourism of China⁽²⁾ showed that in 2018, 5.5 billion trips/person-time occurred in China, and 150 million trips/person-time to overseas. According to World Tourism Organization ("UNWTO")⁽³⁾, Chinese overseas tourism consumption recorded USD277 billion in 2018,

⁽²⁾ www.mct.gov.cn

⁽³⁾ www.unwto.org



ranking the first in the world, and was 100% larger than that of the United States, which ranked the second. The continuously rising consumption demand of the Chinese will not only boost its domestic tourism and hospitality industries, but also greatly benefit the respective popular overseas destination countries, including Singapore.

Looking ahead, the Group will continue to identify new growth areas and opportunities, in the tourism and hospitality industries in China, Singapore and the region, with the goal of expanding and enhancing the performance and net asset value of the Group.

APPRECIATION

On behalf of the management team, I thank our customers, business partners and employees for your commitments and hard work over the past year. I would like to convey our appreciation to our Board of Directors for their leadership and insight throughout the year. To our shareholders, we would like to thank you, for your loyalty and support. I look forward to charting new milestones with you in the year ahead.

George Peng Fei

Group Chief Executive Officer and Executive Director

08 BOARD OF DIRECTORS

NG FOOK AI VICTOR

Mr Ng Fook Ai Victor was appointed as the Independent Non-Executive Director and Chairman of our Group on 4 May 2018. Mr Ng is currently the Chairman of the Nominating Committee as well as a member of the Audit Committee and Remuneration Committee.

Mr Ng has over 35 years of experience in investment management including private equity fund management and seed funding, and has established several ventures and start-ups with exits including initial public offerings ("IPO"), trade sales and merger and acquisition ("M&A").

Mr Ng has more than 30 years of experience as a director on various companies, including directorship held in companies listed in Singapore, Hong Kong and Malaysia. Mr Ng is currently an independent director of SGX-Catalist listed The Place Holdings Limited, SB REIT Management Pte. Ltd., a manager of the SGX-Mainboard listed Soilbuild Business Space REIT, HKEX-Main Board listed Sunshine 100 China Holdings Ltd and non-executive chairman of 1Rockstead GIP Fund Ltd which is an approved fund under the Global Investor Program ("GIP") that invest in Singapore-based companies.

Mr Ng holds a Master's degree in Science in Economics from University of London, United Kingdom.

GEORGE PENG FEI

Mr George Peng Fei is the Executive Director and Chief Executive Officer ("CEO") of our Group. He was appointed to the Board on 3 October 2016.

Mr Peng's role as CEO of the Group is to drive its strategic direction, as well as manage the Group's corporate finance investments and overseas expansion.

Mr Peng has over 20 years of experience in investment management, corporate and financial restructuring advisory and strategic planning, with strong knowledge relating to capital markets in China, Hong Kong, Singapore and the United Kingdom. Mr Peng's experience includes being the president of Reignwood International Investment Ltd, where he was responsible for managing the group's overall investment portfolio activities. Mr Peng also served as an executive director of Forise International Limited, a SGX-Mainboard listed company, since August 2015 before he was re-designated as non-executive director in December 2017.

Mr Peng holds an MSc in Finance and Investment with Distinction from Durham University, United Kingdom.



LEO PENG WEILE

Mr Leo Peng Weile is the Executive Director of our Group. He was appointed to our Board on 3 October 2016 and is responsible for the Group's corporate finance, investor relations, and property related investment.

Mr Peng has over 18 years of experience in investment banking, direct investment, asset management, corporate advisory, financial restructuring advisory and strategic planning. He has strong knowledge relating to the capital markets in China, Hong Kong, Singapore and Australia. He has served as an executive director of Forise International Limited, a SGX-Mainboard listed company, since October 2015 and has been appointed by several companies as their external financial advisor, to provide strategic planning, financial structuring, listing and fundraising services during the past few years. He has been involved in a number of successful listings, pursuant to which he has successfully assisted various Chinese companies in their listing on the stock exchanges in Singapore, Hong Kong and Australia, and has a very good network and in-depth knowledge of capital markets, both on-shore and off-shore. He was previously with Deutsche Morgan Grenfell Securities Ltd and HL Bank Singapore, in which he assisted companies in their fund raising from the equity capital markets in Singapore.

Mr Peng holds a Master's degree in Finance from the National University of Ireland, Dublin and a Diploma in Wealth Management from Wealth Management Institute of Singapore.

LO FUI CHU

Ms Lo Fui Chu is the Independent Non-Executive Director of our Group. She was appointed to our Board on 1 November 2019. Ms Lo is currently the Chairman of the Audit Committee and Remuneration Committee and a member of the Nominating Committee.

Ms Lo is currently the partner and country head of Singapore for Grab Smart Capital Sdn Bhd, a boutique investment advisory firm. Ms Lo has over 20 years of experience in listing exercises, including IPO audit, restructuring, compliance and pre-IPO fundraising. Ms Lo began her career as an auditor with KPMG Singapore before joining the commercial sector, including companies listed on the SGX-ST, Sinotel Technologies Ltd. as finance director cum chief financial officer and Asia Silk Holdings Limited as chief financial officer, where she has accumulated extensive experience in financial and cost management, compliance of regulations and execution of financial strategies in relation to business expansion and fundraising exercises.

Ms Lo is a member of the Association of Chartered Certified Accountants since 1998.

NG WEE CHENG STEVEN

Mr Ng Wee Cheng Steven is the Non-Executive Director of our Group. He was appointed to our Board on 1 January 2019. He is currently a member of the Audit Committee, Remuneration Committee and Nominating Committee.

Mr Ng is the founder, chief executive officer and director of TNT Global Capital Pte Ltd ("**TNT**"). TNT is incorporated in Singapore and received the approval to commence business as a Registered Fund Management Company ("**RFMC**") by the Monetary Authority of Singapore ("**MAS**") in 2016. Mr Ng has over 20 years of investment banking related experiences comprising corporate advisory, financial restructuring advisory, debt and equity fund raising, mergers and acquisitions and initial public offerings. In 2004, Mr Ng founded Genesis Capital Pte Ltd ("**Genesis**") which had a Capital Markets Services ("**CMS**") License issued by MAS to advise on corporate finance in Singapore. He has successfully listed many companies on the SGX-ST and was involved in a wide range of corporate advisory services. Prior to founding Genesis, Mr Ng held positions in the Investment Banking Division of Oversea-Chinese Banking Corporation Limited and Industrial and Commercial Bank of China Singapore Branch and was involved in several initial public offerings, mergers and acquisitions and other corporate finance advisory transactions.

Mr Ng graduated with a Bachelor's (2nd Upper Honours) degree in Accountancy from Nanyang Technological University. Mr Ng is currently a Chartered Financial Analyst ("**CFA**") Charterholder.

**KEY
MANAGEMENT****LEW FAN JONG**

Mr Lew Fan Jong is the Financial Controller of our Group. He joined our Group as Finance Manager in May 2019 and was appointed as Financial Controller on 1 November 2019. Mr Lew is responsible for the overall financial reporting, internal controls, treasury function, corporate secretarial and taxation matters of our Group and ensures our Group's compliance with the SGX-ST rules and regulations. He has more than 20 years of experience in the accounting and finance fields. His past employers include Wilmar International Limited and Agropcorp International Pte Ltd. Mr Lew is an Association of Chartered Certified Accountants ("**ACCA**") graduate.

FINANCIAL RESULTS	FY2019	FY2018	Change	
	RMB'000	RMB'000	RMB'000	%
Revenue	4,043	10,241	(6,198)	-61%
Total expenses	(38,380)	(14,388)	(23,992)	>100%
Loss before income tax	(21,121)	(1,280)	(19,841)	>100%
Loss for the financial year	(21,528)	(1,424)	(20,104)	>100%

FINANCIAL POSITION	31 Dec 2019	31 Dec 2018	Change	
	RMB'000	RMB'000 (Restated)	RMB'000	%
Current assets	13,469	80,077	(66,608)	-83%
Non-current assets	74,718	26,467	48,251	>100%
Total Assets	88,187	106,544	(18,357)	-17%
Current liabilities	3,920	5,297	(1,377)	-26%
Non-current liabilities	3,918	3,746	172	5%
Total Liabilities	7,838	9,043	(1,205)	-13%
Net Assets	80,349	97,501	(17,152)	-18%
Share capital	29,194	29,194	-	-
Currency translation reserves	1,743	1,767	(24)	-1%
Accumulated profits	31,397	46,968	(15,571)	-33%
	62,334	77,929	(15,595)	-20%
Non-controlling interests	18,015	19,572	(1,557)	-8%
Total Equity	80,349	97,501	(17,152)	-18%

CASH FLOW SUMMARY	FY2019	FY2018	Change	
	RMB'000	RMB'000	RMB'000	%
Net cash provided by/(used in) operating activities	8,270	(14,417)	22,687	NM
Net cash (used in)/provided by investing activities	(535)	8,575	(9,110)	NM
Net increase/(decrease) in cash and bank balances	7,735	(5,842)	13,577	NM
Cash and bank balances at the end of year	9,715	1,980	7,735	>100%

BOARD OF DIRECTORS**NG FOOK AI VICTOR**

Independent Non-Executive Chairman

GEORGE PENG FEI

Executive Director and Chief Executive Officer

LEO PENG WEILE

Executive Director

LO FUI CHU

Independent Non-Executive Director

NG WEE CHENG STEVEN

Non-Executive Director

AUDIT COMMITTEE

LO FUI CHU Chairman

NG FOOK AI VICTOR

NG WEE CHENG STEVEN

REMUNERATION COMMITTEE

LO FUI CHU Chairman

NG FOOK AI VICTOR

NG WEE CHENG STEVEN

NOMINATING COMMITTEE

NG FOOK AI VICTOR Chairman

LO FUI CHU

NG WEE CHENG STEVEN

COMPANY SECRETARY

ONG WEI JIN, LL.B. (Hons)

SHARE REGISTRAR

RHT CORPORATE ADVISORY PTE. LTD.

30 Cecil Street

#19-08 Prudential Tower

Singapore 049712

SPONSOR

SAC CAPITAL PRIVATE LIMITED

1 Robinson Road

#21-00 AIA Tower

Singapore 048542

INDEPENDENT AUDITOR

NEXIA TS PUBLIC ACCOUNTING CORPORATION

80 Robinson Road

#25-00

Singapore 068898

Director-in-charge: Lee Look Ling

(Appointed since the financial year ended

31 December 2019)

REGISTERED OFFICE AND

PRINCIPAL PLACE OF BUSINESS

80 Raffles Place

#11-20 UOB Plaza 2

Singapore 048624

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The Board of Directors (the “**Board**” or “**Directors**”) of HealthBank Holdings Limited (the “**Company**”) is committed to ensuring a high standard of corporate governance within the Company and its subsidiary corporations (the “**Group**”), as a fundamental part of its responsibilities to protect and enhance shareholders’ value and the financial performance of the Group.

The Code of Corporate Governance 2018 (the “**Code**”) and accompanying Practice Guidance was published by the Monetary Authority of Singapore on 6 August 2018, with the aim to enhance board quality by strengthening board independence and diversity and encourage better engagement between companies and all stakeholders. According to the accompanying Transitional Practice Note 3, the Code will apply to Annual Reports covering financial years commencing from 1 January 2019. As such, this report outlines the Company’s corporate governance framework and practices with specific reference to the Code for the financial year ended 31 December 2019 (“**FY2019**”). Pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Catalist Rules**”), the Company is pleased to report that for FY2019, the Group has adhered closely with the core principles of corporate governance laid down by the Code. Where there are any deviations from the Provisions of the Code, the Company has explained in this report on how its practices are consistent with the intent of the relevant principles.

This report is divided into four main sections as described below:

- A) Board Matters
- B) Remuneration Matters
- C) Accountability and Audit
- D) Shareholder Rights and Engagement

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Catalist Rules.

A) BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

The Board’s primary role is to protect and enhance shareholders’ value. The responsibilities of the Board include:

- Providing entrepreneurial leadership, setting strategic direction, determining the Group’s values and standards (including ethical standards) and ensuring the overall corporate policies of the Group and necessary resources are in place for the Group to meet its objectives;
- Overseeing the evaluation of the adequacy and effectiveness of financial reporting, internal controls and risk management frameworks;
- Monitoring the Board composition, processes and performance;
- Setting financial objectives and monitoring the Group’s financial performance and Management’s performance;
- Balancing the demands of the business with those of the Company’s stakeholders and ensuring obligations to material stakeholder groups (including shareholders) are met; and
- Considering sustainability issues as part of its strategic formulation.

CORPORATE GOVERNANCE REPORT

All Directors exercise due care in discharging their duties and responsibilities and are obliged to act in good faith and consider at all times the interests of the Company. The Company's main business operations is in China, managed by its Chinese subsidiary Beijing Shengting Commercial Management Co., Ltd, with the Company as a holding company, making decisions at the Board level for the strategic development of the Company. Accordingly, the Company has established terms of reference for the conduct of Board matters, and Beijing Shengting Commercial Management Co., Ltd. has established a code of business ethics that sets the principles of business ethics and covers areas such as business conduct, protection of Company's assets, confidentiality of information and conflicts of interest. All staff are expected to uphold high standards of integrity that are in compliance with the internal code as well as laws and regulations of the countries in which they operate.

Directors must avoid situations in which their own personal or business interests directly or indirectly conflict or potentially conflict, with the interest of the Group. Each Director is required to promptly disclose any actual, potential and perceived conflict of interest in relation to any matter as soon as is practicable after the relevant facts have come to his/her knowledge. On an annual basis, each Director is also required to submit details of his/her associates for the purpose of monitoring interested persons transactions. When an actual, potential and perceived conflict of interest arises, the concerned Director must recuse himself or herself from discussions and decisions involving the matter, unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussion, and abstain from voting on resolutions regarding the matter.

Directors are involved in the supervision of the management of the Group's operations. The Company has internal guidelines and approval limits for operational, financial and capital expenditure requirements. Under these guidelines, the matters which specifically require the Board's decision or approval are those involving, *inter alia*, the following:

- Corporate strategy and business plans;
- Investment and divestment proposals;
- Funding decisions of the Group;
- Nominations of directors for appointment to the Board and appointment of key management personnel;
- Announcement of half-year and full-year results, the Annual Reports and financial statements;
- Material acquisitions and disposal of assets;
- Corporate or financial restructuring;
- Share issuance;
- Dividends and other returns to shareholders;
- Directors' and key management personnel's remuneration; and
- All matters of strategic importance.

The Executive Directors are appointed by way of service agreements while the Independent Directors are appointed by way of letters of appointment. The duties and responsibilities of Directors are clearly set out in these service agreements and letters of appointment. Newly appointed Directors to the Board will undergo a comprehensive and tailored orientation programme and will be provided with materials to help them familiarise themselves with the duties as Director, how to discharge those duties and business and governance practices of the Company.

For newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore, pursuant to the amended Rule 406(3)(a) of the Catalist Rules, which was revised to be consistent with the Code and effective from 1 January 2019, the Company will, within one year from their dates of appointment, arrange for the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company ("**Mandatory Training Courses**"), or other training institutions in areas such as management, accounting, legal, compliance and industry-specific knowledge, where appropriate, in connection with their duties.

Mr Ng Wee Cheng Steven was appointed as Non-Executive Director of the Company on 1 January 2019. He has no prior experience as a director in a listed company in Singapore. Accordingly, he has attended the Mandatory Training Courses and was briefed by the Management on the business operations of the Group and governance practices of the Company.

Ms Lo Fui Chu, who was appointed as an Independent Non-Executive Director of the Company with effect from 1 November 2019, has experience as a director in a listed company in Singapore. Therefore, she was not required to attend the Mandatory Training Courses. However, she has been briefed by the Management on the business operations of the Group and governance practices of the Company.

