CHINA BIOTECH SERVICES HOLDINGS LIMITED
中國生物科技服務控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
Stock Code: 8037

精準治療
PRECISION TREATMENT

精準檢測
PRECISION DIAGNOSIS

未來生物科技平臺
FUTURE BIOTECHNOLOGY PLATFORM

ANNUAL REPORT
2021

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CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Liu Xiaolin *(Chairman)*
Mr. Yao Michael Yi *(Co-Chairman)*
(resigned on 20 May 2021)
Mr. He Xun
Mr. Huang Song
Mr. Leung Pak Hou Anson *(retired on 18 May 2021)*
Mr. Wang Zheng

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit
Mr. Qian Hongji

AUDIT COMMITTEE
Mr. Yan Guoxiang *(Chairman)*
Dr. Ho Ivan Chun Kit
Mr. Qian Hongji

NOMINATION COMMITTEE
Mr. Liu Xiaolin *(Chairman)*
Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit

REMUNERATION COMMITTEE
Mr. Yan Guoxiang *(Chairman)*
Mr. Liu Xiaolin
Dr. Ho Ivan Chun Kit

COMPLIANCE OFFICER
Mr. Leung Pak Hou Anson *(ceased on 18 May 2021)*
Mr. Wang Zheng *(appointed on 18 May 2021)*

COMPANY SECRETARY
Ms. Wong Miu Shun, HKICPA

AUTHORISED REPRESENTATIVES
Mr. Liu Xiaolin
Mr. Wang Zheng

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Bank of China Limited
CMB Wing Lung Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited
Shanghai Commercial Bank Limited
Industrial and Commercial Bank of China
Nanyang Commercial Bank Limited
Ping An Bank Co., Ltd.

COMPANY WEBSITE
www.cbshhk.com

STOCK CODE
8037

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of China Biotech Services Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021 ("**2021 Year**") to the shareholders of the Company.

REVIEW OF THE 2021 YEAR

In the 2021 Year, the Group's revenue from the provision of medical laboratory testing services and health check services segment continued to consolidate. For the 2021 Year, the Group recorded revenues of approximately HK$623,761,000, representing a slight decrease of 4.88% as compared with the corresponding period in 2020. The Group recorded a gross profit of approximately HK$358,020,000, representing a year-on-year increase of 5.59%, and a gross profit margin of 57.40% (2020 Year: 51.71%).

The novel coronavirus (the "**COVID-19**") pandemic stayed undulating in 2021 with outbreaks of variant strains of the virus occurring from time to time. In order to control the pandemic, governments around the world had imposed unprecedentedly stringent quarantine control on passengers and cargoes crossing border. Normal cross border travel between Hong Kong and Mainland China had yet to resume in the year. Prior to the release of an effective medication for the treatment of the COVID-19, rapid nucleic acid testing ("**NAT**") is still considered to be one of the most reliable ways to control the spread of the disease.

As the local NAT market kept evolving into a mature stage in the 2021 Year, the Group had been adjusting its business directions in preparation for a post pandemic era. On the one hand, we had taken up measures to maintain our leading position in the NAT market by focusing on more value-added services to enhance profit margins. On the other hand, we worked to bring in more precision diagnosis technology to enrich our scope of services.

On the prospective of precision therapeutic, the Group had made significant progress on research and development of immune cell therapies. At the same time, the Group had pressed forward for a new project in the year aiming to commercialize the world's first approved targeted radiotherapy technology for the treatment of solid cancer tumors. All these brought us a step closer to fulfill our mission to provide more advanced precision therapeutic treatment to the patients-in-need, especially for those with blood and solid tumors.

Let us go through the key milestones we had achieved in the 2021 Year below.

LEADING POSITION IN NAT SERVICE MARKET HAD BEEN WELL SECURED AMID A GRADUAL NORMALIZATION OF DEMAND

Sunrise Diagnostic Centre Limited ("**SDCL**"), a non-wholly controlled subsidiary of the Company, is one of the largest NAT laboratories for COVID-19 in term of installed capacity in Hong Kong. The laboratory of SDCL obtained accreditation under the Hong Kong Laboratory Accreditation Scheme operated by the Hong Kong Accreditation Service. SDCL won the biotechnology award in the healthcare technology category at the "HKB Technology Excellence Awards" in 2021 presented by Hong Kong Business magazine.

Even with no large scale community testing programme similar to the Universal Community Testing Programme organized by the HKSAR government in 2020 executed in 2021, SDCL cumulatively completed the NAT for COVID-19 of over 3.6 million samples in the 2021 Year, representing more than 50% growth in volume compared to the 2.3 million samples completed in 2020.

CHAIRMAN'S STATEMENT

MORE NEW MEDICAL LABORATORY TESTING AND HEALTH CHECK SERVICES HAD BEEN LAUNCHED

Despite the decrease in revenue from the service of NAT for COVID-19, the demand for pre-vaccination health check services increased significantly during the 2021 Year as more Hong Kong people got vaccinated, leading to a remarkable increase in the revenue of other medical laboratory and health check services in the 2021 Year. In addition to pre-vaccination health check services, the Group also launched new services such as cervical cell (ultra-thin smear) screening, HPV vaccination and cPass™ test for novel coronavirus neutralizing antibodies in the 2021 Year. The Group also successfully introduced a number of COVID-19 testing technology platforms and rapid tests for COVID-19 from different suppliers.

THE NGS-BASED TESTING SERVICE FOR QUALITATIVE DETECTION OF SOMATIC MUTATIONS IN DNA FOR CANCER PATIENTS ARE ABOUT TO LAUNCH

The Group's research and development and new technology commercialization teams also made continuous efforts to develop comprehensive products and services for diagnosing and treating various kinds of cancer tumors. New businesses in the pipeline to be launched soon include the testing services for qualitative detection of somatic mutations in DNA derived from non-small cell lung cancer (NSCLC) and colorectal cancer (CRC) on lung and colon by using the first FDA-approved cross-cancer companion diagnostic assay developed by Pillar Biosciences Inc. of USA.

STAGE I CLINICAL TRIAL ON THE FIRST APPROVED INVESTIGATIONAL NEW DRUG STARTED

Since Shanghai Longyao received the approval for initiating a stage I clinical trial ("**the Trial**") on its investigational new drug ("**IND**") named as LY007 Cellular Injection ("**LY007 Injection**") from the National Medical Products Administration of China ("**NMPA**") in January 2021, all necessary regulatory procedures for starting the Trial had been completed in the year. LY007 Injection is the first and the only CD20-targeted autologous chimeric antigen receptor T-cell ("**CAR-T**") therapy product approved by NMPA for initiating a Trial. It has been classified as a Class 1 IND for the treatment of relapsed/refractory CD20-positive B-cell non-Hodgkin lymphoma.

By the end of September 2021, Professor Zhao Weili, Vice President of 上海交通大學醫學院附屬瑞金醫院 (in English, for identification purpose only, Ruijin Hospital of Shanghai Jiao Tong University School of Medicine) ("**Ruijin Hospital**") of Shanghai, and Professor Li Jianyong, Head of the Department of Hematology of 江蘇省人民醫院 (in English, for identification purpose only, Jiangsu People's Hospital) ("**Jiangsu Hospital**") of Jiangsu, have been appointed by 上海隆耀生物科技有限公司 (in English, for identification purpose only, Shanghai Longyao Biotech Company Limited ("**Shanghai Biotech**")) as the co-principal investigators of the Trial. In January 2022, kick-off meetings of the Trial had been convened in the Ruijin Hospital and the Jiangsu Hospital. The first patient case enrolled in the Trial has been undertaken by the Ruijin Hospital on 1 March 2022.

CHAIRMAN'S STATEMENT

THE RESEARCH AND DEVELOPMENT WORKS ON NEW CELL AND GENE THERAPIES TARGETING ON SOLID TUMORS AND FOR UNIVERSAL APPLICATION ARE UNDER PROGRESS

On the other hand, investigator-initiated trials ("**IITs**") had been sponsored by Shanghai Longyao for another two CAR-T products in the 2021 Year. One of these CAR-T products under IIT is a CLDN18.2-targeted therapy for the treatment of pancreatic or gastric cancer whilst the other one is a CD19-targeted universal CAR-T for the treatment of relapsed/refractory CD19-positive B-cell non-Hodgkin lymphoma or leukemia. By the end of February 2022, four patients have been enrolled in the CLDN18.2-targeted CAR-T project with clinical trials being conducted by the appointed investigators in the 徐州醫科大學附屬醫院 (in English, for identification purpose only, the Affiliated Hospital of Xuzhou Medical University) of Jiangsu. Applications for Trial of these two CAR-T products under IITs will be submitted to NMPA in case significant results have been obtained.

CANCER TREATMENT CENTER PROJECT ADOPTING THE WORLD'S FIRST APPROVED BNCT TECHNOLOGY HAS BEEN ADMITTED TO BOAO INTERNATIONAL MEDICAL TOURISM PILOT ZONE IN HAINAN

On 17 November 2021, the Hainan Boao Lecheng International Medical Tourism Pilot Zone (the "**Boao Lecheng Pilot Zone**") Administration (the "**Administration**") granted an approval of admission to the Company for the setup of a cancer treatment center (the "**Project**") in the Boao Lecheng Pilot Zone adopting the world's first approved boron neutron capture therapy ("**BNCT**") technology from Japan.

The treatment system and complementary drug based on BNCT were approved by the Ministry of Health, Labour and Welfare of Japan to put into clinical uses in March 2020. The approved indications are for the treatment of head and neck carcinoma with further indications to be included upon completion of valid clinical trials. BNCT is a proven radiotherapy that can specifically destroy targeted tumor cells with little damage bringing to tissues infiltrated by the tumor.

The Group entered into a zone admission and investment agreement with the Administration on 28 February 2022. The successful execution of the Project is in line with the Group's mission to deploy precision treatment to patients in need.

In the 2021 Year, the Group remained steadfast in securing its pivot position in the NAT service market. In anticipation of a trend of normalizing demand for NAT services and the ushering in the post-pandemic era, the Group had undertaken a number of initiatives to strengthen our competitive edges in the medical test services and health check service segment. The Group had also made significant breakthrough in the research and development of immune cell therapies and achieved certain key milestones in the commercialization of BNCT technology. Within a foreseeable time horizon, the Group is expecting to deliver these precision therapeutic technologies into clinical uses, especially for the treatment of blood or solid tumors. At the end, we are dedicated to create the greatest value for our shareholders through the development of better precision diagnostic and therapeutic services to person-in-need. The Group will continue to go for these twin targets prudently and tactically.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to express my sincere thanks and gratitude to all our business partners and shareholders for their continuing trust and support in the Group. I would also like to thank all staff and members of the board of Directors for their dedicated efforts and contributions to the Group over the past year.

Liu Xiaolin
Chairman and Executive Director

Hong Kong, 28 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2021 ("**2021 Year**"), the principal activities of the Group are (i) provision of tumor immune cell therapy, immune cell storage and health management services in the People's Republic of China (the "**PRC**"); (ii) the manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (iii) provision of medical laboratory testing services and health check services in Hong Kong; (iv) provision of insurance brokerage; and (v) trading of securities in Hong Kong.

Turnover

During the 2021 Year, the Group recorded a turnover of approximately HK$623,761,000, representing a mild decrease of 4.88% as compared with that of approximately HK$655,792,000 for the year ended 31 December 2020 (the "**2020 Year**"). Provision of medical laboratory testing services and health check services in Hong Kong remained to be the principal source of turnover of the Group in the 2021 Year, accounting for over 97.44% of the consolidated turnover in the year.

As the prevalence of COVID-19 continued with outbreaks of mutated variants happening from time to time, revenue from nucleic acid testing ("**NAT**") services for COVID-19 carried on to contribute over 85% of the segmental turnover of the medical laboratory testing services and health check services in the 2021 Year. Supported also by the introduction of compulsory testing for high risk or high exposure groups of persons under regulation (in particular, the Prevention and Control of Disease (Compulsory Testing for Certain Persons) Regulation (Chapter 599J of the Laws of Hong Kong)), the demand for NAT services has become normalised.

Provision of tumor immune cell therapy services

上海隆耀生物科技有限公司 (in English, for identification purpose only, Shanghai Longyao Biotech Company Limited) ("**Shanghai Longyao**"), an indirect non-wholly owned subsidiary of the Company, is engaged in tumor immune cell therapy, immune cell storage and health management services in the PRC. On 21 January 2021, Shanghai Longyao received the approval on its application for initiating a stage I clinical trial (the "**Trial**") on an investigational new drug named as LY007 Cellular Injection ("**LY007 Injection**") from the National Medical Products Administration of China ("**NMPA**").

LY007 Injection is the first and the only CD20-targeted autologous chimeric antigen receptor T-cell ("**CAR-T**") therapy product approved by NMPA for initiating a Trial. It has been classified as a Class 1 IND for the treatment of relapsed/refractory CD20-positive B-cell non-Hodgkin lymphoma. All necessary regulatory procedures for conducting the Trial of LY007 Injection had been completed in the 2021 Year.

By the end of September 2021, Professor Zhao Weili, Vice President of 上海交通大學醫學院附屬瑞金醫院 (in English, for identification purpose only, Ruijin Hospital of Shanghai Jiao Tong University School of Medicine) ("**Ruijin Hospital**") of Shanghai, and Professor Li Jianyong, Head of the Department of Hematology of 江蘇省人民醫院 (in English, for identification purpose only, Jiangsu People's Hospital) ("**Jiangsu Hospital**") of Jiangsu, have been appointed by Shanghai Longyao as the co-principal investigators of the Trial. In January 2022, kick-off meetings of the Trial had been convened in the Ruijin Hospital and the Jiangsu Hospital. The first patient case enrolled in the Trial has been undertaken by the Ruijin Hospital on 1 March 2022.

In the 2021 Year, Shanghai Longyao had sponsored the investigator-initiated trials ("**IITs**") for two other CAR-T products. One of these CAR-T products under IIT is a CLDN18.2-targeted therapy for the treatment of pancreatic or gastric cancer whilst the other one is a CD19-targeted universal CAR-T for the treatment of relapsed/refractory CD19-positive B-cell non-Hodgkin lymphoma or leukemia.

Pre-clinical studies and tests on other cell and gene therapies in research and development pipeline regarding chemistry, manufacturing, and control, pharmacology and toxicology, and clinical study design had also been conducted by Shanghai Longyao in the 2021 Year. Research and development costs totalling HK$28,677,000 were incurred in this segment in the 2021 Year, representing a year-on-year slight decrease of 1.76% over the HK$29,192,000 incurred in the 2020 Year for the same purpose.

Manufacture and sale of health related and pharmaceutical products

Manufacture and sale of health related and pharmaceutical products segment recorded a decrease in turnover during the 2021 Year. The turnover of this segment decreased from approximately HK$869,000 for the 2020 Year to approximately HK$107,000 for the 2021 Year mainly due to the tough economic environment in Hong Kong under the COVID-19 pandemic.

Provision of medical laboratory testing services and health check services

The Group continued to offer a wide spectrum of medical laboratory testing services and health check services in the 2021 Year. The services of this segment were being delivered through three medical laboratories and three health check centers established in Hong Kong.

Sunrise Diagnostic Centre Limited ("**SDCL**"), a non-wholly owned subsidiary of the Company, maintained its pivot position in the provision of NAT services for COVID-19 and the number of testing samples completed rose by more than 50% from over 2.3 million in the 2020 Year to over 3.6 million in the 2021 Year. Despite the slight decline in contribution from NAT services for COVID-19 due to the descending market price in the 2021 Year, the demand for other medical laboratory testing and pre-vaccination health check services increased significantly in the 2021 Year.

Turnover of this segment decreased from approximately HK$646,748,000 for the 2020 Year to approximately HK$607,776,000 for the 2021 Year. That represented a decrease of 6.03% on a year-on-year basis. The decrease of segmental turnover was brought by a weakened contribution from NAT services for COVID-19 due to a descending market price per test caused by competition.

Provision of insurance brokerage services

The insurance brokerage services segment recorded a slight increase in turnover during the 2021 Year. The turnover of this segment increased from approximately HK$6,875,000 during the 2020 Year to approximately HK$7,922,000 for the 2021 Year. It represented an increase of 15.23% as compared with the 2020 Year due to a change of marketing focus to local customers to minimise the impact of travel restrictions for better control of COVID-19.

Provision of logistics services

Starting from the fourth quarter of 2020, the Group has been providing testing materials and specimens logistics services for local clinics and other corporate clients. It recorded a turnover of approximately HK$6,712,000 (2020 Year: HK$Nil) during the 2021 Year.

Money lending business

Ferran Finance Limited, an indirect wholly-owned subsidiary of the Company, is a holder of money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). With the increasing market demands of the micro-financing business in Hong Kong, the Group has utilised HK$15.8 million (2020: HK$17.1 million) in the money lending business. The Group's loan portfolio comprises unsecured loans granted to individual customers. The loan receivables carry an interest rate at 8% to 10% per annum and are repayable within one year. The money lending business recorded an interest income of approximately HK$1,244,000 for the 2021 Year (2020 Year: HK$1,300,000).

Trading of financial assets at fair value through profit or loss ("FVTPL")

The Group investment portfolio comprises investments in listed securities in Hong Kong. This business segment recorded a net of gain on financial assets at FVTPL of approximately HK$489,000 during the 2021 Year as no trading activities were incurred (2020 Year: net of loss HK$47,000).

The performance of equity investments is subject to certain degree of volatility in the Hong Kong stock market and is susceptible to other external factors. It has been the policy of the Company to closely monitor the performance of its securities investment and to diversify the investment portfolio with a view to mitigating possible financial risks related to the equity investments.

Gross profit and gross profit margin

Despite a dip in turnover, the Group recorded a gross profit of approximately HK$358,020,000 for the 2021 Year, representing an increase of approximately HK$18,938,000 when compared with that of approximately HK$339,082,000 in the 2020 Year. Also, the gross profit margin for the 2021 Year was approximately 57.40%, representing an increase of approximately 5.69 percentage point when compared with the gross profit margin of approximately 51.71% for the 2020 Year. The increase of gross profit and the improvement of gross profit margin in 2021 Year were attributable to the reduction in overall cost of testing materials utilised in NAT services in the period. The growth in turnover from non-NAT related medical laboratory tests and health check services also helped to push up the gross profit and gross profit margin.

Selling and distribution expenses

Selling and distribution expenses for the 2021 Year were approximately HK$11,724,000 (2020 Year: HK$11,848,000), representing a decrease of approximately 1.05% compared with such expenses for the 2020 Year. The Group maintained a stable level of selling and distribution expenses.

Administrative expenses

The administrative expenses mainly consisted of staff costs, share-based payment, legal and professional fees, depreciation, research and development costs, and amortisation of intangible assets. The administrative expenses for the 2021 Year were approximately HK$157,081,000, representing an increase of approximately HK$24,592,000 or 18.56%, as compared with that of approximately HK$132,489,000 for the 2020 Year. The increase in administrative expenses was mainly attributable to the increases recorded in depreciation of property, plant and equipment and right-of use assets of approximately HK$2,399,000 (approximately HK$10,922,000 in the 2021 Year versus approximately HK$8,523,000 in the 2020 Year) and staff costs of HK$26,455,000 (approximately HK$68,903,000 in the 2021 Year versus approximately HK$42,448,000 in the 2020 Year) due to the expansion in business capacity of medical laboratory testing services and health check services segment made in the 2021 Year.

Finance costs

During the 2021 Year, the Group's interest expenses amounted to approximately HK$6,543,000 (2020 Year: HK$6,498,000). The increase in the finance costs was mainly attributable to the finance costs arising from convertible bonds during the 2021 Year (2020: 7.6 months since issuance).

Profit for the year

The Group recorded a net profit of approximately HK$132,572,000 for the 2021 Year (2020 Year: HK$167,623,000). The decrease in net profit for the 2021 Year was mainly attributable to (i) a mild decrease in revenue from medical laboratory testing and health check services segment due to descending market price per test caused by competition for COVID-19 testing services during the 2021 Year; and (ii) an increase in staff costs in the 2021 Year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Memorandum of understanding in relation to the proposed investment in a new subsidiary and the setup of a research and development and production base

On 13 September 2021, Shanghai Longyao, an indirect non-wholly-owned subsidiary of the Company, entered into a non-legally binding cooperation memorandum of understanding with 江蘇省如東高新技術產業開發區管委會 (in English, for identification purpose only, the Administrative Commission of Rudong New and Hi-Tech Industrial Development Zone of Jiangsu) (the "**Administrative Commission**") and 深圳前海海潤國際併購基金管理有限公司 (in English, for identification purpose only, China Highrun Capital Limited) (together with the Administrative Commission, the "**Investors**") on the Investors' proposed investment in a new subsidiary of the Company engaged in the research and development of innovative immune cell therapies to be set up by Shanghai Longyao (the "**Subsidiary**") and the set up of a research and development and production base for the Subsidiary at the Rudong New and Hi-Tech Industrial Development Zone in Jiangsu, the PRC (the "**Project**"). No legally binding formal cooperation agreement has been entered into by Shanghai Longyao with the Investors in respect of the Project as at the date of this report. Details were disclosed in the announcements of the Company dated 14 September 2021, 23 September 2021 and 26 January 2022 respectively.

Master services agreement, referral services agreement and master supply agreement

On 30 March 2021, SDCL, an indirect non-wholly-owned subsidiary of the Company, and BGI Health (HK) Company Limited ("**BGI**"), a company incorporated in Hong Kong with limited liability and the holder of 40% of the issued share capital of SDCL, entered into a master services agreement in respect of the provision of the COVID-19 test services through RT-PCR method by BGI to SDCL. On the same date, SDCL and BGI also entered into a referral services agreement pursuant to which SDCL will refer customers who require COVID-19 test service to BGI. On 9 June 2021, SDCL entered into a master supply agreement with BGI in respect of the supply of laboratory equipment, consumables and kits for COVID-19 nucleic acid testing by BGI to SDCL. Details were disclosed in the announcements of the Company dated 30 March 2021, 7 April 2021, 9 June 2021 and 28 July 2021 respectively.

REPURCHASE OF SHARES

During the 2021 Year, the Company repurchased 485,000 shares, 450,000 shares and 1,760,000 shares of the Company in January, June and July 2021 respectively with repurchase prices ranging from HK$1.27 to HK$1.78 per share from open market pursuant to the general mandates to repurchase the shares of the Company granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 26 May 2020 and 18 May 2021 respectively. The Company subsequently cancelled the 485,000 repurchased shares and 2,210,000 repurchased shares on 9 February 2021 and 9 August 2021 respectively.

PARTIAL REDEMPTION OF CONVERTIBLE BONDS

On 11 May 2020, the Company issued convertible bonds in the principal amount of US$10,000,000 (the "**Convertible Bonds**") to the subscriber. On 27 May 2021, the Company redeemed the outstanding Convertible Bonds in part in the principal amount of US$5,000,000 being 50% of the total outstanding principal amount of US$10,000,000 (the "**Partial Redemption**"). Upon completion of the Partial Redemption, the principal amount of the Convertible Bonds remaining outstanding is US$5,000,000. Following the Partial Redemption, the subscriber has released 264,750,273 shares of the Company being half of the shares charged by Genius Lead Limited to the subscriber under the share charge (the "**Partial Release**"). Upon the Partial Release, the number of shares held by Genius Lead Limited which remain subject to the share charge is 264,750,273 shares. Details were disclosed in the announcement of the Company dated 27 May 2021.

ADOPTION OF SHARE AWARD SCHEME

On 18 August 2021, the Company adopted a share award scheme (the "**Share Award Scheme**") in which the eligible persons being any individual who is an employee, officer, director or consultant of the Company or any of its subsidiaries will be entitled to participate. The objectives of the Share Award Scheme are (i) to recognise the contributions by the selected participants; (ii) to offer suitable incentives to attract and retain talented selected participants who may be beneficial to the growth and development of the Group; and (iii) to align the interests of the selected participants directly to the shareholders through ownership of the shares, dividends and other distributions paid on the shares and/or the increase in the value of the shares. Details were disclosed in the announcement of the Company dated 18 August 2021.

OUTLOOK

The emergence and rampant spread of the Omicron variant have caused the global economy to get stuck in the doldrums after nearly two years from the start of the pandemic. The fifth wave of COVID-19 brought by this infectious variant has nearly put the economy of Hong Kong in a halt. Unless we can eradiate this pathogen, the demand for NAT service will stay on with surges following the evolution of new variant strains from time to time. The Group will be steadfast in working on this front to secure our market share and operational efficiency by bringing in new technology once available.

The Group is also broadening our service channels to prepare for the post-pandemic era when the demand for NAT services from corporate and individual users may shoot up following the resumption of normal daily activities. In the meantime, the Group is working on the research and development project concerning a new generation of nasal COVID-19 vaccine and is conducting laboratory studies on several innovative COVID-19 testing technology platforms that may overtake the existing ones with potential advantages, if any, in accuracy, cost, sensitivity, turnaround time, etc. After all, the Group is striving to be well prepared for the ever-changing pandemic and post-pandemic transformation.

Other medical laboratory test services and health check services will take leverage on the grown awareness for health by the general public during the pandemic time. The Group launched a few new testing services including, but not limited to, cervical cell (ultra-thin smear) screening, HPV vaccination and cPass™ tests for COVID-19 neutralizing antibodies in the 2021 Year. On the advanced medical diagnostic service side, Asia Molecular Diagnostics Laboratory Limited ("**AMDL**"), a 77.6%-owned subsidiary of the Company, has made its new-built molecular laboratory set up in Hong Kong Science and Technology Park ready for commercial launch in 2022. By adopting the FDA-approved cross-cancer test assay developed by Pillar Biosciences Inc., the 20% shareholder of AMDL, AMDL is going to provide next generation sequencing based companion diagnostic to identify patients with lung or colon cancer who may benefit from treatment with certain targeted therapies.