To enable the Directors to gain a better understanding of the Group's business, the Directors are encouraged to request for further explanations, briefings or informal discussion on the Company's operations or business with the Management. Directors are also given the opportunity to visit the Group's operational facilities and meet with the management staff.

As part of their continuing education, the Directors may attend relevant training seminars or informative talks, to apprise themselves of legal, financial and other regulatory developments, at the Company's expenses. The Directors are updated on amendments/requirements of the SGX-ST and other statutory and regulatory requirements from time to time, to enable them to make well-informed decisions and to ensure that they are competent in carrying out their expected roles and responsibilities.

The Company is responsible for arranging and funding the training of Directors. The Company will arrange for Directors to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company also works closely with professionals to provide its Directors with updates in changes to relevant laws, regulations and accounting standards.

During FY2019, the Directors were provided with updates on changes in laws and regulations, including the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), the Catalist Rules and the Code of Corporate Governance, which are relevant to the Group. The external auditors regularly update the Audit Committee and the Board on the developments in the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") which are applicable to the Group. Changes to regulations and accounting standards are monitored closely by the Management. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Group during Board and Board committee meetings.

CORPORATE GOVERNANCE REPORT

The Board meets regularly on a half-yearly basis and ad-hoc meetings may be convened whenever deemed necessary to address any specific issue of significance that may arise. The Board approves resolutions by way of written resolutions, which are circulated to the Board together with all relevant information regarding the proposed matter. The Company's Constitution allows a Board meeting to be conducted by means of telephone conference or other methods of simultaneous communication by electronic or other means.

The Board is assisted by various Board committees, namely the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**"), in carrying out and discharging its duties and responsibilities efficiently and effectively. Each Board committee has its own terms of reference, setting out the composition, authorities and duties, which are approved by the Board. All Board committees are chaired by an Independent Director. While these Board committees are delegated with certain responsibilities, the responsibility for decisions relating to matters under the purview of the Board committees ultimately lies with the entire Board.

The attendance of the Directors at meetings of the Board and Board committees during FY2019, as well as the frequency of such meetings, are disclosed below:

Name of Director	Board	AC	RC	NC	Annual General Meeting	Extra-ordinary General Meeting
Number of meetings held in FY2019	4	2	1	2	1	1
Attendance						
Mr Ng Fook Ai Victor	4	2	1	2	1	1
Mr George Peng Fei	4	2*	1*	2*	1	1
Mr Leo Peng Weile ⁽¹⁾	4	2*	1*	2	1	1
Mr Chong Soo Hoon Sean ⁽²⁾	2	2	1	1	1	1
Ms Lo Fui Chu ⁽³⁾	1	–	–	–	–	–
Mr Ng Wee Cheng Steven ⁽⁴⁾	4	2	1	–	1	1

Notes:

* By invitation.

(1) Mr Leo Peng Weile ceased to be a member of the NC with effect from 1 November 2019. He has attended all NC meetings for FY2019.

(2) Mr Chong Soo Hoon Sean ceased to be the Independent Non-Executive Director of the Company, Chairman of the AC and the RC, and member of the NC with effect from 23 September 2019. He has attended all meetings before his cessation.

(3) Ms Lo Fui Chu was appointed as the Independent Non-Executive Director of the Company, Chairman of the AC and the RC and a member of the NC on 1 November 2019. She has attended all meetings subsequent to her appointment.

(4) Mr Ng Wee Cheng Steven replaced Mr Leo Peng Weile as a member of the NC with effect from 1 November 2019. No NC meeting for FY2019 has been held subsequent to his appointment.

When a Director has multiple board representation and other principal commitments, the NC considers whether or not the Director is able to and has adequately carried out his/her duties as a Director of the Company. Having regard the effectiveness of the Board, Directors' attendance and deliberations at meetings of the Board and Board committees and the time spent on the Company's affairs, the NC considers that the multiple board representations and other principal commitments held presently by some Directors do not impede their respective performance in carrying out his/her duties towards the Company. Therefore, the NC and the Board do not propose to set the maximum number of listed company board representations which Directors may hold until such need arises.

The Management recognises the importance of timely information for the Board to discharge its duties effectively. The Management regularly furnishes the Board and where appropriate, each Director, with information about the Group as well as the relevant background information or explanatory information relating to the business to be discussed at Board meetings for the Board to comprehensively understand the issues to be deliberated upon and make informed decision thereon. Prior to the release of half-yearly and full year results to the public, the Executive Directors will present the Group's performance together with explanatory details of its operations to the AC, which will review and recommend the same to the Board for approval and authorisation for the release of the results.

Any additional materials or information requested by the Directors are promptly furnished. If necessary, management staff who are able to explain and provide insights to the matters to be discussed are invited to make the appropriate presentation and answer any queries that the Directors may have.

The Board has separate and independent access to the Management, the company secretary and external professionals, including the continuing sponsor, legal counsels and auditors. Each Director has the right to seek independent legal and other professional advice, at the Company's expenses, concerning any aspect of the Group's operations or undertakings in order to fulfil his/her duties and responsibilities as a Director.

The company secretary and/or his representatives attend all Board and Board committee meetings. The company secretary, together with the Management, are responsible for ensuring that appropriate procedures are followed and the requirements of the Companies Act and the Catalist Rules are complied with. The company secretary also assists on governance matters from time to time. Under the direction of the Chairman, the company secretary facilitates information flow within the Board and its Board committees and between the Management and Non-Executive Directors. The appointment and the removal of the company secretary is a matter for the Board as a whole.

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Board currently consists of five (5) members, including two (2) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Executive Director. As the Chairman of the Board is an Independent Director, this Board composition complies with the Code's provision that the Non-Executive Directors (including Independent Directors) make up a majority of the Board. The Directors are as follows:

Executive Directors

Mr George Peng Fei
Mr Leo Peng Weile

Executive Director and CEO
Executive Director

Non-Executive Directors

Mr Ng Fook Ai Victor
Ms Lo Fui Chu
Mr Ng Wee Cheng Steven

Independent Non-Executive Chairman and Chairman of the NC
Independent Non-Executive Director and Chairman of the AC and the RC
Non-Executive Director

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The NC determines the independence of each director annually. Each Independent Director is required annually to complete a checklist to confirm his/her independence. The checklist is drawn up based on the Code's provision and its Practice Guidance as well as the Catalyst Rules.

The NC and the Board consider an "independent" Director as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related companies, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement with a view to the best interests of Group in the conduct of the Group's affairs.

In relation to the assessment of the independence of the Directors, specific tests of Directors' independence have been hardcoded into the Catalyst Rules to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. Under Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalyst Rules which took effect on 1 January 2019, it stipulates that a Director will not be considered as independent if he is employed by the issuer or any of its related corporations for the current or any of the past three (3) financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporation for the current or any of the past three (3) financial years, and whose remuneration is or was determined by the remuneration committee of the issuer.

The NC and the Board have conducted an annual review of the independence of the Independent Directors, namely Mr Ng Fook Ai Victor and Ms Lo Fui Chu, based on the Code and its Practice Guidance as well as the Catalyst Rules, and have ascertained that they are independent.

In line with Rule 460(3)(d)(iii) of the Catalyst Rules which will take effect from 1 January 2022, all Independent Directors who have served for more than nine (9) years since date of appointment will be required to undergo the mandatory two-tier voting process at a shareholders' general meeting prior to 1 January 2022 or otherwise will be deemed to be non-independent. The independence of such Directors should continue to be subject to rigorous review by the NC and the Board. None of the Independent Directors has served on the Board beyond nine (9) years from the date of his/her first appointment.

The Board, through the NC, taking into consideration the scope and nature of the Group's operations, is of the view that the current size and structure of the Board and Board committees are appropriate for effective decision making and given that the Chairman of the Board is an Independent Director and at least one-third of the Board is made up of Independent Directors, there exists a strong independent element to ensure that objective judgement is exercised on corporate affairs.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board as a group provides an appropriate balance of diversity of skills, experience, gender and knowledge of the Company, with core competencies in accounting and finance, business and management experience, industry knowledge and strategic planning experience and knowledge. As each of the Director brings valuable insights from different perspectives vital to the strategic interest of the Group, the NC considers that the Directors possess the necessary competencies to provide the Management with a diverse and objective perspective on issues so as to lead and govern the Group effectively.

The Non-Executive Directors (including Independent Directors) will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and in monitoring the reporting of performance. When necessary, the Non-Executive Directors will have discussions/meetings amongst themselves without the presence of the Management. The feedback and views expressed by the Non-Executive Directors was communicated to the Board after the meeting, as appropriate.

Principle 3: Chairman and Chief Executive Officer (“CEO”)

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Company adopts a dual leadership structure whereby the positions of Chairman of the Board and CEO are separate and distinct, each having their own areas of responsibilities.

The Independent Non-Executive Chairman of the Board, Mr Ng Fook Ai Victor, is assisted by the Board committees and the company secretary in ensuring compliance with the Group’s guidelines on corporate governance. The Chairman is responsible to, among others:

- (a) lead the Board to ensure its effectiveness on all aspects of its role;
- (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promote a culture of openness and debate at the Board;
- (d) ensure that the Directors receive complete, adequate and timely information;
- (e) ensure effective communication with shareholders and other stakeholders;
- (f) encourage constructive relations within the Board and between the Board and the Management;
- (g) facilitate the effective contribution of Non-Executive Directors in particular; and
- (h) promote high standards of corporate governance.

The CEO, Mr George Peng Fei, is responsible for the overall management, operations and charting the corporate and strategic direction of the Group.

The Company believes that a distinctive separation of responsibilities between the Chairman of the Board and the CEO will ensure an appropriate balance of power, increased accountability and greater capacity for the Board to exercise independent decision-making.

The Independent Directors provide unbiased and independent views, advice and judgment to safeguard the interests of not only the Group but also the stakeholders, employees, customers and suppliers. Furthermore, the Board is of the view that with the functions of the Board committees, there are adequate safeguards in place to prevent an unbalanced concentration of power, authority and decision making in a single individual.

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC consists of three (3) members, the majority of whom, including the Chairman, are independent. As at the date of this Annual Report, the NC members are:

Mr Ng Fook Ai Victor	(Chairman)
Ms Lo Fui Chu	(Member)
Mr Ng Wee Cheng Steven	(Member)

CORPORATE GOVERNANCE REPORT

The NC is guided by written terms of reference that describe the responsibilities of its members.

The NC's responsibilities, as set out in its terms of reference, include the following:

- (a) reviewing and making recommendations to the Board on all candidates nominated, including alternative directors, (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, gender, qualification, experience, capabilities and other relevant factors;
- (b) identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company, having regard to the Directors' contribution and performance (such as their attendance, preparedness, participation and candour), including, if applicable, as independent Directors;
- (c) determining annually whether or not a Director is independent, bearing in mind the circumstances set out in Provision 2.1 of the Code, the Catalist Rules and other salient factors;
- (d) deciding, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his/her duties as Director of the Company. If the NC considers it necessary, it shall make recommendations to the Board on the guidelines to be implemented to address the competing time commitments faced by Directors serving on multiple boards;
- (e) ensuring that, in connection with the re-election of Directors at annual general meetings of the Company, sufficient information is provided to the shareholders so as to enable them to make an informed decision;
- (f) identifying and nominating candidates for the approval of the Board to fill vacancies in the Board as and when they arise;
- (g) reviewing training and professional development programmes for the Board and its Directors and ensuring that all Board appointees undergo appropriate induction programme;
- (h) reviewing all candidates nominated for appointment as the Company's chairman, the chief executive officer, chief financial officer, chief operating officer, general officer or other executive officer by whatever name called who has responsibilities and functions similar to any of the said officers;
- (i) reviewing any new employment and promotion of a relative of a director or CEO or substantial shareholder of the Company to a managerial position (as defined under Catalist Rules) in the Company or its principal subsidiaries and the proposed terms of their employment;
- (j) putting in place plans for succession, in particular, of the chairman of the Board, the chief executive officer of the Company and key management personnel;
- (k) at least once every financial year, reviewing (and thereafter, making recommendations to the Board regarding) the Board structure, size, composition and core competencies, taking into account the balance between executive and non-executive Directors and between independent and non-independent Directors, and having regard at all times to the principles of corporate governance, the Code and the Catalist Rules;
- (l) procuring that at least one-third (1/3) of the Board shall comprise of Independent Directors (or such other minimum proportion and criteria as may be specified in the Code and the Catalist Rules from time to time);

- (m) proposing, for approval by the Board, objective performance criteria (that allows comparison with the Company's industry peers) to evaluate the effectiveness of the Board as a whole, the effectiveness of the respective Board committees, and the contribution by each Director to the effectiveness of the Board. Once approved by the Board, the performance criteria shall not be changed without proper justification from the Board; and
- (n) undertaking such other functions and duties as may be required by the Board, the Code and the Catalist Rules.

The NC conducts an annual review of the balance, diversity and size of the Board to determine whether any changes are required in relation to the Board composition. The Chairman of the Board should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors, in consultation with the NC. Further details on the performance evaluation procedures are set out in Principle 5 below.

Generally, the NC does not appoint new Directors, but as indicated above, nominates them to the Board which retains the final discretion in appointing such new Directors. In the search, nomination and selection process for new Directors, the NC identifies the key attributes that an incoming Director should have, based on the mix of the attributes of the existing Board and the requirements of the Group. Thereafter, the NC taps on the resources of the existing Directors' personal contacts and other professionals' recommendations of potential candidates for the shortlisting process. If candidates shortlisted are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached.

The NC, in considering the re-election of an incumbent Director, evaluates such Director's contributions in terms of experience, business perspective and attendance at meetings of the Board and/or Board committees and pro-activeness of participation in meetings. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as Director.

Under the Company's Constitution, all Directors, including Executive Directors, are required to submit themselves for re-nomination and re-election every three (3) years. Regulation 107 of the Company's Constitution provides that one-third of the Board, or the number nearest to one-third is to retire by rotation at every Annual General Meeting ("**AGM**") of the Company. In addition, Regulation 117 of the Company's Constitution also provides that new Directors appointed during the year either to fill a casual vacancy or as an addition to the Board are required to submit themselves for re-election at the next AGM of the Company. The following Directors are retiring at the forthcoming AGM in accordance with Regulations 107 and 117:

- (a) Mr George Peng Fei (per Regulation 107)
- (b) Mr Leo Peng Weile (per Regulation 107)
- (c) Ms Lo Fui Chu (per Regulation 117)

Mr George Peng Fei, Mr Leo Peng Weile and Ms Lo Fui Chu, being eligible, have offered themselves for re-election and after assessing their past and present contributions and performance as well as qualifications and working experience, the NC has recommended their re-election to the Board and the Board has approved the same. Ms Lo Fui Chu has abstained from the NC's recommendation pertaining to her re-election and all of them have abstained from voting on the Board's resolutions pertaining to their individual's re-election. The details of the Directors seeking for re-election as required under Catalist Rule 720(5) are set out in the "Additional Information on Directors Seeking Re-election" section of this Annual Report.

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As described under Principle 2 of this report, the Company has put in place a process to ensure the continuous monitoring of the independence of the Directors. Each Independent Director is required annually to complete a checklist to confirm his/her independence. Further, an Independent Director shall immediately disclose to the NC any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of the Company. Having made its review, the NC noted no relationship or circumstance which puts the independence of the Independent Directors in question and is of the view that all Independent Directors have satisfied the criteria for independence.