In respect of the development of precision treatment, the Group is pressing for the completion of stage I clinical trial of the first NMPA-approved CD20-targeted CAR-T therapy, namely, LY007 Injection for treatment of relapse/refractory CD20-positive B-cell non-Hodgkin lymphoma, including diffuse large B-cell lymphoma and metastatic follicular lymphoma in 2022. LY007 Injection has been developed independently by Shanghai Longyao and has incorporated its patented OX40 co-stimulatory domain design. On the other hand, Shanghai Longyao is working on the pre-clinical trials of another two CAR-T products. One of these CAR-T products under pre-clinical trial is a CLDN18.2-targeted therapy for the treatment of pancreatic or gastric cancer whilst the other one is a CD19-targeted universal CAR-T for the treatment of relapsed/refractory CD19-positive B-cell non-Hodgkin lymphoma or leukemia. Applications for initiating stage I clinical trials for these two investigational new drugs will be submitted to NMPA once significant results have been made available in the year.

MANAGEMENT DISCUSSION AND ANALYSIS

For the project of commercializing the boron neutron capture therapy ("**BNCT**") technology in China by setting up a cancer treatment center in the Boao Hope City of Hainan, the Group has signed the zone admission and investment agreement with the Administration on 28 February 2022. Works for the completion of the project have been kicked off. The development of the cancer treatment center is expected to be finished in 24 months after the start of the construction works on site.

Looking ahead to 2022, the Group is aiming high to deliver enhanced NAT services in synchronization with the change of demand, if any, in the transformation of the COVID-19 pandemic into the post-pandemic era. More new medical laboratory test services and health check services are about to be launched to make the scope of precision diagnostic services more affluent and patient-oriented. Pursuant to the completion of the clinical trials and laboratory studies under schedule, we are expecting to make more exciting progress from the research and development of immune cell therapies. Together with the kick-off of the commercialization project in Hainan to bring in the BNCT technology for cancer treatment, we are taking a big step forward to muscle up our precision treatment arm, especially for the treatment of both blood and solid tumors.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations and capital expenditures requirements through (i) internally generated resources, and (ii) other borrowings.

Liquidity and Financial Resources

As at 31 December 2021, the Group held cash and bank balances of approximately HK$150,554,000 (2020: HK$384,539,000), all of which were principally denominated in Renminbi and Hong Kong dollars. The decrease in cash and bank balances of approximately HK$233,985,000 is mainly due to outlays used for the partial redemption of convertible bonds and for dividend payment made to the non-controlling shareholders of a subsidiary during the 2021 Year.

As at 31 December 2021, the Group had outstanding convertible bonds in the principal amount of US$5,000,000 with carrying amount of approximately US$4,987,000 (equivalent to approximately HK$38,651,000) (2020: US$10,000,000 with carrying amount of US$9,844,000 (equivalent to approximately HK$76,292,000)) which were secured by 264,750,273 (2020: 529,500,546) ordinary shares of the Company held by Genius Lead Limited, the controlling shareholder of the Company and guaranteed by Mr. Liu Xiaolin, the chairman and executive director of the Company, and Genius Lead Limited and carried a fixed interest rate of 8.5% per annum and are repayable on 11 May 2022.

As at 31 December 2021, the Group had unsecured other borrowings of approximately HK$17,387,000 (equivalent to approximately RMB14,200,000) (2020: HK$10,664,000 (equivalent to approximately USD500,000 and RMB5,700,000)), which carried fixed interest rates of 8% to 10% (2020: 8% to 10%) per annum and are repayable within one year.

The increase in the other borrowings were mainly due to additional resources for working capital during the 2021 Year.

As at 31 December 2021, total assets of the Group were approximately HK$706,782,000 (31 December 2020: HK$904,121,000), whereas total liabilities were approximately HK$240,887,000 (31 December 2020: HK$392,016,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 34.08% (31 December 2020: 43.36%). Current ratio (defined as total current assets divided by total current liabilities) was 1.22 times (31 December 2020: 1.64 times).

Fortstone International (Hong Kong) Limited ("**Fortstone**"), an indirect non-wholly-owned subsidiary of the Company, is a holder of insurance broker licence under the Insurance Ordinance. As an insurance brokerage company, Fortstone is subject to capital and net assets requirements under the Insurance Ordinance. Fortstone shall maintain a minimum net assets value and a minimum paid up share capital of HK$500,000 at all times. Fortstone oversees its compliance with the capital and net assets requirement by monitoring Fortstone's liquid asset and ranking liabilities at all times to ensure they are well above the minimum required level (i.e. HK$500,000). Fortstone had been in full compliance with the capital and net assets requirement during the 2021 Year.

Capital Structure

As at 31 December 2021, the total issued share capital of the Company was HK$96,323,115 (2020: HK$96,685,115) divided into 963,231,150 (2020: 966,851,150) ordinary shares of HK$0.10 each.

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 31 December 2021, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$122,021,000 (2020: HK$98,845,000) including one (2020: three) investment in unlisted equity securities and one investment in listed securities. It consisted an investment of approximately HK$67,940,000 in Pillar Biosciences, Inc. ("**Pillar**") (which represented 9.61% of the total assets of the Group as at 31 December 2021) and an investment of HK$54,081,000 in Broncus Holding Corporation ("**Broncus**") (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 2216) (which represented 7.65% of the total assets of the Group as at 31 December 2021).

(i) Investment in Pillar

As at 31 December 2021, the Group held approximately 3.48% (2020: 4%) equity interest in Pillar or 1,638,216 series B preferred stock in Pillar with fair value of HK$67,940,000 (equivalent to US$8,714,000) (2020: HK$47,006,000 (equivalent to US$6,064,000)) and at an initial investment costs of US$4,999,999 (equivalent to HK$39,208,000). Pillar is a precision testing company for cancer based in Boston, Massachusetts, the United States of America with a wholly-owned subsidiary in Shanghai, the PRC. Based on the latest unaudited consolidated financial statements of Pillar for the year ended 31 December 2021, it recorded an unaudited consolidated loss of approximately US$24.16 million. A fair value gain on the Group's investment in Pillar of approximately HK$20,934,000 (2020 Year: HK$8,126,000) had been recognised in other comprehensive income for the 2021 Year. No dividend income was received from Pillar for both years. The Group believes that the investment in Pillar will create synergies with the Group's medical laboratory testing services and heath check services.

(ii) Investment in Broncus

As at 31 December 2021, the Group held approximately 1.25% (2020: 1.63%) equity interest in Broncus or 6,567,176 shares in Broncus with fair value of HK$54,081,000 (2020: HK$47,252,000) and at an initial investment costs of US$5,000,001.54 (equivalent to HK$39,282,000). Broncus is a company mainly engaged in research and development, and the manufacture and commercialisation of medical devices and consumables. A fair value gain on the Group's investment in Broncus of approximately HK$6,829,000 (2020: HK$7,945,000) had been recognised in other comprehensive income for the 2021 Year. No dividend income was received from Broncus for both years. The investment in Broncus enables the Group to strategically lay out in precision diagnosis, and to enter into the field of precision treatment. Other than bringing investment return to the Group, the Group will also explore collaborative opportunity with Broncus.

The Group did not hold any other significant investments with a market value that account for more than 5% of the Group's audited total assets as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures for the 2021 Year.

CAPITAL COMMITMENTS

Details of capital commitments are stated in note 43 to the consolidated financial statements.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021 and 2020, the Group did not have any charge on its assets.

CONTINGENT LIABILITIES

As at 31 December 2021 and 2020 the Group had no contingent liabilities.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2021 Year, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including interest rate swaps and foreign currency forwards contract will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations as appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 211 (2020: 129) full time employees located in the PRC and Hong Kong. Total staff costs for the 2021 Year was approximately HK$99,354,000 (2020 Year: HK$67,551,000).

The Group remunerates its employees based on their performance, experience and the prevailing market condition. Performance related bonuses are also granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training, share option scheme and share award scheme to provide further incentive and rewards to eligible participants who contribute to the success of the Group.

Provident fund benefits are offered to certain full-time employees through a registered scheme under the Occupational Retirement Schemes Ordinance ("**ORSO**") with the Mandatory Provident Fund exemption. The ORSO scheme is administered by trustees, which are independent, with assets held separately from those of the Group. Under the ORSO scheme, the Group contributes 5% of monthly salaries of employees.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong (other than those who are covered under ORSO scheme). The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK$1,500 per month. The employees in the PRC are members of respective state-managed defined contribution retirement benefits scheme operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total contributions payable to the above schemes by the Group and charged to the consolidated statement of profit or loss and other comprehensive income for the 2021 Year were approximately HK$2,089,000 (2020 Year: HK$1,543,000).

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

Executive Directors

Mr. Liu Xiaolin ("Mr. Liu"), aged 51, has been appointed as a chairman and executive Director since 28 August 2017 and 7 August 2017 respectively. He is also the chairman of the nomination committee of the Company and a member of the remuneration committee of the Company. Mr. Liu is currently the partner of an investment company, which is mainly engaged in investments in the PRC and Hong Kong. Mr. Liu is a vice chairman of the School Council of Nanjing Medical University since November 2018. He possesses over 15 years of experience in investment, equity fund management, and mergers and acquisitions. From February 2008 to October 2014, Mr. Liu was a partner and chief mainland China representative in an international private equity fund. Mr. Liu graduated from The Macau University of Science and Technology in 2005 with a Master degree of Business Administration. He is also a director of a number of subsidiaries of the Company. Mr. Liu is the sole director of Genius Lead Limited (which beneficially owns 529,500,546 shares in the Company) and its holding company, Genius Earn Limited.

Mr. He Xun ("Mr. He"), aged 57, has been appointed as an executive Director on 7 August 2018. He was the founding president of Shenzhen Life Science and Biotechnology Association. Since 2016, Mr. He has been appointed as the general manager of Shenzhen Sinobioway Xinpeng Biomedicine Co., Ltd.* (深圳未名新鵬生物醫藥有限公司) and Jiangsu Sinobioway Biomedicine Co., Ltd* (江蘇未名生物醫藥有限公司) and the vice president of Beijing Sinobioway Group Co., Ltd.* (北京北大未名生物工程集團有限公司). Since 2018, Mr. He has been appointed as the committee member and investment consultant of Shenzhen Fortune Link Thousand Eagle Growth Equity Investment Fund* (深圳匯富未名千鷹成長股權投資基金合夥企業(有限合夥)). With effect from January 2019, Mr. He is the independent non-executive director of Shenzhen Weiguang Biological Products Co., Ltd. (stock code: 002880.SZ), a company listed on the Shenzhen Stock Exchange. Mr. He obtained a Bachelor's degree in chemical engineering and a Master's degree in chemical engineering from Tsinghua University in 1987 and 1991 respectively. Mr. He also obtained the Degree of Master of Business Administration from the National University of Singapore in 2001.

Mr. Huang Song ("Mr. Huang"), aged 40, has been appointed as a non-executive Director since 15 September 2017 and re-designated as an executive Director on 16 December 2019. Mr. Huang joined the National Institute of Biological Sciences in Beijing (the "**Institute**"), the People's Republic of China (the "**PRC**"), in 2011 as a postdoctoral research fellow and currently serves as a deputy director for administration and a director of Synthetic Biology Center of the Institute. Mr. Huang has published several research papers in relation to endoplasmic reticulum and jointly owns a patent of potential prostate cancer treatment. Mr. Huang obtained a Bachelor's degree in Biological Science from Peking University, the PRC, in 2003 and a Doctor's degree of Philosophy in Biological Chemistry from The University of Texas Southwestern Medical Center at Dallas, United States of America, in 2010.

Mr. Wang Zheng ("Mr. Wang"), aged 39, has been appointed as an executive Director since 7 August 2017. Mr. Wang is currently an independent financial consultant. He possesses over 10 years of experience in accounting and management. Prior to becoming an independent financial consultant, Mr. Wang was the audit manager of KPMG Singapore, the deputy general manager of China Everbright Water Limited (stock code: U9E), a company listed on Singapore Exchange Limited and also the chief financial officer of SuperRobotics Limited (formerly known as SkyNet Group Limited (stock code: 8176)), a company listed on the Stock Exchange. Mr. Wang graduated from the University of London and obtained a Master degree of Science in Risk Management and Financial Engineering from the Imperial College Business School in London. He is also a member of the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants. He is also a director of a number of subsidiaries of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Independent non-executive Directors

Mr. Yan Guoxiang ("Mr. Yan"), aged 56, has been appointed as an independent non-executive Director on 7 August 2017. He is also the chairman of the audit committee and remuneration committee of the Company and a member of the nomination committee of the Company. Mr. Yan is currently an executive director of Shenzhen Sichen Consulting Service Co. Ltd.* (深圳市士諮詢服務有限責任公司). Mr. Yan possesses over 20 years of experience in accounting and management. He was a partner of Da Hua Certified Public Accountants from March 2012 to December 2014. He has also been a visiting professor of the accounting school of Jiangxi University of Finance and Economics since May 2013. Mr. Yan obtained the bachelor degree in accounting from Southwest University in 2005. He was also a qualified intermediate economist of the PRC from June 1995, a certified public valuer of the PRC from August 1997 and a certified public accountant of the PRC from April 1998. Mr. Yan was the independent non-executive director of MLS Co., Ltd (stock code: 002745) from July 2010 to September 2016 and Huasu Holdings Co., Ltd. (stock code: 000509) from March 2014 to March 2017, both of which are companies listed on the Shenzhen Stock Exchange. Mr. Yan was the independent non-executive director of Eaglerise Electric (China) Co., Ltd. (stock code: 002922.SZ) from November 2015 to November 2021. Since August 2018, Mr. Yan is the independent non-executive director of Shenzhen Topway Video Communication Co., Ltd. (stock code: 002238.SZ), a company listed on the Shenzhen Stock Exchange.

Dr. Ho Ivan Chun Kit ("Dr. Ho"), aged 45, has been appointed as an independent non-executive Director on 31 December 2018. He is also a member of the audit committee, nomination committee and remuneration committee of the Company. Dr. Ho received his bachelor degree of Arts summa cum laude in Chemistry from Harvard College in Cambridge, MA, USA in 1997 and a medical doctor's degree from Harvard Medical School in Boston, MA, USA in 2001.

Dr. Ho is currently a Partner in cardiac electrophysiology at Los Angeles Cardiology Associate and an Assistant Health Sciences Clinical Professor of Medicine at University of California Los Angeles David Geffen School of Medicine since 2010. He is the Medical Director of the Complex Ablation Program at the Good Samaritan Hospital, and the assistant director of Atrial Fibrillation Research of Cedars-Sinai Medical Center Health Institute. He is also the director of Cardiac Electrophysiology Program and Laboratory at Garfield Medical Center. Professionally, he is a fellow of Heart Rhythm Society and the America College of Cardiology. Starting in February 2019, he joined the faculty of Keck School of Medicine at University of Southern California where he is an Associate Professor of Clinical Medicine, and the director of Clinical Electrophysiology of Keck Medical Center at University of Southern California.

Mr. Qian Hongji ("Mr. Qian"), aged 46, has been appointed as an independent non-executive Director since 2 March 2018. He is also a member of the audit committee of the Company. Mr. Qian graduated from the Peking University in 2009 with a Juris Master degree. Mr. Qian is an experienced lawyer with extensive practice in the areas of mergers and acquisition and other corporate practice. He has served as the legal advisor of several domestic and international corporations in bankruptcy, project acquisition and other corporate regulatory matters. Mr. Qian is currently a senior partner at Dentons, a law firm in the PRC and the chairman of the board of supervisors of Beijing Tepia Technology Limited* (北京太比雅科技股份有限公司), whose equity securities are being exchanged and quoted on the National Equities Exchange and Quotations (Securities code: 838941).

CHANGES OF DIRECTORS' INFORMATION UNDER GEM RULE 17.50A(1)

The changes of Directors' information since the publication of the Interim Report 2021 of the Company required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are set out below:

Mr. Yan, an independent non-executive Director, resigned as an independent non-executive director of Eaglerise Electric (China) Co., Ltd. (stock code: 002922.SZ), a company listed on the Shenzhen Stock Exchange, with effect from November 2021.

Save as stated above or otherwise disclosed in this report, there is no other change of Directors' information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

* *for identification purpose only*

CORPORATE GOVERNANCE REPORT

Pursuant to the Rule 18.44(2) of the GEM Listing Rules, the board of Directors ("**Board**") is pleased to present the corporate governance report for the year ended 31 December 2021 ("**2021 Year**"). This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company. The Board is committed to maintaining corporate governance with high standard and ensuring compliance of the legal and regulatory requirements. The Company has put in place governance practices with emphasis on the integrity, quality of disclosures, transparency and accountability for the shareholders of the Company.

Throughout the 2021 Year, the Company has complied with the code provisions in the Corporate Governance Code as applicable to the 2021 Year and set out in Appendix 15 to the GEM Listing Rules (the "**CG Code**").

On 1 January 2022, the amendments to the CG Code (the "**new CG Code**") came into effect and the requirements under the new CG code will apply to corporate governance reports for financial years commencing on or after 1 January 2022. The Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance with the new CG Code and align with the latest developments.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the 2021 Year.

BOARD OF DIRECTORS

Composition

As at 31 December 2021, the Board comprises four executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Liu Xiaolin *(Chairman)*
Mr. Yao Michael Yi *(Co-Chairman) (resigned on 20 May 2021)*
Mr. He Xun
Mr. Huang Song
Mr. Leung Pak Hou Anson *(retired on 18 May 2021)*
Mr. Wang Zheng

Independent Non-executive Directors

Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit
Mr. Qian Hongji

The composition of the Board reflects the combination of skills and experience in different areas with different expertise of the Directors to provide independent opinions and implement strategic plans.

The resignation of each of Mr. Yao Michael Yi and Mr. Leung Pak Hou Anson as an executive Director was due to his other business commitments which require more of his dedication. Each of them confirmed that he did not have any disagreement with the Board and there was no matter in relation to his resignation that would need to be brought to the attention of the shareholders of the Company.

There is no relationship among members of the Board and the biographical details of the Directors are set out in the section headed "Biographical Details of Directors" of this report.

Directors' Insurance

The Company has arranged appropriate insurance cover in respect of legal action against the Directors in compliance with code provision A.1.8 of the CG Code.

Responsibilities, accountabilities and contributions of the Board and management

The Company is governed by the Board, which is primarily responsible for formulating the overall strategy development of the Group and overseeing management, administration and operation of the Group. The Board should assume responsibility for leadership and control of the Group by directing and supervising its affairs. All Directors should make decisions objectively in the interests of the Company.

The Board reserves for its decision on all major matters relating to (i) monitoring and executing the internal control and risk management; (ii) evaluating the financial performance; (iii) seeking and evaluating of any potential material acquisitions, disposals, investments or transactions; and (iv) approving appointment of Directors and other significant operational matters of the Group including setting the overall strategies and directions for the Group with a view to developing its business and enhancing return to the shareholders.

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management of the Group. The Board has reviewed the delegation to management periodically to ensure that they remain appropriate.

The biographical details of the Directors are set out in the section above headed "Biographical Details of Directors" on page 15 to page 16 of this report. Their role and function are published on the websites of the Company and the Stock Exchange. Save as disclosed in this report, none of the Directors has any relationship (including financial, business, and family or other material/relevant relationship) with each other.

All Board committees of the Company are established with defined written terms of reference.

The respective terms of reference of the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company have been published on the websites of the Company and the Stock Exchange.

Attendance of Directors at Meetings

The attendance of the Directors at the general meetings of the Company, the meetings of each of the Board, the Audit Committee, the Remuneration Committee, and the Nomination Committee during the 2021 Year are set out below:

Name of Directors	Notes	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive Directors						
Mr. Liu Xiaolin		14/14	N/A	2/2	1/1	1/1
Mr. Yao Michael Yi	1	5/6	N/A	N/A	N/A	1/1
Mr. He Xun		14/14	N/A	N/A	N/A	1/1
Mr. Huang Song		10/14	N/A	N/A	N/A	1/1
Mr. Leung Pak Hou Anson	2	5/5	N/A	N/A	N/A	1/1
Mr. Wang Zheng		14/14	N/A	N/A	N/A	1/1
Independent non-Executive Directors						
Mr. Yan Guoxiang		14/14	5/5	2/2	1/1	1/1
Dr. Ho Ivan Chun Kit		13/14	4/5	2/2	1/1	1/1
Mr. Qian Hongji		14/14	5/5	N/A	N/A	1/1

Notes:

1. Mr. Yao Michael Yi resigned as co-chairman and executive director with effect from 20 May 2021.
2. Mr. Leung Pak Hou Anson retired as an executive director and compliance officer with effect from 18 May 2021.

The Directors have received details of agenda and minutes of committee meetings in advance of and after each Board meeting respectively. The company secretary of the Company ("**Company Secretary**") has distributed relevant documents to the Directors in a timely manner to enable the Directors to make informed decisions on matters to be raised at the Board meeting. All Directors have access to the advices and services of the Company Secretary who is responsible for ensuring the procedures of the Board meetings are complied with, and in consultation with the compliance officer of the Company, advising the Board on compliance matters.

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company. Moreover, the Company Secretary have prepared minutes of the Board meetings and kept records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also has kept the minutes of the Board meetings, which are open for inspection at any reasonable time on reasonable notice by any Director.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Pursuant to code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. All independent non-executive Directors are appointed for a specific term of one year.

According to Company's bye-laws, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 5.05 of the GEM Listing Rules, the Company must have three independent non-executive Directors; one of them has appropriate professional qualification or accounting or related financial management expertise. The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive Directors are considered to be independent.

BOARD COMMITTEES

As part of the corporate governance practices, the Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee with terms of reference in accordance with the principles set out in the CG Code. The compositions of the various committees of the Company on 31 December 2021 were set out below:

Audit Committee

The Audit Committee is currently composed of three independent non-executive Directors, namely, Mr. Yan Guoxiang (Chairman of the Audit Committee), Dr. Ho Ivan Chun Kit and Mr. Qian Hongji. The financial results for the 2021 Year have been reviewed by the Audit Committee.

The principal duties of the Audit Committee include:

(a) to review the relationship with the external auditor to (i) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; and (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(b) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and review these reports and significant financial reporting judgments contained in them;

(c) to review the Company's financial controls, risk management and internal control systems, discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, and consider major investigation findings on risk management and internal control matters;

(d) to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors; and

(e) to review arrangements employees of the Company can use, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the 2021 Year, the Audit Committee had five meetings and has performed the above-mentioned principal duties and reviewed the Company's monthly unaudited consolidated financial statements, annual results, annual report, interim report and quarterly reports and advised and provided comments thereon to the Board. The Audit Committee has performed the duties to review the compliance procedures, report on the Company's internal control and risk management. The Audit Committee also met the external auditor twice without the presence of the executive Directors. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

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

Remuneration Committee

The Remuneration Committee is currently composed of two independent non-executive Directors, namely Mr. Yan Guoxiang (Chairman of the Remuneration Committee) and Dr. Ho Ivan Chun Kit and one executive Director and the chairman of the Company, Mr. Liu Xiaolin.

The principal duties of the Remuneration Committee include:

(a) making recommendations on the remuneration policy and structure of the Company, and determining the remuneration packages of, all Directors and senior management to the Board for the Board's final determination pursuant to Code Provision B.1.2(a) of the CG Code; and

(b) establishing transparent procedures for developing such remuneration policy and structure pursuant to Code Provision B.1.2(a) of the CG Code to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration pursuant to Code Provision B.1.2(h) of the CG Code.

The Remuneration Committee held two meetings during the 2021 Year to perform the above mentioned principal duties.

The following is a summary of work performed by the Remuneration Committee during the 2021 Year:

(a) reviewing and recommending the policy and structure of the remuneration of the Directors to the Board;

(b) assessing individual performance of the Directors;

(c) reviewing specific remuneration packages of the Directors with reference to the Board's corporate goals and objectives as well as individual performances; and

(d) reviewing and making recommendations to the Board on the appointment letters of each Directors.

Details of the Directors' remuneration and five individuals with highest emoluments are set out in notes 15 and 14 to the consolidated financial statements.

The Remuneration Committee is established with written terms of reference in compliance with Rules 5.34 and 5.35 of the GEM Listing Rules. The full terms of reference setting out the Remuneration Committee's authority and its role and responsibilities are available on the websites of the Company (www.cbshhk.com) and the Stock Exchange.

Nomination Committee

The Nomination Committee is currently composed of two independent non-executive Directors, namely Mr. Yan Guoxiang and Dr. Ho Ivan Chun Kit and one executive Director and the chairman of the Company, Mr. Liu Xiaolin (Chairman of the Nomination Committee).

The Nomination Committee leads the process and makes recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of the business development and requirements of the Company. In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the criteria of nomination and appointment of the directors as sets out in the director nomination policy of the Company, which include but are not limited to the character and integrity; skills and expertise; professional and educational backgrounds; potential time commitment for the board and/or committee responsibilities; and the elements of the board diversity policy of the Company and so on. If the nomination process yields one or more desirable candidates, the Nomination Committee will rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee will then make recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed by the Board in accordance with the bye-laws of the Company and the GEM Listing Rules.

In case of re-appointments of members of the Board at general meetings of the Company, the Nomination Committee will review the overall contribution and service to the Company of the retiring Director and his/her level of participation and performance on the Board, as well as whether the retiring Director continues to meet the nomination and appointment criteria as set out in the director nomination policy of the Company, prior to making recommendations to the Board for its consideration and recommendations to the shareholders of the Company.

The following is a summary of the work performed by the Nomination Committee during the 2021 Year:

(a) reviewing and evaluating the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy;

(b) reviewing and recommending the re-appointment of the retiring Directors at the annual general meeting of the Company held on 18 May 2021;

(c) assessing independence of the independent non-executive Directors; and

(d) reviewing and recommending the appointment letters of each Directors.

The principal duties of the Nomination Committee include:

(a) reviewing the structure, size; composition (including the skills, knowledge and experience) and diversity (including but not limited to gender, age, cultural and education background or professional experience or geography pursuant to Rule 17.104 of the GEM Listing Rules) of the Board on a regular basis and recommending any changes to the Board;

(b) identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships;

(c) assessing the independence of independent non-executive Directors; and

(d) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular, the chairman and the chief executive officer of the Company, taking into the Company's corporate strategy and diversity, including but not limited to the proposed candidate's reputation for integrity, qualifications, skills, knowledge and experience that are relevant to the Group's business.