In respect of FY2019, notwithstanding that some of the Directors have multiple board representations, the NC was satisfied that where Directors had other listed company board representations and/or other principal commitments, all Directors were able to carry out and had been adequately carrying out their duties as Directors of the Company. The NC took into account attendance and contribution at Board and Board committees meetings and ad-hoc discussions by each Director in deciding the capacity of the Directors. Please refer to the “Board of Directors” section of this Annual Report for the listed company directorships and other principal commitments of the Directors.

The Board does not have any alternate Directors.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board committees and individual Directors.

The Board has implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the Board committees and for assessing the contribution from each Director to the effectiveness of the Board.

The NC assesses the overall effectiveness of the Board by having all members of the Board completing an Assessment Checklist, which takes into consideration factors such as understanding of the Group, understanding of the Board’s roles and responsibilities, the Board’s structure and composition, conduct of Board meetings, strategic leadership and monitoring of the Management’s performance.

The NC assesses the effectiveness of the Board committees by having all members of the respective Board committees completing an Assessment Checklist for each Board committee, which takes into consideration factors such as committee composition, conduct of Board committee meetings, understanding and fulfilment of the respective Board committee’s roles and responsibilities.

The NC assesses the individual Directors’ performance by having each Director to complete an Individual Director Self-Assessment Checklist, which takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings, leadership, the industry knowledge of the Directors and sharing of other technical knowledge in specific areas such as strategic planning, finance/accounting, risk management etc. The evaluation of individual Directors aims to assess whether each Director continues to contribute effectively and demonstrate commitment to the role, including commitment of time for Board and Board Committee meetings, and any other duties.

The Board reviews the assessment conducted by the NC and where necessary makes changes to further improve the effectiveness of the Board. The performance criteria shall not be changed from year to year without justification. Each member of the NC and the Board shall abstain from the assessment of his/her performance. Following the review, the Board is of the view that the Board and its Board committees operate effectively and has met its performance objectives and each Director is contributing to the Board’s effectiveness for FY2019.

No external facilitator had been engaged by the Board for this purpose. The NC has full authority to obtain any external facilitator service as and when the need arises.

B) REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

The RC comprises three (3) Non-Executive Directors, the majority of whom, including the Chairman, are independent. As at the date of this Annual Report, the RC members are:

Ms Lo Fui Chu	(Chairman)
Mr Ng Fook Ai Victor	(Member)
Mr Ng Wee Cheng Steven	(Member)

The RC is guided by written terms of reference that describe the responsibilities of its members.

The RC is responsible for:

- (a) recommending to the Board a framework of remuneration for the Board and determining the specific remuneration package for each Executive Director and key management personnel of the Company. The RC's recommendations should cover all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits-in-kind and termination terms (if applicable);
- (b) reviewing and approving the Management's remuneration and any adjustments proposals;
- (c) reviewing, on an annual basis, the remuneration and any adjustments to the remuneration of employees who are substantial shareholders of the Company, or are related to a Director, CEO or substantial shareholder of the Company, to ensure that their remuneration packages are in line with the Group's employee remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of the RC;
- (d) reviewing the terms of employment of any proposed new employment of related employees who are substantial shareholders of the Company, or are related to a Director, CEO or substantial shareholder of the Company;
- (e) reviewing the remuneration of the Executive Directors and of key management personnel (who are not also Directors or the CEO) of the Company prior to the meeting of the RC for that financial year ("FY RC Meeting"), to be confirmed for recommendation to the Board at the FY RC Meeting, which shall take place before the Board's approval of the audited financial statements for the immediate preceding financial year;
- (f) reviewing the service contract (for executive)/appointment letter (for non-executive) of each Director when he/she is first appointed and before approval for renewal of such contract;
- (g) determining performance-related elements of remuneration to align the interests of the Executive Directors and key management personnel with those of shareholders and link rewards to corporate and individual performance. Performance assessment measures should be appropriate and meaningful;

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- (h) implementing other forms of long term incentive schemes where necessary;
- (i) considering whether Directors or Management should be eligible for benefits under long-term incentive schemes;
- (j) administering the Company's share option scheme, including without limitation to:
 - (i) identifying those eligible Directors and employees of the Company and its subsidiary companies to whom options should be granted;
 - (ii) the timing for grant of options;
 - (iii) the number of shares over which options are to be granted;
 - (iv) the exercise price at which options are to be granted; and
- (k) considering and making recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and the details of the specific remuneration packages of the Directors and top five (5) key management personnel of the Company, in addition (if appropriate) to those required by law or by the Code; and
- (l) undertaking such other functions and duties as may be required by the Board, the Code and the Catalist Rules.

The recommendations of the RC are submitted for endorsement by the entire Board. As indicated above, all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits-in-kind and termination payments (if any) shall be covered by the RC. The remuneration of employees who are substantial shareholders of the Company or are related to the Directors or substantial shareholders of the Company will also be reviewed annually by the RC to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Each member of the RC shall abstain from voting on any resolutions in respect of his/her remuneration package.

The RC has not engaged external professional remuneration consultant in considering the remuneration matters of the Directors or key management personnel for FY2019. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. The RC will ensure that any relationship between the appointed consultant and any of its Director or the Company will not affect the independence and objectivity of the remuneration consultant.

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. In setting remuneration packages, the RC ensures that the Executive Directors and key management personnel are adequately but not excessively remunerated as compared to the industry and comparable companies.

The Company has a remuneration policy for its Executive Directors and key management personnel (who are not Directors or the CEO) which consists of a fixed component and a variable component. The fixed component is in the form of a base salary and/or fixed bonus, and the variable component is in the form of a variable bonus. The variable bonus takes into account the performance of the Group and the performance of the individual Executive Directors and key management personnel (who are not Directors or the CEO), as well as the Singapore employment market rates.

The Company does not have any employee share scheme or other long-term employee incentive scheme. The RC may consider other forms of long-term incentive schemes for the Management when necessary.

The Non-Executive Directors do not have service agreements with the Company and do not receive any remuneration from the Company. The Non-Executive Directors are paid fixed Directors' fees, which are determined by the Board as appropriate to their level of contribution, taking into account factors such as effort, time spent and responsibilities. The Directors' fees are subject to approval by shareholders of the Company at each AGM. The Independent Directors have not been over-compensated to the extent that their independence is compromised.

Service agreements

The Company has entered into separate service agreements (the "**Service Agreements**") with the Executive Directors, namely Mr George Peng Fei on 1 January 2018 and Mr Leo Peng Weile on 12 September 2017 respectively. Upon the expiry of the initial period of three (3) years, the employment of the Executive Directors shall be automatically renewed for a period of two (2) years (and thereafter automatically renewed every two (2) years) on such terms and conditions as the parties may agree.

Under the Service Agreements, the current Executive Directors, Mr George Peng Fei and Mr Leo Peng Weile, are entitled to an annual fixed bonus of one (1) month of their respective last drawn salary. They are also entitled to receive an annual performance bonus, the amount of which is to be determined in the absolute discretion of the RC. The Group will pay all reasonable travelling, hotel and other expenses incurred by the Executive Directors in connection with its business. In addition, the Group shall reimburse all reasonable medical expenses of the Executive Directors in accordance with its personnel policy. The salary of each Executive Director is subject to review by the RC after the financial statements of the Group for the immediate preceding financial year have been audited. The Executive Directors shall abstain from voting in respect of any resolution or decision to be made by the Board in relation to the terms and renewal of their Service Agreements.

Save as disclosed, there are no existing or proposed service agreements between the Company and any of its Directors. There are no existing or proposed service agreements entered or to be entered into by the Directors with the Group which provide for benefits upon termination of employment.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company. The Executive Directors and the key management personnel owe a fiduciary duty to the Company. The Company should be able to avail itself of remedies against the Executive Directors and key management personnel in the event of such breach of fiduciary duties. The RC will review such contractual provision as and when necessary.

CORPORATE GOVERNANCE REPORT

Principle 8: Disclosure of Remuneration

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

A breakdown, showing the level and mix of each Director's remuneration for FY2019 is as follows:

Remuneration band and name of Director	Director's fee ⁽¹⁾	Salary, CPF and allowance	Performance related bonus	Total
Up to S\$250,000	(%)	(%)	(%)	(%)
Mr Ng Fook Ai Victor	100	–	–	100
Mr George Peng Fei	–	100	–	100
Mr Leo Peng Weile	–	100	–	100
Mr Chong Soo Hoon Sean ⁽²⁾	100	–	–	100
Ms Lo Fui Chu ⁽³⁾	100	–	–	100
Mr Ng Wee Cheng Steven ⁽⁴⁾	100	–	–	100

Notes:

- (1) The Directors' fees were approved at the Company's AGM held on 29 April 2019.
- (2) Mr Chong Soo Hoon Sean ceased to be the Independent Non-Executive Director of the Company, Chairman of the AC and the RC, and member of the NC with effect from 23 September 2019.
- (3) Ms Lo Fui Chu was appointed as Independent Non-Executive Director of the Company, Chairman of the AC and the RC and a member of the NC on 1 November 2019.
- (4) Mr Ng Wee Cheng Steven replaced Mr Leo Peng Weile as a member of the NC with effect from 1 November 2019.

A breakdown, showing the level and mix of each key management personnel's (who are not Directors or the CEO) remuneration for FY2019 is as follows:

Remuneration band and name of key management personnel (who are not Directors or the CEO)	Salary, CPF and allowance	Performance related bonus	Total
Up to S\$250,000	(%)	(%)	(%)
David Cheng Erjun ⁽¹⁾⁽⁵⁾	100	–	100
Andy Liu Xiaofeng ⁽²⁾⁽⁵⁾	100	–	100
Johnny Pan Mingde ⁽³⁾⁽⁵⁾	100	–	100
Marco Xu Cong ⁽⁴⁾⁽⁵⁾	100	–	100
Chong Mean Phil ⁽⁶⁾	100	–	100
Lew Fan Jong ⁽⁷⁾	100	–	100

- (1) David Cheng Erjun ceased being the Chief Executive Officer of Shengting Commercial Management Co., Ltd. with effect from 1 October 2019.
- (2) Andy Liu Xiaofeng ceased being the Vice President of Shengting Commercial Management Co., Ltd. with effect from 1 October 2019.
- (3) Johnny Pan Mingde ceased being the Assistant Vice President of Shengting Commercial Management Co., Ltd. with effect from 1 October 2019.
- (4) Marco Xu Cong ceased being the Assistant Vice President of Shengting Commercial Management Co., Ltd. with effect from 1 October 2019.
- (5) The departure of these key management personnel was a result of staff restructuring and streamlining of the China team to manage costs and improve profitability of the Group.
- (6) Chong Mean Phil ceased being the Chief Financial Officer with effect from 30 April 2019.
- (7) Lew Fan Jong was appointed as Financial Controller of the Company with effect from 1 November 2019.

Given the general sensitivity and confidentiality of remuneration matters, the Company is not disclosing the remuneration of each Director and key management personnel (who are not Directors or the CEO). The Board is of the view that full disclosure in aggregate of the total remuneration paid to each of the above key management personnel would not be in the interest of the Company as such information may be exploited by competitors and the importance of maintaining the cohesion and spirit of team work prevailing among senior management executives of the Group. However, the Company adopts the disclosure of remuneration in bands of S\$250,000 for Directors and key management personnel (who are not Directors or the CEO) which would provide a good overview and is informative of the remuneration of each Director and key management personnel (who are not Directors or the CEO).

The aggregate total remuneration paid to or accrued to the key management personnel (who are not Directors or the CEO) amounted to RMB616,000 for FY2019.

There is no employee of the Group who is a substantial shareholder of the Company, or is an immediate family member of any Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000 during FY2019.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

C) ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board collectively oversees the risk management and is responsible for the governance of risk. The Board is responsible for the overall risk management and internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interest and the Group's assets. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

CORPORATE GOVERNANCE REPORT

The Board does not have a separate risk management committee after assessing the current size of business operations of the Group. Notwithstanding, the Board, with the assistance of the AC, oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually. The Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. In addition, the Management regularly reviews significant risk management and internal control policies and procedures and highlights the significant matters to the Board and the AC. Appropriate measures are put in place to control and mitigate these risks when identified.

The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Group's internal control system.

The Board and the AC, with the assistance of the internal and external auditors, annually reviews the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls.

The Board, under the AC's recommendation, selected and appointed Wensen Consulting Asia (S) Pte Ltd as the internal auditor of the Group to review, recommend and carry out subsequent follow-up review of the Group's internal control system. The external auditor, Nexia TS Public Accounting Corporation, has also, in the course of their statutory audit, gained an understanding of the key internal accounting controls assessed to be relevant to the statutory audit. In this respect, the AC has reviewed the findings of both the internal and external auditors and will ensure that the Company follows up on the auditors' recommendations raised during the audit processes. No material internal control weakness had been raised by the internal and external auditors in the course of their audits for FY2019.

The Board has received assurance from the CEO and the Financial Controller that the financial records have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances.

In addition, the Board has received assurance from Executive Directors and the Financial Controller that the Group has put in place and will continue to maintain adequate and effective systems of risk management and internal controls.

Based on the internal controls established and maintained by the Group, work performed by the internal auditor and the external auditor and reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the risk management system and internal controls in place are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group as at 31 December 2019.

Principle 10: Audit Committee***The Board has an Audit Committee which discharges its duties objectively.***

The AC comprises three (3) Non-Executive Directors, the majority of whom, including the Chairman, are independent. As at the date of this Annual Report, the AC members are:

Ms Lo Fui Chi	(Chairman)
Mr Ng Fook Ai Victor	(Member)
Mr Ng Wee Cheng Steven	(Member)

All members of the AC are appropriately qualified and have relevant accounting or related financial management expertise and experience. They are not former partners or directors of the Company's auditing firm.

The AC will assist the Board in discharging its responsibility to safeguard the assets of the Group, maintain adequate accounting records and develop and maintain effective system of internal controls, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group. The AC will provide a channel of communication between the Board, the Management and the external auditor on matters relating to audit.

The AC has written terms of reference clearly setting out its authority and duties. The AC is authorized to investigate any matter falling within its written terms of reference and has full access to and co-operation of the Management. The AC has full discretion to invite any Director or key management personnel to attend its meeting, as well as reasonable resources to enable it to discharge its functions properly. Further, the AC has authority to obtain independent professional advice.

The AC shall meet half-yearly and as and when the need arises, to perform, *inter alia*, the following functions as part of its terms of reference:

- (a) review the audit plan of the internal auditor, and internal auditor's review and evaluation of the Group's system of internal controls;
- (b) review the audit plan of the external auditor, including review the annual consolidated financial statements and the external auditor's report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Financial Reporting Standards in Singapore, concerns and issues arising from its audits including any matters which the external auditor may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- (c) review the half-yearly consolidated financial statements comprising the statement of comprehensive income and the balance sheets and such other information required by the Catalist Rules, before submission to the Board for approval;
- (d) review and discuss with the external and internal auditors (if any), any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- (e) review the co-operation given by the Management to the external and internal auditor;

CORPORATE GOVERNANCE REPORT

- (f) review and ratify any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;
- (g) review potential conflicts of interests (if any);
- (h) review the procedures by which employees of the Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
- (i) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (j) undertake generally such other functions and duties as may be required by the Board, law or the Catalist Rules, and by such amendments made thereto from time to time;
- (k) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;
- (l) reviewing the assurance from the CEO and the CFO/FC on the financial records and financial statements;
- (m) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors; and
- (n) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function.

Internal Audit

The AC is aware of the need to establish a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risks.

The AC approves the engagement, removal, evaluation and compensation of the internal auditor and reviews the activities of the internal auditor on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function at this juncture. The Company has therefore appointed Wensen Consulting Asia (S) Pte Ltd, an external risk advisory consultancy firm, to undertake the functions of an internal auditor for the Group.

The internal audit function is independent of the activities it audits and carries out its activities in compliance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditor reports directly to the AC and administratively to the Executive Directors. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The internal auditor plans its internal audit schedules in consultation with, but independent of, the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The AC reviews and endorses the internal audit plan and internal audit reports of the Group. Any material non-compliance or failures in the internal audit function and recommendations for improvements are reported to the AC. In addition, the AC reviews the adequacy and effectiveness of the internal audit function on an annual basis.

During FY2019, the internal auditors completed an internal control review of the Group's control environment policies and procedures, as well as project management process and accounting management process of Shengting Commercial Management Co., Ltd. Summary of findings and recommendations by the internal auditors were discussed at the AC meetings. The related internal audit report, including the Management's responses and implementation status, have been reviewed and approved by the AC. No material weaknesses were identified based on the work done in FY2019. The AC has reviewed and is satisfied with the independence, adequacy and effectiveness of the Company's internal audit function. The AC is also satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

External Audit

It is the Company's practice for the external auditor to present to the AC its audit plan and with updates relating to any change in accounting standards impacting the financial statements of the Group. During FY2019, the changes in accounting standards did not have any material impact on the Group's financial statements.

In line with the recommendations by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and SGX-ST, the AC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on Key Audit Matters ("**KAM**"). The AC reviewed the KAM and concurred and agreed with the external auditor and Management on their assessment, judgements and estimates on the significant matter reported by the external auditor.

The Group is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointments of its external auditors.

The AC is mindful of the need to maintain a balance between the independence and objectivity of the external auditor and the work carried out by the external auditor based on value for money consideration. During FY2019, the aggregate amount of fees paid or payable to the external auditor of the Group for the audit services amounted to S\$84,000. There was no non-audit service provided to the Group by the external auditor of the Group. The AC, having considered the scope and value of the audit service and the fact that there was no non-audit service provided, is satisfied that the independence and objectivity of the external auditor is not impaired.

In the AC's opinion, the external auditor, Nexia TS Public Accounting Corporation, is suitable for re-appointment and it has accordingly recommended to the Board that Nexia TS Public Accounting Corporation be nominated for re-appointment as auditor of the Company at the forthcoming AGM.

The AC had met with the internal and external auditors, without the presence of the Management, to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors.

Whistle-blowing Policy

The Group is committed to a high standard of ethical conduct and adopts a zero-tolerance approach to fraud. The Group has a whistle-blowing policy in place which encourages the reporting of mainly matters of fraud, corruption or dishonest and unethical practices. The whistle-blowing policy has been communicated to all staff.

The Group undertakes to investigate complaints or suspected fraud and unethical behaviour in an objective manner and has put in place, with the AC's endorsement, arrangement by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation of matters raised and allow appropriate actions to be taken. All such concerns are to be raised in confidentiality directly to the Chairman of the Board and AC. For FY2019, the Group did not receive any whistle-blowing reports.

D) SHAREHOLDER RIGHTS AND ENGAGEMENTS

Principle 11: Shareholder Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with the legislative and statutory requirements and requirements of the Catalist Rules.

The Group's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Group ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders by post within the mandatory period. Notice of general meeting is released through SGXNet and published in the Business Times within the same period. The results of the general meetings are also released on SGXNet on the same day.

The Constitution of the Company allows a shareholder of the Company, if he/she is unable to attend the meeting, to appoint up to two proxies to attend and vote on his/her behalf at the general meetings. Any relevant intermediary is entitled to appoint more than two proxies to attend and vote at the general meetings pursuant to the legislative amendment in January 2016.

All shareholders are entitled to attend and vote at the general meetings and are afforded the opportunity to participate effectively at the general meetings. Resolutions at general meetings are on each substantially separate issue. The Company avoids bundling resolutions unless they are interdependent and linked. In situations where resolutions are inter-conditional, the Company will provide clear explanations.

All Directors, including the Chairman of various Board committees, and the Executive Officer shall attend general meetings to address shareholders' queries and receive feedback from shareholders. The external auditor shall also be invited to attend general meetings and will assist in addressing queries from the shareholders relating to the conduct of the audit and the preparation and content of the independent auditor's report. The Chairman of the meeting will facilitate constructive dialogue between shareholders and the Board, the Management, the external auditors and other relevant professionals.

The Company adopts voting by poll for all resolutions in annual general meeting in accordance with the requirement of the Catalyst Rules. Announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will also be made on the same day.

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of shareholders' identities through the web are not compromised and is also subject to legislative amendment to recognise electronic voting.

Minutes of general meeting will be made available to shareholders upon their request. The Company does not intend to publish minutes of general meetings of shareholders on its corporate website as contemplated by the Code. There are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting), including risk of litigation if defamatory statements are made during the meeting. The Company is of the view that its position is consistent with the intent of Principle 11 as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. In addition, shareholders, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of minutes of general meetings in accordance with Section 189 of the Companies Act. The Company is therefore of the view that, consistent with the intent of Principle 11, as between themselves, shareholders are treated fairly and equally by the Company.

The Company does not have a fixed dividend policy. While this would mean that its practice varies from the Code which implies that companies should have a dividend policy, the Company is of the view that the following disclosure would constitute a balanced and understandable assessment of its position on a dividend policy, and that this practice is consistent with the intent of Principle 11.

The form, frequency and amount of dividend will depend on the Company's earnings, general financial condition, results of operations, capital requirement, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. No dividend has been declared or recommended in view of the losses incurred for FY2019.

Principle 12: Engagement with Shareholders

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. It is the Board's policy to ensure that all shareholders are informed on a timely basis of every significant development that has an impact on the Group, in accordance with the Catalyst Rules and the Companies Act. Such information is disclosed in an accurate and comprehensive manner through SGXNet.

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The Company does not practise selective disclosure. Results and Annual Reports are announced or issued within the mandatory period.

The Company conducts its investor relations on the following principles:

- (a) Information deemed to be trade-sensitive or price-sensitive is disseminated without delay via announcements on SGXNet;
- (b) Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions;
- (c) Notices for AGM and other general meetings are issued with explanatory memoranda, where relevant; and
- (d) Operate an open policy with regard to investors' enquiries.

In view of the present scale and limited queries from the public, the Company does not have a dedicated investor relations team. However, the investor relations efforts of the Company are overseen by the FC with a dedicated email address (ken.lew@healthbankholdings.com) and a general line at (65) 6532 3006 where the emails and requests from the public will be attended to. The Company will assess the need to establish a dedicated investor relations team when the scale, complexity and the demand for such services deem it necessary.

E) MANAGING STAKEHOLDER RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company takes a pragmatic approach in managing stakeholders' expectations to support its long-term strategy. The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly able to impact the Group's business and operations. Key stakeholders of the Group include customers, suppliers, employees, investors, business partners as well as governments and regulators. The Group's engagement with material stakeholder groups, including key areas of focus and engagement channels, are disclosed in the latest Sustainability Report. Feedback from the stakeholders are welcome as it allows continual improvement in the Company's sustainability policies, processes and performance.

The Company has, after taking into consideration the size of the Group's operations and the nature of the Group's business, and balancing the monetary and other costs involved, taken a pragmatic approach in not establishing a corporate website. Notwithstanding, the Company is committed to engaging its stakeholders, and does so through various channels, including through timely and regular announcements through the SGXNet and meeting the shareholders at general meetings, to ensure that the business interests of the Group are balanced against the needs and interest of its stakeholders. Furthermore, the Company welcomes feedback from the stakeholders to be sent via mail to 80 Raffles Place, #11-20 UOB Plaza 2, Singapore 048624, via email at ken.lew@healthbankholdings.com or contact us at (65) 6532 3006.

ADDITIONAL INFORMATION

Dealing in Securities

The Company has devised and adopted policies in line Rule 1204(19) of the Catalist Rules on dealings in the Company's securities.

The Company and its officers are prohibited from dealing in the Company's shares on short-term consideration or at any time when they are in possession of unpublished trade-sensitive or price-sensitive information. They are also not allowed to deal in shares of the Company during the period commencing one (1) month before the date of announcement of the Company's half year and full year financial results, and ending on the date of the announcement of the relevant results.

In addition, the Directors and employees of the Group are expected to observe insider trading laws at all times when dealing in securities within the permitted trading period. Directors are required to report all dealings to the company secretary.

Interested Person Transactions

The Group has adopted an internal policy in respect of any transactions with interested persons and requires all such transactions, if any, to be at agreed and normal commercial terms, and not prejudicial to the interests of the Company and its shareholders, and to be reviewed by the AC to ensure compliance with the requirements of the Catalist Rules on interested person transactions.

If the Group enters into an interested person transaction and a potential conflict of interest arises, the Director concerned shall abstain from any discussions and also refrain from exercising any influence over other members of the Board.

The Company did not enter into interested person transactions which are required for disclosure pursuant to Rule 1204(17) of the Catalist Rules during FY2019.

Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, there was no non-sponsor fees incurred in FY2019 paid/payable to the Company's continuing sponsor, SAC Capital Private Limited, during FY2019.

Material Contracts

There were no material contracts of the Company and its subsidiary corporations involving the interests of the CEO or any Director or controlling shareholder of the Company, either still subsisting at the end of FY2019 or if not then subsisting, which were entered into since the end of the previous financial year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

In the opinion of the directors,

- (i) the balance sheet of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and statement of cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

George Peng Fei
 Leo Peng Weile
 Ng Fook Ai Victor
 Ng Wee Cheng (Appointed on 1 January 2019)
 Lo Fui Chu (Appointed on 1 November 2019)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of a director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
The Company				
(No. of ordinary shares)				
Leo Peng Weile	15,300,000	15,300,000	—	—

The directors' interests in the ordinary shares or debentures of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

SHARE OPTIONS

No options were granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporation under option at the end of the financial year.

AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Lo Fui Chu (appointed on 1 November 2019)	Independent Non-Executive Director (Chairman)
Ng Fook Ai Victor	Independent Non-Executive Director (Member)
Ng Wee Cheng (appointed on 1 January 2019)	Non-Executive Director (Member)

Two members of the AC were Independent Directors. All of them were Non-Executive Director of the Company. The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- (a) the audit plan of the internal auditor, and internal auditor's findings on review and evaluation of the Group's system of internal controls;
- (b) the audit plan of the independent auditor, including review the annual consolidated financial statements and the independent auditor's report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Financial Reporting Standards in Singapore, concerns and issues arising from its audit including any matters which the independent auditor may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- (c) the half-yearly consolidated financial statements comprising the statement of comprehensive income and the balance sheets and such other information required by the SGX-ST Catalist Rules, before submission to the Board for approval;
- (d) if there is any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the management's response;
- (e) the co-operation given by our management to the independent auditor;
- (f) re-appointment of the independent auditor;
- (g) interested person transactions falling within the scope of Chapter 9 of the SGX-ST Catalist Rules;
- (h) potential conflicts of interests (if any);

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

AUDIT COMMITTEE (CONTINUED)

- (i) the procedures by which employees of the Group may, in confidence, report to the Chairman of the AC possible improprieties in matters of financial reporting or other matters and ensured that there are arrangements in place for independent investigation and follow-up actions thereto;
- (j) any new project to review as and when requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (k) any other functions and duties as may be required by law or the SGX-ST Catalist Rules, and by such amendments made thereto from time to time.

The AC convened two (2) meetings during the financial year with full attendance from all members. The AC met with the independent auditor and internal auditor once without the presence of the management. These meeting enable the independent auditor and internal auditor to raise issues had encountered in their course of work directly to the AC.

The AC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for reappointment at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept reappointment.

On behalf of the directors,

George Peng Fei
Director

Leo Peng Weile
Director

13 April 2020

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Opinion**

We have audited the accompanying financial statements of HealthBank Holdings Limited (formerly known as SMJ International Holdings Ltd.) (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

- 1 *Business combination*
[Refer to Notes 2.3 and 25]

Acquisition of 52% Beijing Shengting Commercial Management Co., Ltd.

On 21 July 2018, the Group acquired 52% equity interest in Beijing Shengting Commercial Management Co., Ltd. (formerly known as Beijing Libre Commercial Management Co., Ltd.) for a total consideration of RMB15,590,000, and recognised a provisional goodwill and intangible assets of RMB12,233,000 and RMB14,381,000 respectively for the financial year ended 31 December 2018.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEALTHBANK HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

1 *Business combination* (Continued) [Refer to Notes 2.3 and 25]

Acquisition of 52% Beijing Shengting Commercial Management Co., Ltd. (Continued)

During the financial year ended 31 December 2019, the independent valuer engaged by management has completed the purchase price allocation review. The Group retrospectively adjusted the fair value of identifiable assets and restated the goodwill and intangible assets to RMB12,156,000 and RMB14,552,000 respectively (Note 15).

Acquisition of 90% Libre Hospitality Limited and its subsidiary corporations ("LHL")

On 11 December 2019, the Group acquired 90% of equity interest in Libre Hospitality Limited and its subsidiary corporations at a consideration of RMB39,600,000 ("Consideration"). The Consideration was satisfied by way of assigning investment funds units equivalent to the consideration which was recognised as financial assets through profit or loss in the financial statements. The Group has recognised a bargain purchase of RMB11,227,000 as to the fair value of the identifiable assets determined by the independent valuer is higher than the Consideration.

In accordance to SFRS(I) 3 Business Combination, the Group is required to assess and determine the fair values of the assets acquired and liabilities assumed, including any potential intangible assets. Any excess of the purchase consideration over the fair value of net assets acquired is recognised as goodwill or a gain on bargain purchase when the acquisition cost is lower than the fair value of the net identifiable assets.

Due to significant management judgement and estimates involved in identification of intangible assets, determination of the fair values of the assets acquired, liabilities assumed in the transactions and purchase consideration, we identified accounting for these acquisitions to be a key audit matter.

How our audit addressed the matter

In obtaining sufficient audit evidence, we:

- Obtained the signed Sale and Purchase Agreement and read the significant terms relevant to the accounting treatment and disclosures in the financial statements;
- Evaluated the competencies, capabilities and objectivity of the independent valuer and appropriateness of their scope of work;
- Involved our internal valuation specialists to evaluate the appropriateness of the valuation methodologies and key assumptions applied in the purchase price allocation report and valuation report;
- Assessed the fair value of purchase consideration; and
- Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**Key Audit Matters (Continued)**

- 2 *Impairment of goodwill and intangible assets (management contract and naming rights)*
[Refer to Notes 2.7 and 15]

As disclosed in Note 15 to the financial statements, the Group has recognised goodwill and intangible assets arising from acquisition of 52% equity interest of Beijing Shengting Commercial Management Co., Ltd. amounting to RMB12,156,000 and RMB14,552,000 respectively.

In accordance with SFRS(I)1-36 – *Impairment of Assets*, the recoverable amount of the goodwill shall be reviewed annually, irrespective of whether there is any indication that it may be impaired whereas for intangible assets, the recoverable amount shall be reviewed if there is any objective evidence or indicator that these assets may be impaired.

Management performed an impairment assessment by using value-in-use method to determine the recoverable amounts of the cash-generating unit ("CGU") in which goodwill and intangible assets are attributed. Consequently, a total impairment charge of RMB14,309,000 was recognised in profit or loss of the Group as the recoverable amounts of the CGU is lower than its carrying values of goodwill and intangible assets. The carrying amounts of goodwill and intangible assets are impaired to nil and RMB10,844,000 respectively as at 31 December 2019.

We considered impairment assessment for goodwill and intangible assets to be a key audit matter because it involves significant management judgements and assumptions in the preparation of cash flows projections.