During the 2021 Year, one meeting was held by the Nomination Committee to, among other things, review the structure, size, composition and diversity of the Board, assess the independence of each of the independent non-executive Directors, and recommend to the Board for approval. The Nomination Committee reviewed the board diversity policy to ensure its effectiveness and considered that the Group has implemented the policy since its adoption.

The full terms of reference setting out the Nomination Committee's authority and its role and responsibilities are available on the websites of the Company (www.cbshhk.com) and the Stock Exchange.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy to achieve board diversity through the consideration of a number of factors, which include but are not limited to gender, age, the character and integrity, skills and expertise, and professional and educational backgrounds.

The Nomination Committee monitors the implementation of the board diversity policy to ensure its effectiveness.

As at the date of this report, the Board comprises seven Directors, who all are males. The following tables further illustrate the diversity of the Board members:

	Age Group			
Name of Directors	**30 to 39**	**40 to 49**	**50 to 59**	**60 or above**
Mr. Liu Xiaolin			v	
Mr. He Xun			v	
Mr. Huang Song		v		
Mr. Wang Zheng	v			
Mr. Yan Guoxiang			v	
Dr. Ho Ivan Chun Kit		v		
Mr. Qian Hongji		v		

Name of Directors	Professional Experience Medical and biotech	Accounting and finance	Law
Mr. Liu Xiaolin	v		
Mr. He Xun	v		
Mr. Huang Song	v		
Mr. Wang Zheng		v	
Mr. Yan Guoxiang		v	
Dr. Ho Ivan Chun Kit	v		
Mr. Qian Hongji			v

Corporate Governance Functions

According to code provision D.3.1 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company.

During the 2021 Year, the Board reviewed the Company's corporate governance policies and practices, continuous professional development of the Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the GEM Listing Rules, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

As at 31 December 2021 and up to the date of this report, the Company has not appointed a chief executive officer and is looking for a suitable candidate to act as chief executive officer in order to comply with the CG Code. The office and duties of the chief executive officer in respect of the day-to-day management of the Group's business is handled by the executive Directors collectively.

COMPANY SECRETARY

The Company Secretary supports the Board and Board committees by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is appointed by the Board and reports to the chairman and Directors of the Company. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

Ms. Wong Miu Shun ("**Ms. Wong**") has been appointed as the Company Secretary on 9 October 2017. The biographical details of Ms. Wong have been disclosed in the Company's announcement dated 9 October 2017. Ms. Wong has taken more than 15 hours of relevant professional training to update her skills and knowledge during the 2021 Year.

CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director should be provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statues, laws, rules and regulations.

Directors' training is an ongoing process. During the 2021 Year, the Directors are provided with monthly updates on the Company's performance and position to enable the Board as a whole and each Director to discharge their duties.

Under the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are encouraged to participate in continuous professional development.

All Directors participated in continuous professional development by attending training and reviewing the materials relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements during the 2021 Year in order to develop and refresh their knowledge and skills. The Company updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

During the 2021 Year, the Directors have participated in the following trainings at the Company's expenses:

	Type of trainings	
Name of Directors	**Seminars**	**Reading Materials**
Executive Directors		
Mr. Liu Xiaolin	v	v
Mr. Yao Michael Yi	x	v
Mr. He Xun	x	v
Mr. Huang Song	x	v
Mr. Leung Pak Hou Anson	x	v
Mr. Wang Zheng	v	v
Independent Non-executive Directors		
Mr. Yan Guoxiang	v	v
Dr. Ho Ivan Chun Kit	x	v
Mr. Qian Hongji	x	v

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business.

Accordingly, the Board has prepared the financial statements of the Company on a going concern basis. The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, interim and quarterly reports, other inside information announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to include the information required to be disclosed pursuant to statutory requirements.

The above statements, which should be read in conjunction with the independent auditors' report set out from pages 66 to 74 of this annual report, are made with a view to distinguishing for shareholders how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the 2021 Year; the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are prudent and reasonable in accordance with applicable accounting standards.

The quarterly, interim and annual results and reports were published within the time limits as required under the GEM Listing Rules after the end of the relevant periods to provide stakeholders with transparent and timely financial information.

Risk Management and Internal Control

The management has the responsibility to maintain appropriate and effective risk management and internal control systems and the Board and the Audit Committee has responsibility to review and monitor the effectiveness of the Group's risk management and internal control system covering material controls, including financial, operational and compliance controls on an ongoing basis to ensure that the systems in place are adequate and effective and safeguard the interests of the Company's shareholders and the Group's assets. The Group adopts a risk management system which manages the risk associated with its business and operations.

The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organisations of the Treadway Commission COSO 2013 framework ("**COSO**"). The COSO enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the COSO are shown as follows:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

The Group's risk management and internal control system are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has conducted an annual review on whether there is a need for an internal audit department. During the 2021 Year, the Company engaged an independent professional firm as internal audit function which consisted of professional staff with relevant expertise (such as Certified Public Accountants), to conduct a review of the risk management and internal control systems for its business operations and processes of the Group by conducting interviews, walkthroughs and test of operating effectiveness annually. The review was done on a systematic basis based on the risk assessments of the operations and controls, and covered (i) review of revenue cycle of the subsidiaries in Hong Kong and human resource cycle of the subsidiaries for the 2021 Year; and (ii) follow-up review of treasury of the Company and inventories cycle of the subsidiaries in Hong Kong for the 2020 Year, which are revenue, capital expenditure and operating expense cycles of the subsidiaries in Hong Kong. The review plan has been approved by the Board and the Audit Committee. The Board and the Audit Committee has also reviewed the resources, staff qualifications and experience, training programs and budget of the independent professional firm and considered they are adequate and sufficient. In addition, there is regular dialogue with the Group's internal and external auditors so that both are aware of the significant factors which may affect their respective scope of work.

The internal control review report for the 2021 Year, issued by the independent professional firm, listed out the findings of the weaknesses identified in 2021 Year in regard to the relevant cycles and procedures with recommendations proposed for the Company to further improve its internal control system. No significant deficiency was identified during the review. The result of the review has been reported to the Board and the Audit Committee and areas of improvement, if any, have been identified and appropriate measures have been put in place to manage the risks. The Board and the Audit Committee reviewed the risk management and internal control system in respect of the 2021 Year. Several areas have been considered during the reviews, which included but were not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment, (ii) the scope and quality of management's ongoing monitoring of risk management and internal control system. The Board and the Audit Committee considered the systems effective and adequate throughout the 2021 Year.

Auditor's remuneration

For the 2021 Year, the fee payable to RSM Hong Kong in respect of audit services amounted to HK$1,100,000 (2020 Year: HK1,100,000) and the fee payable to RSM Hong Kong in respect of non-audit services, which included acting as the reporting accountant for major transaction and due diligence, amounted to approximately HK$Nil (2020 Year: HK$140,000).

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investors.

During the 2021 Year, there was no change in the bye-laws of the Company. The Company updates its shareholders on its latest business developments and financial performance through its corporation communications such as annual reports, interim reports and quarterly reports, notices, announcements and circulars issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.cbshhk.com in a timely and consistent manner as required by the GEM Listing Rules. The Company's website provides a communication platform to the public and the shareholders.

The Company regards the annual general meeting ("**AGM**") and special general meeting ("**SGM**") as a platform to provide an important opportunity for direct communications between the Board and the shareholders.

Shareholders are encouraged to attend the AGM and other shareholders' meetings. The Company supports the CG Code principle to encourage shareholder's participation.

SHAREHOLDERS' RIGHTS

A. Procedures for Shareholders to Convene a Special General Meeting

According to the provision of bye-law 58 of the bye-laws of the Company, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an SGM to be called by the Board for the transaction of any business specified in such requisition. The SGM shall be held within two (2) months after the deposit of such requisition. The requisition must be lodged with the Company's head office and principal place of business of Hong Kong.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) may convene such meeting in accordance with the provisions of the Companies Act 1981 of Bermuda.

B. Procedures for putting enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at Suites 1904-05A, 19/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company Secretary is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Directors.

C. Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

Shareholders may include a resolution to be considered at an SGM. The requirements and procedures are set out above in the paragraph headed "Procedures for the Shareholders to Convene a Special General Meeting".

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 25 March 2019 ("**Dividend Policy**") which shall take effect on 25 March 2019. The Dividend Policy allows the shareholders ("**Shareholders**") of the Company to participate in the Company's profits by provision of dividends whilst preserving the Company's liquidity to capture future growth opportunities.

According to the Dividend Policy, the Board shall consider the following factors, among other things, before proposing and declaring dividends:

(i) the Group's operation and financial performance;

(ii) the Group's capital requirements and future funding needs;

(iii) the liquidity conditions of the Group;

(iv) the availability of reserves of the Company and each of the members of the Group;

(v) any restriction on payment of dividends;

(vi) the general economic conditions and other internal and external factors that may have an impact on the business or financial performance and position of the Group; and

(vii) any other factors that the Board may consider relevant.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE

The Group is fully committed to environmental protection and social responsibility and is equipped with the strictest corporate governance. Pursuant to the requirements of the Environmental, Social and Governance Reporting Guide ("**Environmental, Social and Governance Guide**") in Appendix 20 of the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), we have prepared the *2021 Environmental Social and Governance* ("**ESG**") *Report* (thereafter "**ESG Report**"), covering business segments principally in (i) provision of tumor immune cell therapy, immune cell storage and health management services in the PRC; (ii) the manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (iii) provision of medical laboratory testing services and health check services in Hong Kong; (iv) provision of insurance brokerage; and (v) trading of securities in Hong Kong.

The scope of this report will cover the Group's initiatives on introducing the concept of ESG to our employees and clients, putting them into practices to our daily operations since 2016 and disclosing results as a year-end summary over the 2021 Year. It is also the intention of our management to provide an overview of the Group's strategy in managing ESG-related issues, driving for ESG initiatives throughout the Group, and communicating our ESG performance with our stakeholders. This year, the Group has continued to include environmental performance data from previous years to better illustrate our trends in ESG performance. Similarly, this year's carbon emission reporting continues to account for carbon emission associated with paper waste disposal, electricity used for processing fresh water and business air travel by employees. The methodology used for the quantification of the above metrics was consistent with those used in the Group's previous reports.

The contents presented in this report should allow various stakeholders, including the management to review and refine the Group's ESG policies in order to drive better ESG outcomes for the upcoming years.

BOUNDARY AND REPORTING PERIOD

The reporting boundary shall cover our operation activities throughout the Group, including the Hong Kong head office as well as the Group's subsidiaries operating in Hong Kong and Shanghai, namely Shanghai Longyao. There is no significant change in boundary and scope of this report from the Group's 2020 Environmental, Social and Governance Report.

Our reporting period shall cover the dates from **1 January 2021** to **31 December 2021** (the "**2021 Year**").

ESG GOVERNANCE STRUCTURE

The Board takes the lead and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The business and functional departments of the Group assist the implementation of relevant strategies and the effectiveness of the ESG policies. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

The Board believes that a sound environmental, social and governance structure is important for continued sustainability and development of the Group. The Group is willing to take more responsibilities for the society with a view to balancing the stakeholders' interest.

STAKEHOLDER ENGAGEMENT

The Group is dedicated to minimizing the negative influence on the environment, promoting our employees' well-being and contributing to the community.

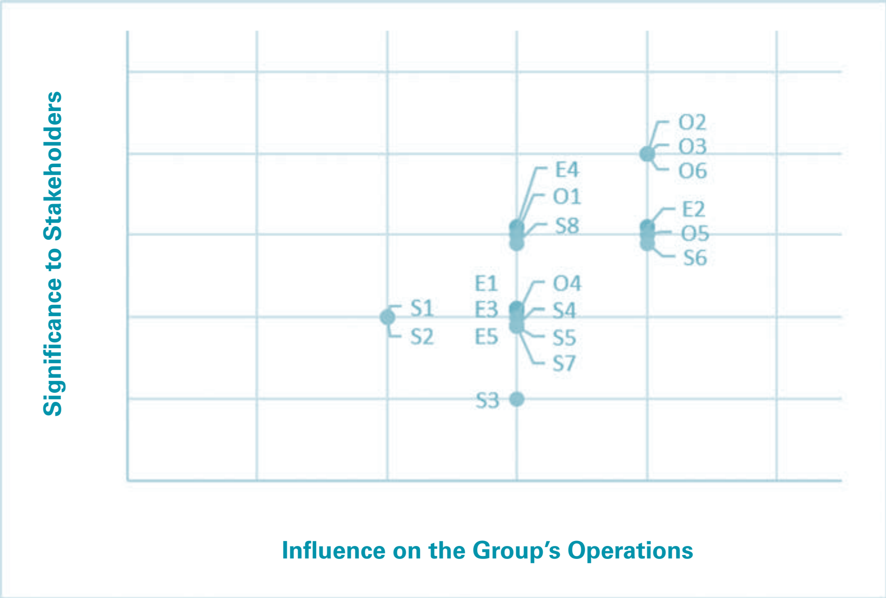
To ensure that the Group has adequately addressed the various aspects of ESG associated with its operation, it has consulted both internal and external stakeholders about its potential impacts. The Group understands the importance of maintaining good relationship with stakeholders of different backgrounds, and thus included a wide list of parties as consultation targets.

The below table presents key stakeholders of the Group as well as the methods of communication adopted by the Group to communicate with them through a variety of engagement channels during the year.

Stakeholder Type	Stakeholders	Expectations and Concerns	Engagement Channels
Internal Stakeholders	Employees	• Staff salary and benefits • Health and safety of working environment • Training and career development	• Training • Performance Review and Interviews • Internal announcements and publications • Suggestion Box
	Shareholders	• Corporate governance • Business compliance • Return on investment	• Press Releases and Announcements • Annual General Meeting • Annual and Interim Reports • Company website
	Customers	• Customer rights protection • Quality and safety of products and services	• After-sales services • Customer feedback through forms, email and hotline
External Stakeholders	Suppliers	• Fair procurement process • Quality of goods • Timely payment for supplied goods/services	• Site visit • Supplier feedback forms
	Government and Regulatory Authorities	• Compliance with laws and regulations • Sustainable development	• Supervision on compliance with local laws and regulations • Routine reports to regulatory authorities
	Community	• Community involvement • Protection of local environment	• Community activities • Subsidies and Charitable donations

MATERIALITY ASSESSMENT

The Group performed a materiality assessment of various ESG topics to identify and evaluate the concerns and interests of the Group's internal and external stakeholders, such as customers, investors, employees, suppliers and the government. The findings of the assessment are presented in a materiality matrix, as shown below:



Legend					
E1	Energy Management	O1	Customer Satisfaction	S1	Anti-discrimination
E2	Environmental Compliance	O2	Product Quality Management	S2	Child Labour and Forced Labour Management
E3	Greenhouse Gas Management	O3	Product Sales and Labelling	S3	Community Relations
E4	Waste Management	O4	Raw Materials Management	S4	Diversity and Equal Opportunity
E5	Wastewater Management	O5	Supplier Management	S5	Employee Communication
		O6	Anti-Corruption	S6	Occupational Safety and Health
				S7	Talent Management
				S8	Training and Development

In 2021 Year, the Group continued to maintain an open and transparent dialogue with its stakeholders through diversified communication channels including staff meetings, annual general meeting and customers services channel etc. The Group has obtained a better understanding of their expectation on ESG-related matters for the enhancement of a better alignment between business development and sustainability strategy.

Through regular communication and interaction with both internal and external stakeholders, the Group can better identify and prioritise the ESG issues, therefore maintaining a balance between its business practices and sustainability while addressing stakeholders' needs and expectations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group will continuously improve the ESG performance to meet the expectation of stakeholders. In the future, the Group will continue and expand stakeholders engagement to enhance the materiality assessment through diversified communication channels.

ENVIRONMENT

The Group understands the importance of environmental protection, recognises the potential environmental impacts associated with our operational activities, and strives to minimise the potential impacts. In consideration of the Group's business nature, our main impacts on the environment include consumption of energy and water. While our ultimate aim is to generate value for our shareholders, as well as providing high quality products and professional services to our customers, the Group established sets of **Environmental Policy** to ensure compliance with all applicable laws and regulatory requirements in both the PRC and Hong Kong. Our policies also set the direction, and as a guideline for our employees, on best managing our environmental impacts on the nature according to different activities throughout our operations. The key features of our environmental policies include:

- Monitoring of compliance with all applicable environmental laws, standards and regulations;
- Developing a culture of environmental protection among staff members;
- Promoting public awareness of environmental sustainability issues through conservation of resources in the context of operations;
- Seeking continual improvement in the efficient use of energy and other natural resources; and
- Employing the best practices as listed out in "Green Measures for Offices"

Due to the nature and the regional coverage of our business, it is important for us to identify and to manage environmental impacts attributable to our operational activities to minimise these impacts wherever possible. Awareness programme on environmental protection is also promoted internally throughout our process of operations. We encourage our clients to work together with us to continuously improve our environmental performance.

Climate-related Issues

Due to the business nature of the Group, we do not expect physical risks associated with climate change to have a significant impact on our operations. However, with the global trend of greenhouse gas (GHG) reduction, the transition to cleaner electricity and more stringent environmental regulations are anticipated to result in certain operating costs, such as electricity tariff, to increase in the upcoming years. To mitigate this potential risk, we have developed strategies and targets to reduce our environmental footprint. The Group will stay alert on such issues and include any new observations in subsequent reports.

Use of Resources

As an environmental-friendly company, the Group is actively pursuing the culture of "Green Office" and the smart consumption of natural resources, and particularly on energy and paper saving.

Measures such as adopting an Energy Conservation and Efficiency Policy and practices in offices and the adoption of green technologies in our operations, were successfully implemented throughout the year. Details can be found as below:

Energy Saving Measures:

- Energy equipment with "Energy Efficient Label" is included as part of the procurement process selection criteria, and shall be adopted as far as possible;

- Good working space practices, such as setting the air conditioners to 25.5°C are encouraged for a comfortable and energy-efficient working environment; and

- Energy-conservation practices on utilising electronic devices are adopted throughout working premises, such as electronic appliances shall be switched off or set into energy saving mode when idle.

The above energy saving measures will help contribute to the Group's environmental targets regarding energy consumption and greenhouse gas emissions.

Paper Saving Measures

- E-documentation platform is promoted in our offices (i.e. email) to reduce paper waste;

- Marketing materials, such as greeting cards shall be sent by electronic means as far as possible; and

- The proper use of papers, such as double-sided printing or copying is encouraged whenever it is appropriate.

Water Conservation Policy

We encourage our staff to be cautious of water consumption during daily operations. During the reporting period, the Group did not encounter any significant issues in sourcing of water for the Group's operations. Since the Group's operations are not highly dependent on water consumption, no specific water reduction targets have been set by the Group. However, the Group and its employees will remain consistently alert of its water consumption during daily operations to prevent water wastage.

Summary

A summary of the Group's electricity and water consumption during the reporting period is presented below:

Resource	**Annual Consumption**		**Consumption Intensity/per HK$'000 revenue**	
	2021	2020	**2021**	2020
Electricity	**374,815 kWh**	874,427 kWh	**0.60 kWh**	1.33 kWh
Water	**6,867 m^3**	6,989 m^3	**0.01 m^3**	0.01m^3

The fluctuation in consumption figures are associated with the continued impact of the COVID-19 pandemic.

Air Emission

In Hong Kong and the Pearl River Delta, key air pollutants from human activity include: nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and respiratory suspended particles ("**RSP**", also known as Particulate Matter ("**PM**")). The primary sources of these atmospheric air pollutants include emissions from motor vehicles, marine vessels, power plants as well as local industrial and commercial processes. The Group operates private cars as part of its operations and the associated air emissions have been identified and evaluated. Air emissions are evaluated based on statistics associated with fossil fuel consumption and vehicle usage. The amount of air emissions produced by the Group during the reporting period included 7.5 kg of NOx, 0.20 kg of SOx, and 0.55 kg of particulate matter (7.5 kg, 0.19 kg and 0.49 kg respectively in 2020).

Other than vehicle emissions, the Group has not been involved in any combustion process, industrial or heavy transportation activities that could lead to other direct air emissions to the atmosphere. Nevertheless, the Group will explore opportunities to reduce its fossil fuel consumption, such as reduced usage of vehicles and/or procurement of more fuel-efficient equipment. This will help contribute to the Group's air and greenhouse gas emission reduction targets.

Greenhouse Gas Emissions

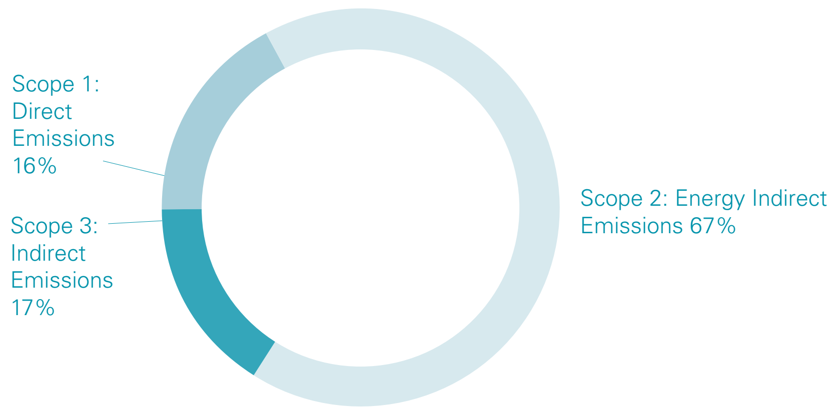
The Group recognizes that greenhouse gas (GHG) emissions is an important metric for environmental performance, hence it is one of our long-term goals to reduce the amount of greenhouse gas emissions associated with our operations. The Group's main source of greenhouse gas emissions originates from its electricity consumption.

The Group estimated its greenhouse gas emissions for the reporting period through the use of data associated with electricity and fossil fuel consumption. To convert energy consumption figures into equivalent greenhouse gas emissions, emission factors obtained from utility invoices, along with reputable third-party references (including electricity & gas consumption data and associated carbon intensity factors), were used in the calculation. In addition to the quantity of carbon dioxide (CO_2) emissions, it is to be noted that the greenhouse gas emission calculations also consider the global warming contribution associated with other emitted substances, including methane (CH_4) and nitrous oxide (N_2O), whose impacts are expressed in equivalent quantities of carbon dioxide (CO_2e) to determine the cumulative environmental impact of Group's operations with respect to global warming.

In addition to Scope 1 & 2 emissions from fuel and electricity consumption, the Group has also collected indirect greenhouse gas emission data from Scope 3 emissions. This includes emissions associated with paper disposal, fresh water processing and business air travel. The Group intends to gradually enhance coverage of Scope 3 emissions as more data becomes available.

During the reporting period, no violations were recorded with respect to relevant environmental laws and regulations. The total greenhouse gas emissions associated with the Group's operations during the reporting period was estimated to be 238 tCO_2e.

Greenhouse Gas Emissions



WASTE MANAGEMENT

Hazardous Waste

The Group's operation in Hong Kong includes a laboratory testing facility and a clinical product packaging line, where operation activities inevitably contribute to the generation of clinical waste. A Waste Management Policy was developed to provide guidance on the proper handling and management of generated clinical waste, and to ensure compliance with legal requirements of *Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong)*.

The Group places a strong emphasis on the industry-specific clinical waste matter and has formed strict policies addressing its management. We have our Management of Clinical Waste Policy in place to ensure the proper disposal of such clinical wastes.

Furthermore, the Group had formed the Laboratory Safety Committee to ensure the laboratories were being operated in accord with safety procedures. It is also the duty of the committee to manage clinical waste through, among other things, the following:

- Segregate clinical waste from other waste streams and prevent clinical waste from entering and contaminating the disposal chain of municipal solid waste
- Package and label clinical waste properly to enable easy identification, including information on the source of generation to ensure proper handling
- Provide safe and secure temporary storage area for clinical waste
- Collection of clinical waste by licensed clinical waste collectors for disposal
- Record keeping
- Staff safety training for handling of clinical waste

Leak-proof containers were utilised to contain laboratory waste, ensuring they were impermeable to moisture and prevented from tearing or rupture under normal handling. Containers would only be filled below the warning line, indicating 70% and 80% of their maximum volume, before sealing to avoid spillage. Containers awaiting disposal are stored in well-ventilated areas within the premise, used solely for the storage of clinical waste.

In regard to clinical waste disposal, the Group had hired clinical waste contractors to collect and dispose of clinical waste safely and legally. In summary, and after careful investigation, the Group has no non-compliant activities with respect to our hazardous waste and its handling procedures.

The Group recognised of its achievements for the past consecutive years and seeks to maintain this clean record on hazardous waste handling.

Non-Hazardous Waste

For non-hazardous waste, the Group kept a close working relationship with employees to promote waste reduction. Measures such as paper recycling, and the appropriate use of recycled paper was encouraged in workplaces. In addition, the Group took the initiative further by driving towards a paper-less working environment. Staff were encouraged to work and communicate through emails and e-format documents instead of paper copies. During the reporting period, the total paper consumption was about 4.5 tonnes. The Group will explore more opportunities to incorporate reduction and recycling measures to help achieve its waste reduction targets.

Waste	Annual Production	
	2021	2020
Hazardous Waste	**5.8 tonnes**	6.2 tonnes
Non-Hazardous Waste	**10.4 tonnes**	3.6 tonnes
Wastewater	**3,370 kg**	425 kg

During this reporting period, hazardous and non-hazardous waste disposal processes were handled by authorized waste-handling parties, and were performed in compliance with regulatory requirements. The increase in generation of non-hazardous waste and wastewater during the reporting period is associated with increased operations at our laboratory business.

Due to the nature of the Group's business operations, no packaging materials were consumed by the Group during this reporting period.

Environmental Targets

To guide our employees to achieve reductions towards a cleaner and greener environment, the Group has set a set of 5-year environmental targets:

Energy Consumption	**3% Reduction in 5 years**
GHG Emission	**1% Reduction in 5 years**
Air Emission	**1% Reduction in 5 years**
Waste Generation	**3% Reduction in 5 years**
Office Paper Consumption	**3% Reduction in 5 years**

Depending on the progress of the above targets, the targets may be further upgraded to accelerate improvements in the Group's environmental performance.