How our audit addressed the matter

In obtaining sufficient audit evidence, we:

- Reviewed the cash flows projection, and the process by which they were drawn up, including testing the underlying calculations and comparing them to the actual prior year results;
- Evaluated management's key assumptions such as projected revenue, growth rates, projected hotel occupancy rates, etc applied in the value-in-use model based on our knowledge of the operations, by comparing against historical performance, market and industrial trend;
- Involved our internal valuation specialists to assist in the assessment the appropriateness of the methodology used to complete the recoverable amounts and the discount rate applied by management; and
- Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**Key Audit Matters (Continued)**

3 *Expected Credit Loss ("ECL") on Trade and Other Receivables*
[Refer to Notes 2.8, 12 and Note 22(b)]

As at 31 December 2019, the Group's trade and other receivables amounted to RMB3,116,000 (2018: RMB6,288,000) and RMB9,083,000 (2018: RMB12,211,000) respectively. Trade and other receivables are carried at amortised cost less appropriate allowance for credit losses.

For the financial year ended 31 December 2019, the Group has recognised loss allowance amounting to RMB14,388,000 for trade and other receivables. In assessing the recoverability of trade and other receivables, management is required to exercise judgement based on the credit-worthiness of the customers, historical payment trend and business relationship fostered with the respective customers.

We considered provisioning for credit loss allowance for trade and other receivables to be a key audit matter due to level of judgement applied by the management in determining the credit loss allowance.

How our audit addressed the matter

In obtaining sufficient audit evidence, we:

- Evaluated the basis and assumptions applied in the ECL assessment by comparing management's views of recoverability to historical pattern, verified the cash received subsequent to year end and financial capability of the customers, if applicable;
- Discussed and understood from management on their business relationship with those customers have significant overdue amounts to determine the appropriateness of provisioning for credit loss allowance; and
- Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 management.
- Conclude on the appropriateness of management's 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 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEALTHBANK HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 directors 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 directors 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 directors, we determine those matters that were of most significance in the audit of the financial statements of the current year 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Lee Look Ling.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	Note	2019 RMB'000	2018 RMB'000
Revenue	4	4,043	10,241
Other income	5	25	2,869
Other gains/(losses)			
– Gain on bargain purchase	25(a)(iii)	11,227	–
– Gain on disposal of a subsidiary corporation	10	1,964	–
– Currency exchange gains/(losses) - net		*	(2)
		13,191	(2)
Expenses			
– Credit loss allowance on trade and other receivables	22(b)	(14,388)	–
– Impairment loss on intangible assets	15(b)	(2,153)	–
– Amortisation of intangible assets	15(b)	(1,037)	(518)
– Impairment loss on goodwill	15(a)	(12,156)	–
– Depreciation of property, plant and equipment	14	(32)	(32)
– Employee compensation	6	(5,450)	(9,019)
– Other expenses	7	(3,164)	(4,819)
Total expenses		(38,380)	(14,388)
Loss before income tax		(21,121)	(1,280)
Income tax expense	8	(407)	(144)
Net loss		(21,528)	(1,424)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	19	(24)	296
Other comprehensive loss, net of tax		(24)	296
Total comprehensive loss		(21,552)	(1,128)
Loss attributable to:			
Equity holders of the Company		(15,571)	(2,299)
Non-controlling interests		(5,957)	875
		(21,528)	(1,424)
Total comprehensive loss attributable to:			
Equity holders of the Company		(15,595)	(2,003)
Non-controlling interests		(5,957)	875
		(21,552)	(1,128)
Loss per share for loss attributable to equity holders of the Company (RMB cents per share)			
Basic and diluted loss per share (RMB cents)	9	(19.96)	(2.95)

* Less than RMB1,000

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2019

		The Group	
	Note	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000 (Restated)
ASSETS			
Current assets			
Cash and bank balances	10	9,715	1,980
Financial assets, at fair value through profit or loss ("FVTPL")	11	–	59,530
Trade and other receivables	12	3,754	18,567
		13,469	80,077
Non-current assets			
Financial assets, at FVTPL	11	55,227	–
Property, plant and equipment	14	147	277
Intangible assets	15	10,844	26,190
Other receivable	12	8,500	–
		74,718	26,467
Total assets		88,187	106,544
LIABILITIES			
Current liabilities			
Trade and other payables	16	3,865	5,200
Current income tax liabilities		55	97
		3,920	5,297
Non-current liability			
Deferred income tax liabilities	17	3,918	3,746
Total liabilities		7,838	9,043
NET ASSETS		80,349	97,501
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	29,194	29,194
Currency translation reserves	19	1,743	1,767
Accumulated profits		31,397	46,968
		62,334	77,929
Non-controlling interests	13	18,015	19,572
Total equity		80,349	97,501

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

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AS AT 31 DECEMBER 2019

		The Company	
		As at	As at
		31 December	31 December
		2019	2018
		RMB'000	RMB'000
			(Restated)
ASSETS			
Current assets			
Cash and bank balances	10	4	153
Other receivables	12	33,319	75,880
		33,323	76,033
Non-current assets			
Investments in subsidiary corporations	13	39,600	*
Property, plant and equipment	14	134	148
		39,734	148
Total assets		73,057	76,181
LIABILITIES			
Current liability			
Other payables	16	625	831
NET ASSETS		72,432	75,350
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	29,194	29,194
Currency translation reserve	19	5,979	3,550
Accumulated profits	20	37,259	42,606
Total equity		72,432	75,350

* Less than RMB1,000

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

← Attributable to equity holders of the Company →						
Note	Share capital RMB'000	Currency translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
The Group						
2019						
Beginning of financial year	29,194	1,767	46,968	77,929	19,572	97,501
Total comprehensive loss for the financial year	–	(24)	(15,571)	(15,595)	(5,957)	(21,552)
Acquisition of subsidiary corporations	25(a)(iii)	–	–	–	4,400	4,400
End of financial year	29,194	1,743	31,397	62,334	18,015	80,349
2018						
Beginning of financial year	29,194	1,471	49,267	79,932	–	79,932
Total comprehensive income/(loss) for the financial year	–	296	(2,299)	(2,003)	875	(1,128)
Acquisition of subsidiary corporations	25(a)(iii)	–	–	–	18,697	18,697
End of financial year	29,194	1,767	46,968	77,929	19,572	97,501

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Net loss for the financial year		(21,528)	(1,424)
Adjustments for:			
– Income tax expense	8	407	144
– Amortisation of intangible assets	15(b)	1,037	518
– Fair value gain on financial assets, at FVTPL	5	–	(2,859)
– Gain on disposal of a subsidiary corporation	10	(1,964)	–
– Gain on bargain purchase	25(a)(iii)	(11,227)	–
– Depreciation of property, plant and equipment	14	32	32
– Impairment loss on goodwill	15(a)	12,156	–
– Impairment loss on intangible assets	15(b)	2,153	–
– Interest income	5	(24)	(10)
– Unrealised currency translation differences		(24)	296
		(18,982)	(3,303)
Change in working capital, net of effects from acquisition of subsidiary corporations and disposal of a subsidiary corporation:			
– Trade and other receivables		(1,789)	63,558
– Financial assets, at FVTPL		11,430	(56,671)
– Trade and other payables		17,864	(17,093)
Cash provided by/(used in) operations		8,523	(13,509)
Income tax paid		(277)	(918)
Interest received		24	10
Net cash provided by/(used in) operating activities		8,270	(14,417)
Cash flows from investing activities			
Acquisition of subsidiary corporations, net of cash acquired	25(b)(ii)	–	8,850
Additions to property, plant and equipment	14	(28)	(275)
Disposal of a subsidiary corporation, net of cash disposed of	10	(507)	–
Net cash (used in)/provided by investing activities		(535)	8,575
Net increase/(decrease) in cash and bank balances		7,735	(5,842)
Cash and bank balances			
Beginning of financial year		1,980	7,822
End of financial year		9,715	1,980

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 GENERAL INFORMATION

HealthBank Holdings Limited (formerly known as SMJ International Holdings Ltd.) ("the Company") is listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office is 80 Raffles Place, #11-20 UOB Plaza 2, Singapore 048624.

The principal activity of the Company is investment holding. The principal activities of its subsidiary corporations are described in Note 13 to the financial statements.

With effect from 29 April 2019, the name of the Company was changed from SMJ International Holdings Ltd to HealthBank Holdings Limited.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended FRSs and Interpretations of FRSs ("INT FRSs") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs and INT FRSs.

The adoption of these new or amended FRSs and INT FRSs did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for SFRS(I) 16 Leases:

Adoption of SFRS (I) 16 Leases

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.11.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Adoption of SFRS (I) 16 Leases (Continued)

(a) When the Group is the lessee (Continued)

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- (i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and
- (ii) On a lease-by-lease basis, the Group has accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

An explanation of the differences between the operating lease commitments of the Group as at 31 December 2018 is as follows:

	RMB'000
Operating lease commitment as at 31 December 2018	3,186
Less: Termination of lease agreements ⁽¹⁾	(3,186)
As at 1 January 2019	–

- (1) On 1 January 2019, the Group has mutually agreed with the lessors to terminate the lease agreements. Accordingly, the Group is not required to recognise lease liabilities and right-of-use assets in accordance with SFRS(I) 16.

2.2 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation (PO) by transferring a promised goods or services to the customer, which is when the customer obtains control of the goods or services. The performance obligation is satisfied at overtime.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

The Group recognises revenue from the following sources:

(a) *Consultancy services*

The provision of consultancy services is recognised over time when the Group satisfies a performance obligation by transferring control of a promised service to the customer. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. The output method is used to recognise revenue by reference to the Group's progress towards completing the services rendered. The measure of progress is determined based on surveys of work performed.

(b) *Hotel management fees*

Hotel management fees involve planning, assessing, supervising and quality control on hotel and resort development. The hotel management fees are charged based on a percentage of the total revenue of the hotels under the Group's management. Total hotels' revenue includes but is not limited to room revenue, food and beverage revenue, revenue from conference, banquet and spa service. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue from the hotel management is recognised over time when the management services is delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the services rendered.

(c) *Interest income*

Interest income is recognised using the effective interest method.

2.3 Group accounting

(a) *Subsidiary*

(i) *Consolidation*

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 over of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) *Subsidiary (Continued)*

(i) *Consolidation (Continued)*

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

The acquisition method of accounting is used to account for business combinations entered into by the Group.

(ii) *Acquisitions*

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) *Subsidiary (Continued)*

(ii) *Acquisitions (continued)*

When the sum of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition date fair value of any previous equity interest in the acquire is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference – often referred to as “negative goodwill” – is recognised in profit or loss.

Before recognising a gain on bargain purchase, management shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in the review. The objective is to ensure that measurements appropriately reflect consideration of all available information as of the acquisition date.

(iii) *Disposals*

When a change in the Group’s ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph “Investments in subsidiary corporation” for the accounting policy on investments in subsidiary corporation in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group’s ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Useful lives

Computers	3 years
Furniture and fittings	10 years
Office equipment	3-10 years
Leasehold improvements	3-5 years

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other (losses)/gains – net".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets

(a) Goodwill

Goodwill on acquisition of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to entity sold.

(b) Management contracts and naming rights

Management contracts and naming rights acquired in business combination are initially recognised at costs which represent fair values at the date of acquisition and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss on a straight-line method over their estimated useful lives as follows:

Useful lives

Management contracts	15 years
Naming rights	12 years

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Investments in subsidiary corporation

Investments in subsidiary corporation are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.7 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets (Continued)

(a) *Goodwill (continued)*

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Property, plant and equipment Intangible assets Investments in subsidiary corporations*

Property, plant and equipment, intangible assets and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets

(a) *Classification and measurement*

The Group classifies and measures its financial assets at amortised cost and FVTPL. The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

At initial recognition

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

At subsequent measurement

(i) *Debt instruments*

Debt instruments of the Group mainly comprise cash and bank balances and trade and other receivables.

The subsequent measurement categories depend on the Group's business model for managing the assets and the cash flow characteristic of the assets. The Group manages these groups of financial assets by collecting the contractual cash flow and these cash flows represent solely payment of principal and interest. Accordingly, these groups of financial assets are measured at amortised cost subsequent to initial recognition.

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or fair value through other comprehensive income ("FVOCI") are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gain and losses".

(ii) *Equity investments*

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in the fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains or losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in the fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair value gains/losses in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(b) *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 applied the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) *Recognition and derecognition*

Regular way purchase 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 financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit and loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to accumulated profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that factored out to banks and other financial institutions with recourse, to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

2.9 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.11 Leases

(a) The accounting policy for leases before 1 January 2019 is as follows:

(i) When the Group is the lessee:

The Group leases office space under operating leases from non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) The accounting policy for leases from 1 January 2019 is as follows:

(i) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Short term and low value leases

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have lease term of 12 months or less and leases of low value assets, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.12 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. 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 to the tax authorities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Income taxes (Continued)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and joint venture, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.13 Provisions

Provisions for other liabilities and charges 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. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Defined contribution plans – retirement benefits*

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiary corporations of the Group ("PRC Subsidiary Corporations") have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC Subsidiary Corporations are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund its retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the PRC Subsidiary Corporations. The only obligation of the PRC Subsidiary Corporations with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss when incurred.

2.15 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's functional currency is Singapore Dollar ("SGD"). The financial statements are presented in Chinese Renminbi ("RMB") as the presentation currency of the Group.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity instruments) and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Currency translation (Continued)

(b) *Transactions and balances (Continued)*

Foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "Other (losses)/gains – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (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:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average 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 using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating whose members are responsible for allocating resources and assessing performance of the operating segments.

2.17 Cash and bank balances

For the purpose of presentation in the consolidated statement of cash flows, cash and cash at banks include cash on hand and bank deposits which are subject to an insignificant risk of change in value.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) *Credit loss allowance for trade and other receivables*

Expected credit losses ("ECL") on trade and other receivables are probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account current conditions and assessment of future economic conditions.

The Group has determined the expected credit loss of the trade and other receivables by exercising judgment based on the credit-worthiness of the customers, historical payment trend and business relationship fostered with the respective customers.

During the financial year ended 31 December 2019, a loss allowance of RMB14,388,000 were recognised due to the amounts were overdue more than 365 days with minimal collection.

The carrying amounts of trade and other receivables at the end of each financial year are disclosed in Note 12.

(b) *Impairment of goodwill and intangible assets*

The Group has recognised an impairment charge on its goodwill and intangible assets of RMB12,156,000 and RMB2,153,000 respectively, during the financial year which resulted in the carrying amounts of goodwill and intangible assets as at 31 December 2019 to reduce to nil and RMB10,844,000 respectively.

In performing the impairment assessment of the carrying amount of its goodwill and intangible assets, the recoverable amount of the CGU in which the goodwill and intangible assets has been attributable to is determined using value-in-use ("VIU") calculation.

Significant judgments are used to estimate the revenue growth rates and cost of equity applied in computing the recoverable amount of the CGU. In making these estimates, management has relied on the CGU's actual performance for the financial year ended 31 December 2019.

If the estimated cost of equity used had been 5% higher than management's estimates, the recoverable amount of goodwill would not have reduced further as the goodwill had been fully impaired and the recoverable amount of intangible assets would have been lower by RMB2,670,000.