Summary

The consolidated data with respect to key performance indicators (KPIs) regarding emissions and resource consumption associated with the Group during the reporting period is summarized below:

Environmental KPIs			
Category	**Unit**	**2021**	**2020**
Energy Consumption			
Total Energy Consumption	GJ	**1,842**	3,597
Petrol Consumption	GJ (L)	**478 (13,836)**	445 (12,862)
Electricity Consumption	GJ (kWh)	**1,349 (374,815)**	3,148 (874,427)
Towngas Consumption	GJ	**14**	4
Total Consumption Intensity	GJ/1000 HKD revenue	**0.003**	0.005
Greenhouse Gas Emissions			
Total Greenhouse Gas (GHG) Emissions	t CO2e	**238**	465
Scope 1 - Direct Emissions	t CO2e	**38**	35
Carbon Dioxide (CO_2) Emissions	t	**33**	31
Methane (CH_4) Emissions	kg	**4**	3
Nitrous Oxide (N_2O) Emissions	kg	**15**	14
Scope 2 – Energy Indirect Emissions	t CO2e	**159**	339
Scope 3 - Other Indirect Emissions	t CO2e	**40.9**	30.9
Fresh Water Processing	t CO2e	**6.0**	6.1
Paper Waste Disposed at Landfills	t CO2e	**21.8**	19.2
Employee Business Travel	t CO2e	**13.1**	5.6
Total Greenhouse Gas (GHG) Emissions Intensity	t CO2e/1000 HKD revenue	**0.00038**	0.00071
Air Emissions			
Nitrogen Oxides (NO_x) Emissions	kg	**7.5**	7.5
Sulphur Oxides (SO_x) Emissions	kg	**0.20**	0.19
Particulate Matter Emissions	kg	**0.55**	0.49
Waste Management			
Total Hazardous Waste Produced	t	**5.8**	6.2
Total Non-Hazardous Waste Produced	t	**10.4**	3.6
Total Hazardous Waste Intensity	kg/1000 HKD revenue	**0.0093**	0.0094
Total Non-Hazardous Waste Intensity	kg/1000 HKD revenue	**0.0167**	0.0055
Total Wastewater Generation	kg	**3,370**	425
Use of Resources			
Total Water Consumption	m^3	**6,867**	6,990
Total Water Consumption Intensity	m^3/1000 HKD revenue	**0.011**	0.011

SOCIAL

The business of the Group spreads across several industrial sectors, involving a large number of great individuals working with us. Offering our staff with competitive compensation, while treating them with equality and fairness, and complying with laws and regulations have always been part of the Group's guidance principles. The Group will monitor and improve in areas as needed, and will continue to grow sustainably and in a socially-responsible manner.

Employment

As a socially-responsible company, the Group understands that the success of all companies depends largely on the quality of their **People**. The Group recognizes the contribution from its capable workforce and the success that they bring, and their works of excellence must be well-compensated. The Group offers competitive remuneration and benefits schemes to its staff to retain and to procure best talents to match with our long-term organizational growth.

Remuneration Committee

The Remuneration Committee was set up to enable the Group to attract, retain, and motivate talented employees that are essential to the success of the Group. The principal duties of the Remuneration Committee include: (a) making recommendations on the **Remuneration Policy** and structure of the Group, and determining the remuneration packages of all Directors and senior management to the Board for the Board's final determination and (b) establishing transparent procedures for developing such **Remuneration Policy** and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Group's management regularly reviews remuneration packages of employees, implements targeted performance assessment and makes necessary adjustments according to the prevailing market and industry trends, inflation, and both corporate and employee performance in the previous year. Remuneration package is also related to both the position value and employee performance, which will be assessed by targets and Key Performance Indicators that were assigned accordingly to their positions.

Health and Safety

The Group considers the safety of our employee as one of our greatest concerns. Our **Safety Manual** is carefully developed to promote the awareness of operation safety, and to drive for the best practices in our premises. We strive to maintain a high level of occupational safety and health standard, and to provide a safe and comfortable working environment to our employees.

The Group strictly complies with *Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)*, and no work-related injuries nor lost days were recorded during the reporting period.

Hong Kong

The Group's **Safety Policy** has strict guidelines on laboratory conduct to ensure a safe working environment. Procedures were developed on classification of various types of hazardous materials into specific risk groups, along with proper management in the workspace (i.e. chemicals, regent, equipment, etc.). Appropriate handling measures are assigned to each family of substances according to their risk levels, and details can be found as below:

1. Strict compliance with ISO 15189:2012 and the Safety Manual, which specifies the basic rules for safety practices in the laboratory.

2. A Laboratory Safety Committee has been established, supervising laboratory safety performance, identifying safety issues, providing relevant safety procedures and arranging trainings to employees.

3. Thorough safety check-up carried out for laboratory units and surrounding areas once every two years.

4. Provision of suitable protective equipment to employees when handing potential hazardous materials.

Shanghai

One of the Group's primary subsidiaries, Shanghai Longyao, which also operates in compliance with our safety culture, has developed a comprehensive procedure for handling of biological wastes, as detailed below:

1. Biological wastes are segregated into respective categories prior to collection, including infectious wastes, pathological wastes, medical waste and chemical waste. Containers used for hazardous waste must be carefully examined for any potential damages or leakages prior to use, to minimize the occurrence of personnel exposure.

2. Wastes potentially containing high-risk agents such as bacterial cultures and toxic venoms should be adequately sterilized by autoclave or by chemical treatment at the production source prior to collection.

3. To reduce the risks of overfilling, containers for collecting medical wastes and sharps are only used up to 75% of their overall volume.

4. Temporary storages of medical waste are set to allow short-term placement of potentially hazardous substances prior to subsequent disposal by authorized agencies. Temporary storages are limited to 2 days maximum, with the storage designed to protect against leakages, and from extreme temperatures/humidity.

During daily operations, the Group's employees are regularly reminded to strictly follow safety procedures and take necessary precautions to help maintain a safe working environment at the Group's sites.

In 2021, the Group had no material non-compliance with relevant standards, laws, rules and regulations relating to providing a safe working environment and protecting employees from occupational hazards. During 2021, the total number of lost days due to work injury across the Group is 344 days. The Group did not have work-related fatalities during the last 3 years.

COVID-19 Response

During the COVID-19 pandemic, the Group proactively introduced a set of comprehensive measures for our employees to prevent the spread of the coronavirus and maintain a safe environment at our working locations. Work-related travel and events, both domestic and international, are suspended to limit exposure to external personnel, in addition to the use of virtual meetings wherever possible. For members of our staff that normally commute by public transportation, the Group encouraged them to work from home as a precaution. Additionally, as a family-friendly measure, work-from-home option is offered to staff members who need to stay home to take care of children.

Strict hygiene rules were implemented at our offices, including mandatory measurement of body temperature prior to entry and wearing of masks at all times. The Group advised its staff to wash their hands frequently and avoid touching their faces to minimize the possibility of catching an infection. Should any members of the staff develop any COVID-19 symptoms, they are advised to take extra precautionary measures, including the taking of sick leaves to seek any necessary medical advice.

Training and Developments

The Group views employees as one of its greatest assets. High-caliber talents equipped with professional training are vital to sustain our success. The Group encourages employees to learn continuously, not only to ensure they perform well at their jobs, but also for their personal growth and career development.

The Group's management has developed specific Training Policy for employees, including:

- Ensure that employees are supported and equipped with necessary knowledge and skillset to meet the changing demands of the Group and its service users so that the Group achieves its strategic objectives;
- Facilitate employee development and personal development through assisting them to broaden, deepen and thereby further enhance their existing skill base; and
- Provide a working environment, where continuous learning and development take place that help staff gaining on-job fulfilment, increase motivation and enhance staff retention.

Where possible, we also collaborate with external education institutes to provide internal training courses on various subjects. Training courses are tailored specifically to the needs of our operations and are structured to enhance and develop required skill set for our staff.

Due to the continued impact from the COVID-19 pandemic on the Group's regular operations, there were significant constraints for organizing training sessions for our staff during the reporting period. During the reporting period, the Group's training curriculum focused mainly on accounting, compliance, and technical training. The Group's training statistics for 2021 is presented in the table *below:*

	By Gender		By Category		
	Male	Female	Senior Management	Management Staff	Other Staff
% Employees Trained	13%	11%	100%	20%	4%
Average Training Hours	0.4	0.7	3	0.2	0.2

Newly-recruited employees of the Group are provided with orientation training, which covers topics such as:

- company's structure and mission;
- employee's contribution toward business success and objectives; and
- company's guidelines, procedures, etc.

Equal Opportunities, Diversity and Anti-Discrimination

Employees Composition/Equal Opportunities

The Group's Human Resource Policy and Procedures are designed and implemented in compliance with applicable laws and requirements. Each regional or local management team is responsible for maintaining its HR policies, covering areas such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Being an equal employment opportunity employer, the Group hires and develops people with suitable qualifications, experience, skills, potential, performance and knowledge for a job specification. The Group does not discriminate against person regardless of sex, marital status, family status, pregnancy, disability, age, sexual orientation, race and color, descent, ethnic, nationality and religion.

Staff should observe the requirements of *Sex Discrimination Ordinance (Cap 480 of the Laws of Hong Kong), Disability Discrimination Ordinance (Cap 487 of the Laws of Hong Kong), Family Status Discrimination Ordinance (Cap 527 of the Laws of Hong Kong) and Race Discrimination Ordinance (Cap 602 of the Laws of Hong Kong)* and their respective related Code of Practice. Staff who engages any act or conduct of discrimination, vilification, or sexual harassment will be subject to disciplinary proceedings.

Employees with workplace concern or queries should be referred to the Administration and Human Resources Department, and all cases will be thoroughly investigated and treated in the strictest confidence basis.

The Group stipulated the terms in the employment contract about the working hours, rest and leave entitlement. The Group also instituted an eight-hour working day and five-day working week system.

Labour Standard

The Group does not tolerate the involvement of forced and child labour in its operations, and strictly abides by laws and regulations relating to labour employment and contracts. The Group's employment policy clearly stipulates that recruits should be at least 18 years of age, and employment of child labour is prohibited. Necessary measures are taken during the recruitment process to verify the age of job applicants, and background checks will be conducted for every new employee for confirming the details concerning the identity of candidates. In case any child/forced labour is identified within the Group's operation, the employee will be removed from their working position to ensure their safety and wellbeing.

During the reporting period, the Group had no known material instances of non-compliance with relevant employment and labour practices laws and regulations, including but not limited to the Labour Law of the PRC.

Employee Demographics

In this reporting period, the Group has 193 full-time employees and 18 part-time employees.

Region	Gender	No. of staff	Staff turnover rate (%)
The PRC	Male	7	5%
	Female	15	
Hong Kong	Male	81	28%
	Female	108	

Gender	No. of staff	Staff turnover rate (%)
Male	88	23%
Female	123	20%

Age Group	No. of staff	Staff turnover rate (%)
Less than 30	74	30%
30 to 50	91	25%
Over 50	46	5%

Supplier Management

Hong Kong

The Group has strict policy on procurement process of supplies consumed during operations. Quality Managers are assigned to be responsible for ensuring the quality of the products are up to the Group's requirement. Reagents and equipment will only be purchased from reliable vendors which are ISO accredited, reputable, reliable in provision of safety services, cost-effective, responsive to our requests and environmentally friendly, etc.. Revision and re-evaluation of our list of suppliers are conducted annually to ensure that our evaluation of our approved suppliers remains up to date. Should any consumables or reagents be found to be defective or considered substandard, a request for replacement of the defective products will be made to the supplier, and such incidents may be recorded in our supplier evaluation system for subsequent consideration.

Shanghai

In line with the supplier management standards set by the Group, Shanghai Longyao adopts an assessment matrix to evaluate the suitability of its suppliers, covering the following aspects:

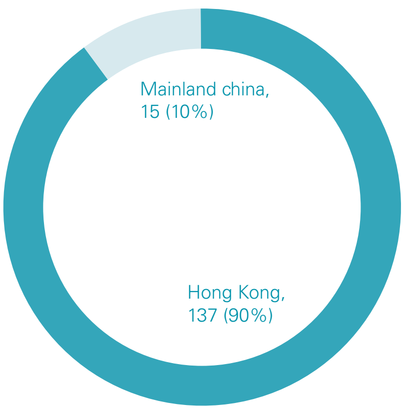
- Supplier Survey
- Product Quality Agreement
- Storage Conditions
- Product Quality Standards
- Analysis of product quality
- Certification (including licenses and registration documents)
- GMP certificate

Where required, on-site assessment/reassessment of suppliers will be performed to thoroughly evaluate the supplier. An on-site assessment team will be assembled, featuring specialists in various disciplines, including quality management, production, materials, packaging, manufacturing equipment and laboratory systems.

All of the Group's suppliers are subjected to the same requirements.

The geographic distribution of the Group's suppliers is presented in the chart below. Most of the Group's suppliers are from Hong Kong, with the rest from the PRC.