NOTES TO

THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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4 REVENUE

The Group derives revenue through rendering of services in the following geographical location:

	Over time RMB'000
2019	
People's Republic of China	
Hotel management fees	4,043
2018	
People's Republic of China	
Consultancy services	7,412
Hotel management fees	2,829
	10,241

5 OTHER INCOME

	Group 2019 RMB'000	2018 RMB'000
Interest income – bank deposits	1	10
Interest income – financial assets, at FVTPL	23	–
Sundry income	1	*
Fair value gain on financial assets, at FVTPL (Note 11)	–	2,859
	25	2,869

* Less than RMB1,000

6 EMPLOYEE COMPENSATION

	Group 2019 RMB'000	2018 RMB'000
Wages and salaries	3,932	7,411
Employer's contribution to defined contribution plan	1,518	1,608
	5,450	9,019

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 OTHER EXPENSES

	2019 RMB'000	2018 RMB'000
Auditor's remuneration paid/payable		
– Auditor of the Company	299	272
– Other auditors ^(a)	127	119
Travel and entertainment	617	952
Professional fees	870	1,303
Rental expenses on operating lease	40	751
Deposit forfeited for early lease termination	453	–
Marketing and promotion	–	556
Printing, stationery and postages	92	133
Directors' fees	403	618
Others	263	115
	3,164	4,819

(a) Includes Shanghai Nexia TS Certified Public Accountants

8 INCOME TAX EXPENSE

	Group	
	2019 RMB'000	2018 RMB'000
Tax expense attributable to loss is made up of:		
Loss for the financial year:		
– Current income tax	235	97
– Deferred income tax (Note 17)	172	47
	407	144

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Loss before income tax	(21,121)	(1,280)
Tax calculated at tax rate of 17% (2018: 17%)	(3,591)	(218)
Effects of:		
– different tax rates in other countries	1,995	51
– deferred tax assets not recognised	3,578	1,331
– expenses not deductible for tax purposes	1,723	797
– income not subject to tax	(3,298)	(1,817)
	407	144

NOTES TO THE FINANCIAL STATEMENTS

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9 LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2019	2018
	RMB'000	RMB'000
Loss for the financial year attributable to equity holders of the Company (RMB'000)	(15,571)	(2,299)
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	78,000	78,000
Basic and diluted losses per share (RMB cents per share)	(19.96)	(2.95)

There were no dilutive potential ordinary shares during the financial years ended 31 December 2019 and 2018.

10 CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	9,715	1,980	4	153

For the purpose of presenting the consolidated statement of cash flows, cash and cash at bank comprise of the following:

	Group	
	2019	2018
	RMB'000	RMB'000
Cash and bank balances as above and as per consolidated statement of cash flows	9,715	1,980

Acquisition and disposal of subsidiary corporations

Please refer to Note 25 to the financial statements for the effects of acquisitions of subsidiary corporations on the cash flows of the Group.

On 1 January 2019, a subsidiary corporation of the Group, Beijing Shengting Commercial Management Co., Ltd. ("Beijing Shengting") entered into the following agreements:

- (i) with two non-related parties (the "Purchasers") to dispose its entire equity interest in Beijing Libre Hotel Management Co., Ltd. ("Beijing Libre") at a consideration of RMB2,765,000 (the "Disposal").
- (ii) with its former subsidiary corporation, Beijing Libre, to acquire certain assets and liabilities as well as an apartment management contract and 5 long-term hotel management contracts for a net consideration of RMB2,765,000.
- (iii) with the Purchasers and Beijing Libre, to offset the consideration receivable from the Purchasers in relation to the Disposal against the payable amount owing to Beijing Libre by Beijing Shengting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10 CASH AND BANK BALANCES (CONTINUED)

	Group As at 29 January 2019 RMB'000
Carrying amounts of assets and liabilities as at the date of disposal	
Cash and bank balances	507
Trade and other receivables	16,602
Property, plant and equipment (Note 14)	126
Total assets	17,235
Trade and other payables	(16,434)
Net assets disposed of	801
Net assets disposed of (as above)	801
Gain on disposal	1,964
Consideration on disposal	2,765
Less: Cash and bank balances in the subsidiary corporation disposed of	(507)
Less: Offsetting for consideration	(2,765)
Net cash outflow on disposal	(507)

11 FINANCIAL ASSETS, AT FVTPL

	Group 2019 RMB'000	2018 RMB'000
Beginning of financial year	59,530	–
Addition	–	56,671
Acquisition of subsidiary corporations (Note 25(a)(iii))	55,227	–
Add: Fair value gain on financial assets, at FVTPL (Note 5)	–	2,859
	114,757	59,530
Less:		
– Transfer investments units for business acquisition ⁽¹⁾	(39,600)	–
– Transfer investments units to a related party ⁽²⁾	(8,500)	–
– Disposal ⁽³⁾	(11,430)	–
	(59,530)	–
End of financial year	55,227	59,530
<i>Current</i>		
Non-listed debts instruments: Private investment funds	–	59,530
<i>Non-current</i>		
Non-listed equity instruments: Private equity	55,227	–

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11 FINANCIAL ASSETS, AT FVTPL (CONTINUED)

The instruments are measured at fair value through profit or loss.

- (1) On 11 December 2019, the Group has transferred the private investment funds units equivalent to the consideration amount of RMB39,600,000 (Note 25(a)(i)) to a third party for the acquisition of Libre Hospitality Limited ("LHL").
- (2) On 20 December 2019, through the acquisition of LHL, the Group has transferred the private investment funds unit equivalent to RMB8,500,000 to a related party as a loan to a related party (Note 12).
- (3) As at 31 December 2019, the Group has disposed all the remaining private investment funds.

The non-listed equity instruments is classified as non-current financial assets, at FVTPL, as the management has no intention to dispose the private equity within 12 months period from the financial year ended 31 December 2019.

12 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<i>Current</i>				
Trade receivables – non-related parties	6,724	6,288	–	–
Less: Credit loss allowance (Note 22(b))	(3,608)	–	–	–
Trade receivables – net	3,116	6,288	–	–
Non-trade receivables				
– Subsidiary corporations	–	–	33,298	75,812
– Non-related party	603	1,421	–	–
Less: Credit loss allowance (Note 22(b))	(20)	–	–	–
Non-trade receivables – net	583	1,421	33,298	75,812
Deposits	10,760	10,790	–	–
Less: Credit loss allowance (Note 22(b))	(10,760)	–	–	–
	–	10,790	–	–
Prepayments	55	68	21	68
Total current trade and non-trade receivables	3,754	18,567	33,319	75,880
<i>Non-Current</i>				
Non-trade receivable due from a related party (Note 11)	8,500	–	–	–
Total trade and non-trade receivables	12,254	18,567	33,319	75,880

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12 TRADE AND OTHER RECEIVABLES (CONTINUED)

Non-current non-trade receivable due from a related party is unsecured and repayable by December 2021 with the interest bearing at 4.75% per annum.

Non-trade receivables due from subsidiary corporations are unsecured, interest free and repayable on demand.

Deposits relate to a refundable security deposit paid for the bidding of a new hotel management contract. Management has assessed that the default risk of the deposit is high, therefore, a credit loss allowance was recognised.

13 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2019	2018
	RMB'000	RMB'000
At cost		
Beginning of financial year	*	*
Additions	39,600	—
End of financial year	39,600	*

* Less than RMB1,000

On 11 December 2019, the Group acquired 90% of the equity interest of Libre Hospitality Limited (“LHL”) group with purchase consideration of RMB39,600,000. LHL was incorporated on 5 July 2018 in Hong Kong Special Administrative Region. The registered address is at New Era Square, 181 Queen’s Ave Central, Hong Kong Special Administrative Region. LHL holds a 100% interest in Hainan Zhongzhi Cultural Tourism Limited (“WOFE”), an entity incorporated in People’s Republic of China. Through the WOFE, LHL hold 8% shareholdings respectively in Hainan Fuda Construction Materials Co., Ltd and Hainan Fufa Plantations Co., Ltd.

The Group has the following subsidiary corporations as at 31 December 2019 and 2018:

Name of Companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Elite Management (Singapore) Pte. Ltd. ⁽¹⁾	Investment holdings	Singapore	100	100	100	100	-	-
Beijing Zhuoyue Tiancheng Business Management Co., Ltd. ⁽³⁾	Property and hospitality management consultancy services	People's Republic of China	100	100	100	100	-	-
Beijing Shengting Commercial Management Co., Ltd. ⁽³⁾	Property and hospitality management consultancy services	People's Republic of China	52	52	52	52	48	48

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The Group has the following subsidiary corporations as at 31 December 2019 and 31 December 2018. (Continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent 2019 %	Proportion of ordinary shares directly held by the Group 2019 %	Proportion of ordinary shares held by non-controlling interests 2019 %	Proportion of ordinary shares held by non-controlling interests 2018 %
Beijing Libre Hotel Management Co., Ltd. ⁽³⁾⁽⁴⁾	Property and hospitality management consultancy services	People's Republic of China	-	-	-	48
Beijing Tangzhi Xinyu Hot Spring Enterprise Management Co., Ltd. ⁽³⁾	Property and hospitality management consultancy services	People's Republic of China	52	52	48	48
Lijiang Lanzhitang Management Co., Ltd. ⁽³⁾	Dormant	People's Republic of China	52	52	48	48
Huangshan Lanzhitang Enterprise Management Co., Ltd. ⁽³⁾	Dormant	People's Republic of China	52	52	48	48
Libre Hospitality Limited. ⁽²⁾⁽³⁾	Investment holdings	Hong Kong	90	90	10	-
Hainan Zhongzhi Cultural Tourism Limited. ⁽²⁾⁽³⁾	Property investment	People's Republic of China	90	90	10	-

(1) Audited by Nexia TS Public Accounting Corporation, Singapore

(2) Acquired during the financial year

(3) Audited/reviewed by Shanghai Nexia TS Certified Public Accountants for group consolidation purpose.

(4) Disposed during the financial year

In accordance to Rule 716 of the Catalyst Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Group.

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13 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Significant restriction

Cash and short-term deposits of RMB6,936,000 (2018: RMB718,000) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

	Group	
	2019	2018
	RMB'000	RMB'000
<i>Carrying value of non-controlling interests</i>		
Beijing Shengting Commercial Management Co., Ltd. and its subsidiary corporations	12,492	19,572
Libre Hospitality Limited and its subsidiary corporations	5,523	–
Total	18,015	19,572

Set out below is the summarised financial information for the subsidiary corporations that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised balance sheet of Beijing Shengting Commercial Management Co., Ltd. and its subsidiary corporations ("Beijing Shengting") and Libre Hospitality Limited and its subsidiary corporations as at 31 December 2019:

	Beijing Shengting	Libre Hospitality
	2019	2019
	RMB'000	RMB'000
Current		
Assets	3,490	31,474
Liabilities	(3,005)	–
Total current net assets	485	–
Non-current		
Total non-current net assets	133	55,227
Net assets	618	55,227

Summarised income statement of Beijing Shengting Commercial Management Co., Ltd. and its subsidiary corporations and Libre Hospitality Limited and its subsidiary corporations as at 31 December 2019:

	Beijing Shengting	Libre Hospitality
	2019	2019
	RMB'000	RMB'000
Revenue	4,043	8,514
(Loss)/profit before income tax	(16,477)	–
Income tax expense	(236)	(97)
(Loss)/profit after tax	(16,713)	–
Total comprehensive (loss)/income allocated to non-controlling interests	(8,022)	–

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13 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Summarised cash flows of Beijing Shengting Commercial Management Co., Ltd. and its subsidiary corporations and Libre Hospitality Limited and its subsidiary corporations as at 31 December 2019:

	Beijing Shengting 2019 RMB'000	2018 RMB'000	Libre Hospitality 2019 RMB'000
Net cash used in operating activities	(516)	(8,330)	–

14 PROPERTY, PLANT AND EQUIPMENT

Group	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
2019			
<i>Cost</i>			
Beginning of financial year	45	265	310
Disposal of subsidiary corporation (Note 10)	(31)	(107)	(138)
Additions	28	–	28
End of financial year	42	158	200
<i>Accumulated depreciation</i>			
Beginning of financial year	14	19	33
Disposal of subsidiary corporation (Note 10)	(9)	(3)	(12)
Depreciation charge	16	16	32
End of financial year	21	32	53
Net book value			
End of financial year	21	126	147
2018			
<i>Cost</i>			
Beginning of financial year	4	–	4
Currency translation differences	*	(4)	(4)
Acquisition of subsidiary corporations (Note 25(b)(iii))	35	–	35
Additions	6	269	275
End of financial year	45	265	310
<i>Accumulated depreciation</i>			
Beginning of financial year	1	–	1
Currency translation differences	*	*	*
Depreciation charge	13	19	32
End of financial year	14	19	33
Net book value			
End of financial year	31	246	277

* Less than RMB1,000

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14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment RMB'000	Furniture and fittings RMB'000	Total RMB'000
2019			
Cost			
Beginning of financial year	6	159	165
Currency translation differences	–	4	4
End of financial year	6	163	169
<i>Accumulated depreciation</i>			
Beginning of financial year	1	16	17
Depreciation charge	2	16	18
End of financial year	3	32	35
Net book value			
End of financial year	3	131	134
2018			
Cost			
Beginning of financial year	–	–	–
Currency translation differences	*	4	4
Additions	6	155	161
End of financial year	6	159	165
<i>Accumulated depreciation</i>			
Beginning of financial year	–	–	–
Currency translation differences	*	*	*
Depreciation charge	1	16	17
End of financial year	1	16	17
Net book value			
End of financial year	5	143	148

* Less than RMB1,000

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15 INTANGIBLE ASSETS

Composition:

Goodwill (Note (a))

Management contracts and naming rights (Note (b))

Group	
2019 RMB'000	2018 RMB'000 (Restated)
–	12,156
10,844	14,034
10,844	26,190

(a) Goodwill

Cost

Beginning of financial year

Acquisition of subsidiary corporations (Note 25(b)(iii))

End of financial year

Group	
2019 RMB'000	2018 RMB'000 (Restated)
12,156	–
–	12,156
12,156	12,156

Accumulated impairment

Beginning of financial year

Allowance for impairment

End of financial year

–	–
12,156	–
12,156	–

Net book value

–	12,156
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Goodwill of RMB 12,156,000 was allocated to the Group's cash-generating unit ("CGU"), hospitality division.

The recoverable amount was determined based on value-in-use calculation via the discounted cash flow projection ("DCF"). Based on the DCF, the recoverable amount of the CGU is significantly lower than the carrying amount of goodwill. As at 31 December 2019, the management recognised a full impairment of RMB12,156,000 on goodwill.

The key assumptions of the discounted cash flows projection are as below:

	2019	2018
Average gross margin	45%	43%
Growth rate	5%	11%
Discount rate	14%	14%

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15 INTANGIBLE ASSETS (CONTINUED)

(b) *Management contracts and naming rights*

Group	Management contracts RMB'000	Naming rights RMB'000	Total RMB'000
2019			
<i>Cost</i>			
Beginning and end of financial year	11,220	3,332	14,552
<i>Accumulated amortisation</i>			
Beginning of financial year	380	138	518
Allowance for impairment loss	1,663	490	2,153
Amortisation charges	759	278	1,037
End of financial year	2,802	906	3,708
Net carrying value	8,418	2,426	10,844
Group	Management contracts RMB'000 (Restated)	Naming rights RMB'000 (Restated)	Total RMB'000 (Restated)
2018			
<i>Cost</i>			
Beginning of financial year	–	–	–
Acquisition of a subsidiary corporation (Note 25(b)(iii))	11,220	3,332	14,552
End of financial year	11,220	3,332	14,552
<i>Accumulated amortisation</i>			
Beginning of financial year	–	–	–
Amortisation charges	380	138	518
End of financial year	380	138	518
Net carrying value	10,840	3,194	14,034

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16 TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Trade payables:				
– non-related parties	10	9	–	–
Non-trade payables:				
– non-related parties	564	1,990	–	–
Advance received	–	40	–	–
Accruals	3,291	3,161	625	831
	3,865	5,200	625	831

17 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The amounts, determined before and after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2019 RMB'000	2018 RMB'000 (Restated)
Deferred tax liabilities	3,918	3,746

The movement in the net deferred income tax account is as follows:

	Group	
	2019 RMB'000	2018 RMB'000 (Restated)
Beginning of financial year	3,746	–
Tax charge to profit or loss (Note 8)	172	47
Acquisition of subsidiary corporations (Note 25(b)(iii))	–	3,699
End of financial year	3,918	3,746

The Group has unrecognised tax losses arising in People's Republic of China of RMB21,047,000 (2018: RMB7,831,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses can be carried forward up to a period of 5 years.

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17 DEFERRED INCOME TAXES (CONTINUED)

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation and amortisation RMB'000	Unremitted foreign retained earnings RMB'000	Total RMB'000
Group			
2019			
Beginning of financial year	3,572	174	3,746
Tax charge to profit or loss (Note 8)	–	172	172
End of financial year	3,572	346	3,918
2018 (Restated)			
Beginning of financial year	–	–	–
Tax charge to profit or loss (Note 8)	(127)	174	47
Acquisition of subsidiary corporations (Note 25(b)(iii))	3,699	–	3,699
End of financial year	3,572	174	3,746

18 SHARE CAPITAL

	Number of shares RMB'000	Issued and paid-up share capital RMB'000
Group and Company		
2019		
Beginning and end of financial year	78,000	29,194
2018		
Beginning and end of financial year	78,000	29,194

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

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19 CURRENCY TRANSLATION RESERVE

Movement in currency translation reserve is as follows:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Beginning of financial year	1,767	1,471	3,550	1,471
Net currency translation differences arising from consolidation	(24)	296	2,429	2,079
End of financial year	1,743	1,767	5,979	3,550

The currency translation reserve represents exchange differences arising from the translation of the financial statements of operations whose functional currencies are different from that of the Group's presentation currency, RMB.

Currency translation reserve is non-distributable.

20 ACCUMULATED PROFITS

(a) *Accumulated profits of the Group and the Company are distributable.*

(b) *Movement in accumulated profits for the Company is as follows:*

	Company	
	2019 RMB'000	2018 RMB'000
Beginning of financial year	42,606	47,154
Net loss	(5,347)	(4,548)
End of financial year	37,259	42,606

21 COMMITMENTS

Operating lease commitments – where the Group is a lessee

The Group leases office from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Not later than one year	20	1,074
Between one and five years	–	2,112
	20	3,186

The lease as at 31 December 2019 is a lease of low value. The Group has elected not to recognise right-of-use assets and lease liabilities for this lease.

22 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and fair value risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

(a) *Market risk*

(i) *Currency risk*

The Group operates in People's Republic of China and Singapore. Entities in the Group also transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies other than its functional currency.

The Group's currency exposure based on the information provided to key management is as follows:

	RMB RMB'000	USD RMB'000	SGD RMB'000	Total RMB'000
Group				
At 31 December 2019				
Financial assets				
Cash and bank balance	6,429	14	3,272	9,715
Financial assets, at FVTPL	55,227	-	-	55,227
Trade and other receivables	12,178	-	21	12,199
Intra-group receivables	-	-	33,298	33,298
	73,834	14	36,591	110,439
Financial liabilities				
Trade and other payables	(2,755)	-	(1,110)	(3,865)
Intra-group payables	(33,298)	-	-	(33,298)
	(36,053)	-	(1,110)	(37,163)
Net financial assets	37,781	14	35,481	73,276
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	-	14	-	14

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) *Market risk (Continued)*

(i) *Currency risk (Continued)*

	RMB RMB'000	USD RMB'000	SGD RMB'000	Total RMB'000
Group				
At 31 December 2018				
Financial assets				
Cash and cash at banks	718	14	1,248	1,980
Financial assets, at FVTPL	59,530	–	–	59,530
Trade and other receivables	18,499	–	–	18,499
Intra-group receivables	–	–	75,812	75,812
	78,747	14	77,060	155,821
Financial liabilities				
Trade and other payables	(4,239)	–	(921)	(5,160)
Intra-group payables	(75,812)	–	–	(75,812)
	(80,051)	–	(921)	(80,972)
Net financial (liabilities)/ assets	(1,304)	14	76,139	74,849
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	14	–	14

The Group's currency exposure based on the information provided to key management is as follows:

If the USD and SGD change against the RMB by 5% (2018: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset that are exposed to currency risk will be as follows:

	Increase/(decrease) Profit after tax	
	31 December 2019 RMB'000	31 December 2018 RMB'000
Group		
USD against SGD		
– Strengthened	*	*
– Weakened	*	*

* Less than RMB1,000

The Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group does not have exposure to equity price risk as it does not hold any equity financial assets.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group does not have exposure to interest rate risk as it does not have any bank borrowings.

(b) Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are cash and bank balances and trade and other receivables. For trade receivables the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining cash deposits where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with the high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are set by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the management.

The trade receivables of the Group comprise 2 debtors (2018: 3 debtors) that individually represented 20 – 79% (2018: 20 – 70%) of the Group's total trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2019	2018
	RMB'000	RMB'000
<u>By geographical areas</u>		
People's Republic of China	3,116	6,288
<u>By types of customers</u>		
Non-related parties	3,116	6,288

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) *Credit risk (continued)*

The movement in credit loss allowance are as follows:

	Trade receivables RMB'000	Other receivables and deposits RMB'000	Total RMB'000
Group			
Balance at 1 January 2019	–	–	–
Loss allowance recognised during the financial year	3,608	10,780	14,388
Balance at 31 December 2019 (Note 12)	3,608	10,780	14,388

(i) Trade receivables

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses (“ECL”), trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the ECL rates, the Group considers purely historical loss rates for each category of customers which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

Trade receivables are written off when there is no reasonable expectation of recovery. Based on the historical credit loss experience, the Group considers a financial asset as in default if the counterparty fails to make contractual payments within 365 days when they fall due which is derived based on the Group's historical information, and write-off the financial asset when there is no reasonable ground to recover the receivables after all enforcement activity has been taken by the Group.

The Group's credit risk exposure in relation to trade receivables as at 31 December 2019 are set out in the provision matrix as follows:

	Gross amount RMB'000	Loss allowance RMB'000	Carrying amount RMB'000
Group			
2019			
Within 1 year	1,105	–	1,105
More than 1 year	5,619	3,608	2,011
	6,724	3,608	3,116
2018			
Within 1 year	6,288	–	6,288

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Other receivables and deposits

The Group use the general approach for assessment of ECL for these financial assets. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, the loss allowance is measured at an amount equal to 12-month ECL.

As at 31 December 2019, the Group performed an assessment of qualitative and quantitative factors which are indicative of the risk of default (including but not limited to press information and applying experienced credit judgement) and an assessment of impairment using the 12-month ECL basis on these financial assets. The Group concluded the loss allowance provided for other receivables amounting to RMB10,780,000 (2018: nil) is adequate and the loss allowance on other financial assets is insignificant.

(iii) Non-trade receivables from subsidiary corporations

Non-trade receivables from subsidiary corporations are provided mainly for short term funding requirements. The Company uses a similar approach as described in Note 22(b)(ii) for assessment of ECL for these receivables. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The Company concluded that the need to provide the loss allowance for non-trade receivables from subsidiary corporations is insignificant.

(iv) Credit risk exposure

Cash and bank balances are placed only with reputable licensed financial institutions with high credit-ratings.

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(c) Liquidity risk

At the balance sheet date, assets held by the Group for managing liquidity risk included cash and bank balances as disclosed in Note 10.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RMB'000
Group	
At 31 December 2019	
Trade and other payables	3,865
At 31 December 2018	
Trade and other payables	5,160
Company	
At 31 December 2019	
Trade and other payables	625
At 31 December 2018	
Trade and other payables	831

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as trade and other payables less cash and bank balances. Total capital is calculated as total equity plus net debt.

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(d) *Capital risk (Continued)*

	Group		Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Net debt	(5,850)	3,220	621	678
Total equity	80,349	97,501	72,432	75,350
Total capital	74,499	100,721	73,053	76,208
Gearing ratio	N.M.⁽¹⁾	3%	0.85%	0.89%

(1) Not meaningful as the cash position exceeds the net debts.

(e) *Financial instruments by category*

The carrying amount of the different categories of financial instruments are as follows:

	Group	
	2019	2018
	RMB'000	RMB'000
Financial assets, at FVTPL	55,227	59,530
Financial assets, at amortised cost	21,914	20,479
Financial liabilities, at amortised cost	3,865	5,160

	Company	
	2019	2018
	RMB'000	RMB'000
Financial assets, at amortised cost	33,302	75,965
Financial liabilities, at amortised cost	625	831

(f) *Fair value measurements*

The table below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(f) *Fair value measurements (Continued)*

Fair value measurement disclosure of other assets that are recognised or measured at fair value, can be found at Note 11.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<u>Group</u>				
31 December 2019				
Assets				
Financial assets, at FVTPL	–	–	55,227	55,227
<u>Group</u>				
31 December 2018				
Assets				
Financial assets, at FVTPL	–	59,530	–	59,530

The fair value of the financial assets, at FVTPL as at 31 December 2018 representing the investments funds, which are classified as Level 2 due to the management is able to obtain the observable data directly from the fund manager, such as funds statements in a monthly basis for the identification of the fair value for the financial assets, at FVTPL. Financial assets, at FVTPL as at 31 December 2019 representing the investment in unquoted equity, which is based on significant unobservable inputs, as such the financial assets, at FVTPL are classified as Level 3. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. For instance, valuation report is based on market conditions, macro and microeconomic information.

The fair value of current financial assets carried at amortised cost approximate their carrying amounts.

23 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) *Management fee*

	Group	
	2019 RMB'000	2018 RMB'000
Management services from subsidiary corporations	1,344	1,426
Management services to subsidiary corporations	–	1,327

NOTES TO

THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2019 RMB'000	2018 RMB'000
<u>Directors</u>		
Wages and salaries	660	947
Employer's contribution to defined contribution plan	52	154
	712	1,101
<u>Other key management personnel</u>		
Wages and salaries	553	604
Employer's contribution to defined contribution plan	63	66
	616	670
	1,328	1,771

24 SEGMENT INFORMATION

The Group's chief operating decision-maker ("CODM") comprises of the Chief Executive Officer and Executive Directors. Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions, allocate resources and assess performance.

The Chief Executive Officer and Executive Directors consider the business from both geographical and business segment perspectives. From a business segment perspective, the Group's continuing operations derives its revenue from hotel management fee and consultancy services (i.e. rendering of consultancy services for hotels or resorts). Other service within Singapore mainly relates to investment holding and is not included within the reportable operations segments as it is not included in the segment reports provided to the Chief Executive Officer and Executive Directors. The result of its operations is included under "HQ and other investing activities".

The CODM assesses the performance of the operating segments based on a measure of earnings before interest, tax and depreciation ("Adjusted EBITDA"). This measure basis excludes the effects of expenditure from the operating segments such as gains from disposal or impairment loss that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group.

Sales between segments are carried out at market terms. The revenue from external parties reported to the CODM is measured consistent with that in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM for the reportable segments are as follows:

	Continuing operations					
	Hospitality Division		HQ and other investing activities		Total	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)		(Restated)
Segment revenue	4,043	10,241	–	–	4,043	10,241
Adjusted (LBITDA)	(17,116)	(768)	(2,936)	(2,831)	(20,052)	(3,599)
Credit loss allowance for trade and other receivables	(14,388)	–	–	–	(14,388)	–
Depreciation	(17)	(17)	(15)	(15)	(32)	(32)
Income tax expense	(407)	(144)	–	–	(407)	(144)
Interest income	24	10	–	–	24	10
Amortisation	(1,037)	(518)	–	–	(1,037)	(518)
Fair value gain on financial assets, at FVTPL	–	2,859	–	–	–	2,859
Gain on bargain purchase	11,227	–	–	–	11,227	–
Impairment loss on goodwill	(12,156)	–	–	–	(12,156)	–
Impairment loss on intangible assets	(2,153)	–	–	–	(2,153)	–
Segment assets	29,219	104,434	58,968	2,110	88,187	106,544
Segment assets includes: Additions to: – property, plant and equipment	28	110	–	165	28	275
Segment liabilities	(6,728)	(8,123)	(1,110)	(920)	(7,838)	(9,043)

* Less than RMB1,000

NOTES TO

THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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24 SEGMENT INFORMATION (CONTINUED)

(a) Reconciliations

(i) Segment assets

The amounts reported to the Board of Directors with respect to the total assets are measured in a manner consistent with that of the financial statements. Hence, no reconciliation is provided.

(ii) Segment liabilities

The amounts reported to the Board of Directors with respect to the total liabilities are measured in a manner consistent with that of the financial statements. Hence, no reconciliation is provided.

(b) Revenue for major services

The Group's core business segment is the hospitality division. The activities of the hospitality division include the management of hotels, resorts and provision of consultancy service on hotel and resorts management, investment, developments and branding.

(c) Geographical information

The Group's business segments operate in two main geographical areas:

- Singapore – the Company is headquartered and has no operations in Singapore.
- People's Republic of China – the operations in these areas are principally providing consultation service hotel and resorts management, investment, developments and branding.

	Hospitality Division		HQ and other investing activities		Total	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)		(Restated)
Revenue						
People's Republic of China	4,043	10,241	–	–	4,043	10,241
Non-current assets						
People's Republic of China	19,357	26,319	55,227	–	74,584	26,319
Singapore	–	–	134	148	134	148
	19,357	26,319	55,361	148	74,718	26,467

Revenue of approximately RMB2,344,000 (2018: RMB1,900,000) is derived from a single external customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25 BUSINESS COMBINATION

(a) Business combination during the financial year ended 31 December 2019

On 11 December 2019, the Group acquired 90% of equity interest in Libre Hospitality Limited ("Libre Hospitality") at a consideration of RMB39,600,000 ("Consideration"). The Consideration was satisfied by way of assigning investment funds units equivalent to the Consideration which was recognised as financial assets, FVTPL in the financial statements. The principal activity of Libre Hospitality is investment holding company. Through the acquisition, it provides an opportunity for the Group to tap into the growth of the tourism and hospitality industries in Hainan Province, China.

Details of the consideration paid, the assets and liabilities assumed, the non-controlling interests recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(i) Purchase consideration

	2019 RMB'000
Fair value of consideration satisfied by financial assets, at FVTPL, representing consideration transferred for the business	<u>39,600</u>

(ii) Effect on cash flows of the Group

No cash flows impact for the Group arising from the acquisition of Libre Hospitality, as the consideration of RMB39,600,000 was satisfied through transferred the ownership of the Group's financial assets, at FVTPL.

(iii) Identifiable assets acquired and liabilities assumed

	At fair value 2019 RMB'000
Financial assets, at FVTPL, representing total assets acquired	55,227
Less: Non-controlling interests at fair value	(4,400)
Less: Gain on bargain purchase	(11,227)
Consideration transferred for the business	<u>39,600</u>

(iv) Acquisition – related cost

The Group did not incur any acquisition-related cost in respect of the acquisition of Libre Hospitality.

(v) Non-controlling interests

The Group has chosen to recognise the 10% non-controlling interest at its fair value of RMB4,400,000. The fair value was estimated based on market price, referenced from the recent purchase price.

25 BUSINESS COMBINATION (CONTINUED)

(a) *Business combination during the financial year ended 31 December 2019 (Continued)*

(vi) *Gain on bargain purchase*

The Group recognised a gain on bargain purchase of RMB11,227,000 as a result of excess of the acquirer's interest in the net fair value of the identifiable assets over the cost of acquisition of Libre Hospitality. The gain on bargain purchase is included in "Other gains/(losses)" in profit or loss.

(vii) *Revenue and profit contribution*

The acquired business of Libre Hospitality contributed a net profit of RMB11,227,000 and no revenue is being recognised to the Group from the period of 11 December 2019 to 31 December 2019. Had Libre Hospitality been consolidated from 1 January 2019, there will be no significant impact on the consolidated net results and revenue for the financial year ended 31 December 2019.

(b) *Business combination during the financial year ended 31 December 2018*

On 21 July 2018, the Group acquired 52% of equity interest in Beijing Shengting Commercial Management Co., Ltd. (formerly known as Beijing Libre Commercial Management Co., Ltd.) ("Beijing Shengting") for RMB15,590,000.

Details of the consideration paid, the assets and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(i) *Purchase consideration*

	2018 RMB'000
Total consideration	15,590
Less: subscription of new equity interest	(15,590)
Consideration transferred for the business	—

The consideration payable for the subscription is RMB15,590,000, of which RMB5,420,000 was applied to increase the equity capital of Beijing Shengting Commercial Management Co., Ltd ("Beijing Shengting") and RMB10,170,000 was applied towards the capital reserve of Beijing Shengting. The proceeds from the subscription was applied to recapitalised Beijing Shengting and used for working capital purposes.

(ii) *Effect of cash flows of the Group*

	2018 RMB'000
Cash paid	—
Add: Cash and bank balances in subsidiary acquired	8,850
Cash inflow on acquisition	8,850

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25 BUSINESS COMBINATION (CONTINUED)

(b) *Business combination during the financial year ended 31 December 2018 (Continued)*

(iii) *Identifiable assets acquired and liabilities assumed*

	At fair value 2018 RMB'000 (Restated)*
Cash and bank balances	8,850
Trade and other receivables	8,223
Property, plant and equipment (Note 14)	35
Intangible assets (Note 15(b))	14,552
Total assets	31,660
Trade and other payables	(21,420)
Deferred tax liabilities (Note 17)	(3,699)
Total liabilities	(25,119)
Total identifiable net assets	6,541
Less: Non-controlling interest at fair value	(18,697)
Add: Goodwill (Note 15(a) and Note (vi))	12,156
Consideration transferred for business	—

* In 2018, the goodwill relating to this acquisition is provisionally determined and the initial purchase price allocation ("PPA") to identifiable net assets was not completed as at 31 December 2018. The PPA to identifiable assets acquired and liabilities assumed are subsequently completed during the financial year ended 31 December 2019 and resulted to a restatement as disclosed in Note 26.

(iv) *Acquisition-related cost*

The Group did not incur any acquisition-related cost in respect of the acquisition of Beijing Shengting.

(v) *Acquired receivables*

The carrying values of trade and other receivables approximate their fair value at the acquisition date. Management believes that the receivables are collectible, based on historical payment behavior, credit-worthiness of the customers and forward looking information.

(vi) *Non-controlling interest*

The Group has chosen to recognise the 48% non-controlling interest at its fair value of RMB18,697,000. The fair value was estimated based on market price, referenced from the recent purchase price.

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THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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25 BUSINESS COMBINATION (CONTINUED)

(b) *Business combination during the financial year ended 31 December 2018 (Continued)*

(vii) *Goodwill and intangible assets*

The acquisition was completed on 21 July 2018 and as at 31 December 2018, the initial PPA to identifiable net assets acquired was in provisional basis. The PPA was subsequently finalised during the financial year ended 31 December 2019 and accordingly, the goodwill and intangible assets were adjusted retrospectively (Note 26) The goodwill and intangible assets amounted to RMB12,156,000 and RMB14,552,000 retrospectively are allocated to Hospitality division segment.

(viii) *Revenue and profit contribution*

The acquired business contributed revenue is RMB7,791,000 and net profit of RMB1,714,000 to the Group from 21 July 2018 to 31 December 2018. Had the Group been consolidated from 1 January 2018, the Group's consolidated revenue and consolidated net loss for the financial year ended 31 December 2018 would have been RMB10,534,700 and RMB408,247 respectively.

26 RESTATEMENT OF CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

As disclosed in Note 15 of the Group's financial statements for the financial year ended 31 December 2018, goodwill and intangible assets arising from the acquisition of 52% Beijing Shengting Commercial Management Co., Ltd ("Beijing Shengting") and its subsidiaries on 21 July 2018 were provisionally determined. Paragraph 45 of SFRS(I) 3 Business Combination allows the acquirer to complete the fair value assessments on the assets or liabilities acquired within one year after the acquisition date.

In 2019, the Group has completed the fair value assessment and certain comparative figures have been reclassified and the Group has retrospectively adjusted provisional amounts recognised in the financial year ended 31 December 2018 in accordance with SFRS(I) 3 (as disclosed in Note 25(b)(iii)). The following reconciliation summarises the impact on the Group's consolidated balance sheet as at 31 December 2018:

	As previously reported RMB'000	Effects of SFRS(I) 3 RMB'000	As restated RMB'000
2018			
Group			
<i>Consolidated balance sheet:</i>			
Non-current assets			
Goodwill	12,223	(67)	12,156
Intangible assets	14,381	171	14,552
Non-current liability			
Deferred income tax liability	3,595	104	3,699

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27 SUBSEQUENT EVENTS

The impact of the coronavirus disease 2019 ("COVID-19") outbreak on public life and industry in various countries, including China where the Group operates their hospitality services. Most of the countries have been imposed the travel restrictions, this resulted in the plunge in the demand in hotel and tourism industries as a result of widespread COVID-19 infections. Accordingly, this could result in a negative impact on the financial performance of the Group in the coming financial years. The Group is unable to quantify the magnitude and duration of such impact and has not considered such impact (if any) on the Group's financial statements for the next financial year.

28 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards and amendments and interpretations to existing standards that have been published and are relevant for the Group's accounting periods beginning on or after 1 January 2020 and which the Group has not early adopted.

Effective for annual periods beginning on or after 1 January 2020

- Amendments to SFRS(I) 3: Business Combinations – definition of a business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of material
- Amendments to Reference to the Conceptual Framework in SFRS(I) standards
- Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement
- Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements

Effective for annual periods beginning on or after 1 January 2021

- SFRS(I) 17 Insurance Contracts

Effective date: to be determined*

- Amendments to SFRS(I) 10 and SFRS(I) 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

29 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors of HealthBank Holdings Limited on 13 April 2020.

SHARE CAPITAL

Issue and fully paid capital	–	S\$7,420,000	Class of shares	–	Ordinary shares
Total number of shares in issue	–	78,000,000	Voting rights	–	1 vote per share
Number of treasury shares and subsidiary holdings held	–	Nil			

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 31.83% of the issued ordinary shares of the Company were held in the hands of the public as at 27 March 2020 and therefore Rule 723 of the Catalist Rules is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	7	3.93	4,100	0.01
1,001 – 10,000	45	25.28	302,600	0.39
10,001 – 1,000,000	118	66.29	12,192,900	15.63
1,000,001 and above	8	4.50	65,500,400	83.97
TOTAL	178	100.00	78,000,000	100.00

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2020

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Zhang Tian Bao	23,361,000	29.95
2	Peng Weile	15,300,000	19.62
3	Lu Ning	8,910,000	11.42
4	Yang Wei	5,599,000	7.18
5	Philip Securities Pte Ltd	3,890,000	4.99
6	Hafary Holdings Limited	3,780,000	4.85
7	UOB Kay Hian Private Limited	2,678,400	3.43
8	Maybank Kim Eng Securities Pte Ltd	1,982,000	2.54
9	Low Kok Ann	990,000	1.27
10	ABM AMRO Clearing Bank N.V.	884,400	1.13
11	Ramesh S/O Pritamdas Chandiramani	831,000	1.07
12	RHB Securities Singapore Pte. Ltd.	648,000	0.83
13	Chng Lay Guat	300,000	0.38
14	Chan Qing Yao (Zeng Qingyao)	293,200	0.38
15	Lui Wing Loon	280,000	0.36
16	Huang Qinghua	250,700	0.32
17	Oh Eng Bin (Hu Rongming)	239,000	0.31
18	Tan Chay Long	230,000	0.29
19	DBS Nominees (Private) Limited	224,000	0.29
20	Teo Kye Hwee Tony	217,000	0.28
TOTAL		70,887,700	90.89

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Zhang Tian Bao	23,361,000	29.95	–	–
Peng Weile	15,300,000	19.62	–	–
Lu Ning	8,910,000	11.42	–	–
Yang Wei	5,599,000	7.18	–	–

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

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Mr George Peng Fei, Mr Leo Peng Weile and Ms Lo Fui Chu are the Directors seeking re-election at the forthcoming annual general meeting of the Company “**AGM**”) to be convened on or before 29 June 2020 under Ordinary Resolutions 3, 4 and 5 to be set out in the Notice of AGM (collectively, the “**Retiring Directors**” and each a “**Retiring Director**”).

Pursuant to Rule 720(5) of Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Catalist Rules**”), the information relating to the Retiring Directors as set out in Appendix 7F of the Catalist Rules is set out below and to be read in conjunction with their respective biographies under the section entitled “Board of Directors” in the Annual Report 2019:

NAME OF DIRECTOR	GEORGE PENG FEI	LEO PENG WEILE	LO FUI CHU
Date of appointment	3 October 2016	3 October 2016	1 November 2019
Date of last re-appointment	26 April 2018	26 April 2018	Not applicable
Age (as of 31 December 2019)	50	39	48
Country of principal residence	China	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the qualifications and work experience of Mr George Peng Fei as well as his contributions and performance during the financial year, has accepted the recommendation of the Nominating Committee and approved Mr George Peng Fei's appointment as Executive Director and Chief Executive Officer (“ CEO ”) of the Company.	The Board of Directors, having considered the qualifications and work experience of Mr Leo Peng Weile as well as his contributions and performance during the financial year, has accepted the recommendation of the Nominating Committee and approved Mr Leo Peng Weile's re-appointment as Executive Director of the Company.	The Board of Directors, having considered the qualifications and work experience of Ms Lo Fui Chu as well as her contributions and performance since her appointment, has accepted the recommendation of the Nominating Committee and approved Ms Lo Fui Chu's re-appointment as Independent Non-Executive Director of the Company and Chairman of the Audit Committee and Remuneration Committee and member of the Nominating Committee.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible to drive the Group's strategic direction, manage the Group's corporate finance investments and overseas expansion.	Executive. Responsible for Group's corporate finance, investor relations, and property related investment.	Non-Executive.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

NAME OF DIRECTOR	GEORGE PENG FEI	LEO PENG WEILE	LO FUI CHU
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and CEO of the Company	Executive Director	Independent Non-Executive Director Audit Committee (Chairman) Remuneration Committee (Chairman) Nominating Committee (Member)
Professional qualifications	MSc in Finance and Investment with Distinction, Durham University, United Kingdom	Master's degree in Finance, National University of Ireland, Dublin Diploma in Wealth Management, Wealth Management Institute of Singapore	Member of the Association of Chartered Certified Accountants (ACCA)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

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NAME OF DIRECTOR	GEORGE PENG FEI	LEO PENG WEILE	LO FUI CHU
Working experience and occupation(s) during the past 10 years	1. August 2015 to Present: Forise International Limited – Non-Executive Director (December 2017 to Present); Executive Director (August 2015 to December 2017) 2. August 2017 to Present: TNT Global Capital Pte Ltd – Non-Executive Director 3. 2014 to 2015: Fuhua Holdings Limited – Executive President 4. 2011 to 2013: Reignwood International Investment Ltd. – President 5. 2009 to 2011: Chinalco Overseas Holdings Ltd – Vice-President	1. August 2015 to Present: Forise International Limited – Executive Director (October 2015 to Present); Non-Executive Director (August 2015 to September 2015) 2. August 2017 to Present: TNT Global Capital Pte Ltd – Non-Executive Director 3. March 2017 to Present: Elite Management (Singapore) Pte. Ltd. – Executive Director 4. August 2018 to Present: Beijing Shengting Commercial Management Co., Ltd. – Director 5. 2009 to 2016: Sino-Excel Energy Limited – Executive Director (2012 to 2016); Non-Executive Director (2009 to 2012) 6. 2014 to 2015: Fuhua Holdings Limited – Managing Director, Investment Banking 7. 2009 – 2014: Beijing Weihao Investment Ltd – Executive Director, Head of Investment 8. 2012 to 2013: Cedar Strategic Holdings Ltd. – Executive Director (2013); Non-Executive Director (2012)	1. December 2019 to Present: Grab Smart Capital Sdn Bhd – Partner and Country Head of Singapore 2. 2018 to 2019: IPO Financial Consultant 3. 2017 to 2018: Le Technologies Inc. – Senior Financial Director (North America Region) 4. 2007 to 2016: Sinotel Technologies Ltd. – Financial Director and Chief Financial Officer (“CFO”)
Shareholding interest in the listed issuer and its subsidiaries	No	Yes – Direct interest in 15,300,000 shares in the capital of the Company	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

NAME OF DIRECTOR	GEORGE PENG FEI	LEO PENG WEILE	LO FUI CHU
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7H of the Catalyst Rules) under Rule 720(1) of the Catalyst Rules has been submitted to the listed issuer	Yes	Yes	Yes
Other principal commitments including directorship <i>*Excludes the occupation(s) as listed in the "Working experience and occupation(s) during the past 10 years" section above</i>			
Past (for the last 5 years from 1 January 2015 to the date of this Annual Report 2019)	<u>Directorship:</u> Nil <u>Other principal commitments:</u> Nil	<u>Directorship:</u> 1. Sino-Excel Energy Limited. <u>Other principal commitments:</u> Nil	<u>Directorship:</u> Sinotel Technologies Ltd. <u>Other principal commitments:</u> Nil
Present	<u>Directorship:</u> 1. Forise International Limited. 2. TNT Global Capital Pte Ltd. <u>Other principal commitments:</u> Nil	<u>Directorship:</u> 1. Forise International Limited. 2. TNT Global Capital Pte Ltd. 3. Elite Management (Singapore) Pte. Ltd. 4. Beijing Shengting Commercial Management Co., Ltd. <u>Other principal commitments:</u> Treasurer of Association of Listed Companies.	<u>Directorship:</u> 1. Bright Chemical Pte Ltd. 2. Irasaba Sdn Bhd. <u>Other principal commitments:</u> Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

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NAME OF DIRECTOR	GEORGE PENG FEI	LEO PENG WEILE	LO FUI CHU
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

NAME OF DIRECTOR	GEORGE PENG FEI	LEO PENG WEILE	LO FUI CHU
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

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NAME OF DIRECTOR	GEORGE PENG FEI	LEO PENG WEILE	LO FUI CHU
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with management of conduct, in Singapore or elsewhere, of the affairs of:-			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	Yes. Ms Lo Fui Chu served as the Finance Director and CFO of Sinotel Technologies Ltd. ("Sinotel") from 2007 to 2016. A special auditor was appointed on 11 June 2012 to investigate the affairs of certain subsidiaries of Sinotel in China in relation to issues pertaining to unauthorized purchase payments. The executive summary of the findings was announced on 19 February 2013. Ms Lo Fui Chu was at no time a subject of the special audit. Ms Lo Fui Chu, together with other members of the board of Sinotel, oversaw the special audit.
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

NAME OF DIRECTOR	GEORGE PENG FEI	LEO PENG WEILE	LO FUI CHU
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to appointment of Directors only			
Any prior experience as a director of a listed company on the SGX-ST? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the director to undergo training as prescribed by the SGX-ST (if applicable).	Yes. Mr George Peng Fei is a director of Forise International Limited.	Yes. Mr Leo Peng Weile is a director of Forise International Limited and was a director of Cedar Strategic Holdings Ltd.	Yes. Ms Lo Fui Chu was the Financial Director and CFO of Sinotel.



(Incorporated in the Republic of Singapore on 31 December 2013)
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