Geopraphic distribution of the Group's suppliers



Quality Assurance

Hong Kong

In 2020, the Group's medical laboratory and health check centres have obtained College of American Pathologists qualification. The Group strives to continue its efforts in assuring the highest quality standards of its products. To achieve this, the performance of our operational items, such as our Quality Management System, Organisation and management are regularly assessed.

Comprehensive internal audits are conducted regularly for close monitoring, and findings will be documented in a formal report format for record purpose. Furthermore, the results of the audit shall be reviewed by the Laboratory Supervisor, and subsequently reported to the senior management regularly for continuous improvement.

Shanghai

A "Procedure of Quality Risk Management" has been developed for the purpose of quality assurance and control of potential risk factors that may negatively impact product quality. A systematic risk assessment is adopted to identify potential causes of product quality risk, estimate their occurrence likelihood and severity of such incidents. For each identified potential risk factor, existing safeguards are identified and evaluated to see whether the residual risk is considered acceptable. Where required, risk mitigation measures will be proposed for consideration by management.

Additionally, a number of common assessment tools for risk management have been employed, including Failure Modes, Effect and Criticality Analysis (FMECA), Fault Tree Analysis (FTA) and Hazard & Operability (HAZOP) Studies. Used in tandem, the assessments provide the management with opportunities to minimize quality risk and develop strategies for continuous improvement.

Customer complaints are reviewed and investigated so that the quality of the Group's services and products are kept at optimum levels. Customer complaints can be submitted both in written form or verbally, and the details on the complaint are reported to the Quality Manager and relevant personnel. Where applicable, the Quality Manager shall recommend corrective measures. The resolutions to complaints shall be documented for future reference. In case any of the Group's products/services was identified to be below the quality requirements established with the Group, suitable measures including recalls will be carried out by the Group to ensure that the Group's reputation will remain unharmed. Upon receipt of customer complaints regarding the Group's products which indicate potential need of product recall, the Group's management staff will be informed and a detailed investigation will be performed immediately to assess the situation. In case product recall is deemed necessary, substandard products will be traced and retrieved as much as possible to prevent further consumption by the Group's customers. During 2021, there were no instances where the Group's products were subject to recalls for safety and health reasons.

During the year, the Group did not receive any complaints regarding its products and services.

Data Protection

The Group has strictly complied with Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) in Hong Kong and all other relevant data protection principles within the industry.

At the laboratories, the Group's **Confidentiality Policy** ensures that the personal information of examinees is carefully handled and stored properly. Stored personal particulars are only accessible to authorized employees, and it shall not be released to any third-party companies unless a consent agreement is reached or upon the request from the doctor.

Furthermore, unless authorisation was granted by the examinee or the request of the examinee's doctor, patient reports shall not be released to any external party, including the examinee's family members.

Intellectual Property Rights

Intellectual property rights are crucial to the Group's business operations. The Group makes use of trademark, copyright, and other laws relevant to intellectual property, such as confidentiality agreements with our business partners and suppliers for protection of intellectual property rights.

The Group's employees are required to obtain authorization from the Group for any disclosure of the Group's confidential information to external parties.

During the 2021 Year, the Group complied with relevant laws and regulations such as the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), and the Consumer Protection Law, by ensuring that there are no false and misleading messages in our advertisements and promotion activities. During the 2021 Year, the Group did not identify any material non-compliance of the laws and regulations related to the quality of products and services.

Anti-Corruption

The Group is strictly complying with all legal requirements against corruption, and is fully committed to restricting all forms of illegal activities, including corruption, without exception. Staff are requested to understand and work with us to safeguard the Group throughout their daily operation, to prohibit and prevent money laundering activities. To maintain transparency and promote integrity and accountability, the Group established whistleblowing channels for reporting inappropriate conducts and other suspicious irregular activities which are identified to be against relevant internal policies and guidelines. The identity of whistleblowers is protected and reported incidents are thoroughly investigated. Necessary disciplinary actions will be taken if any misconducts are identified. In order to strengthen our employees' understanding on the topic of anti-corruption, regular internal trainings are organized, which feature case studies and recommended measures to avoid situations which may be associated with non-compliance activities. A working guideline on "Anti-Corruption Measures" has been prepared by the Group, and made available for full access by all of its employees.

During 2021, the Group was unaware of any action in non-compliance with laws and regulations relating to corruption, bribery, extortion, fraud and money laundering. Also, the Group was not involved in any legal cases regarding corruption during the reporting period.

Community

Community Investment

The Group encourages employees' active participation in serving the local community, and the Group achieves this by focusing on making donations to various charity organisations. During the reporting period, the Group made donations of HK$1,062,000 including a donation of HK$1,000,000 to the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region, to support the flood relief in Henan province. The Group will continue with its efforts in community services, encourage employees' participation in volunteering activities, and dedicate resources for further contributions in the future.

OUTLOOK

With dynamic international affairs and ever-changing environment, the Group aims for implementation of a comprehensive ESG policy, pursuing precision diagnostic and treatment services through provision of the most accurate, economical, expedite, timely and non-invasive services to persons-in-need.

With this in mind, the short term vision and strategy of the Board to manage the ESG issues include:

1. enhancing the operational efficiency so as to shorten the slack time and reducing the error rate of the tests;

2. setting up adequate performance initiatives to motivate all staff to act conscientiously towards the corporate goals;

3. actively screening for stakeholders that share the common beliefs on ESG issues to work with.

On a medium-term horizon, the Board is seeking to achieve the followings:

1. bringing in more advanced technologies to enhance the standards and scope of services;

2. creating an automated platform to monitor and to govern the achievement of ESG targets by all stakeholders periodically and to continuously reinforce persistent improvement;

3. engaging all stakeholders of the Group to follow the strictest standards of ESG issues in the industry.

On a long term perspective, the Board is dedicated to build a new model of biotech services operation through quality and effective corporate governance and business strategy, and to comply with the highest standards of ESG issues set up by regulatory bodies.

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021 ("**2021 Year**").

PLACE OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS

The Company was incorporated and registered as an exempted company in Cayman Islands under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003 and duly continued in Bermuda as an exempted company under the laws of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The head office and the principal place of business of the Company in Hong Kong is Suites 1904-05A, 19/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to various risks, including some which are specific to the Group or the industries in which the Group operates. The Directors have established a policy to ensure that significant risks which may adversely affect the Group, are identified, reported, monitored, and managed on a continuous basis.

The Group has identified the following key risks that are considered to be significant to the Group, which may adversely and/or materially affect the Group's businesses, financial conditions, results of operations and growth prospects. Key risks relating to the Group's businesses and to the industries in which the Group operates include but are not limited to:

(a) Competition

The industries that the Group operate are highly competitive. Areas of competition include production costs, price competition, marketing campaign, customer services and distribution network. If the Group does not respond timely to cope with the market conditions, it would affect the consumer demand for the Group's products and services, the reputation of the Group and the Group's financial performance.

The Group has been consistently monitoring its competitors, markets and industries and will adjust its business strategy to adopt changes in business environment.

(b) Financial Risk

The Group is exposed to financial risks, including foreign currency risk, price risk, credit risk, interest rate risk and liquidity risk. The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder return and a sound capital position. Adjustments are made, when necessary, to maintain an optimal capital structure in light of changes in economic conditions.

(c) Technology

The Group is dependent on information technology systems and networks, including the internet and third-party hosted services for the Group's operation, including laboratory management, sales and distribution, ordering and purchases, inventory management and financial reporting. Any material disruption or slowdown of information technology systems, including a disruption or slowdown caused by failure to successfully upgrade the Group's systems, system failures, viruses or cyber-attacks could cause a loss of data or operation interruption. Therefore, the Group will continually monitor and implement, if necessary, relevant information technology systems and networks so as to keep up with the pace of technological progression. The Group has adequate back-up procedures and recovery strategies in place in order to reduce the level of severity of the breakdown of information technology systems.

(d) Macro-economic environment

The downturn of macro-economy has negative impact on the business environment. Health related and pharmaceutical products and services may not be considered as necessity for customers which may result in reduced demand and order for the Group's products from the customers or distributors.

The Group will closely monitor of any such changes of economic environment and adjust the product diversification plan and marketing strategies as well as overall business plan under different market conditions.

(e) Employees

The Group's success and ability to grow depends largely on its ability to attract, train, retain, and motivate highly skilled and qualified managerial, sales, marketing, administrative, operating, and technical personnel. The loss of key personnel could materially and adversely affect the Group's prospects and operations. The Group considered that staff turnover is not avoidable. The Group has adopted the successive plans of key management staff in order to tackle the potential loss of human knowledge and maintaining business continuity.

(f) Regulatory and operational compliance

The Group operates in markets and industries which require compliance with numerous regulations, including but not limited to, (i) the regulation in relation to the Food Manufacturing Practice for the production lines of the pharmaceutical products in the PRC under the China Food and Drug Administration; (ii) the Competition Ordinance (Chapter 619 of the Laws of Hong Kong); (iii) Employment Ordinance (Chapter 57 of the Laws of Hong Kong) in Hong Kong; (iv) Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) in Hong Kong; (v) Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong); (vi) Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), and the applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the GEM Listing Rules also apply to the Group.

The failure to be responsive to changes in such regulations may adversely affect the Group's reputation, operations and financial performance. In order to mitigate the risk of non-compliance with the aforesaid regulations, the Group seeks to ensure compliance with these requirements through various measures such as implementing internal controls and approval procedures, conducting staff trainings and obtaining legal advices.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Genius Lead Limited ("**Genius Lead**"), a company incorporated in Samoa with limited liability and Genius Earn Limited ("**Genius Earn**"), a company incorporated in the British Virgin Islands with limited liability, respectively.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 23 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the 2021 Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 75 to 76. The state of affairs of the Group and the Company at that date are set out in the consolidated statement of financial position on page 77 and note 32(a) to the consolidated financial statements of this report respectively.

The Board does not recommend the payment of a dividend for 2021 Year (year ended 31 December 2020 ("**2020 Year**"): HK$Nil).

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the 2021 Year is set out in note 10 to the consolidated financial statements.

CHARITABLE DONATIONS

During the 2021 Year, the Group made charitable donations amounting to approximately HK$1,062,000 (2020 Year: HK$812,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the 2021 Year, the percentages of turnover and purchases attributable to the Group's major customers and suppliers are set out below:

Turnover	
The largest customer	49.73%
Five largest customers in aggregate	76.01%
Purchases	
The largest supplier	34.44%
Five largest suppliers in aggregate	79.80%

As far as the Directors are aware, neither the Directors nor their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the 2021 Year are set out in note 31 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into by the Company during the year or subsisting at the end of the year are set out below:

(a) Issue and partial redemption of convertible bonds

On 24 April 2020, the Company and Guoyuan Capital (Hong Kong) Limited (the "**Placing Agent**") entered into a placing agreement (the "**Placing Agreement**"), pursuant to which the Placing Agent conditionally agreed, on a best efforts basis, to procure subscriber(s) to enter into a subscription agreement with the Company and to subscribe for and pay for, and the Company conditionally agreed to issue, convertible bonds at the issue price of US$10,000,000 (the "**Convertible Bonds**") (equal to 100 per cent. of the principal amount of the Convertible Bonds) on the completion date. On the same date, pursuant to the Placing Agreement, the Company further entered into a subscription agreement with Guoyuan Securities Investment (Hong Kong) Limited (the "**Subscriber**") (being the placee procured by the Placing Agent) pursuant to which the Subscriber conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of US$10,000,000 (equivalent to approximately HK$77,500,000). Based on the initial conversion price of HK$1.75 per conversion share at the exchange rate of HK$7.85 to US$1.00, a maximum number of 44,857,142 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full. The completion of the placing took place on 11 May 2020. Details were disclosed in the announcements of the Company dated 24 April 2020, 27 April 2020 and 11 May 2020 respectively.

On 27 May 2021, the Company redeemed the outstanding Convertible Bonds in part in the principal amount of US$5,000,000 being 50% of the total outstanding principal amount of US$10,000,000 (the "**Partial Redemption**"). Upon completion of the Partial Redemption, the principal amount of the Convertible Bonds remaining outstanding is US$5,000,000. Following the Partial Redemption, the Subscriber has released 264,750,273 shares of the Company being half of the shares charged by Genius Lead Limited to the Subscriber under the share charge (the "**Partial Release**"). Upon the Partial Release, the number of shares held by Genius Lead Limited which remain subject to the share charge is 264,750,273 shares. Details were disclosed in the announcement of the Company dated 27 May 2021.

(b) Share option scheme

The Company adopted a share option scheme on 29 May 2014 for the purpose of enabling the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group.

During the 2021 Year, no share options were granted.

The details of the share option scheme of the Company are set out in note 40(a) to the consolidated financial statements.

(c) Share award scheme

The Company adopted a share award scheme on 18 August 2021 for the purpose of enabling the Group to award shares to selected participants as incentives or rewards for their contribution to the Group.

During the 2021 Year, the trustee of the share award scheme did not subscribe for any new shares of the Company, receive any existing shares of the Company from any shareholder of the Company or purchase any shares of the Company on the market and no shares were awarded under the share award scheme.

The details of the share award scheme of the Company are set out in note 40(b) to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the 2021 Year are set out in the consolidated statement of changes in equity on page 78 and in note 32(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

For the 2021 Year, the Company's distributable reserves are set out in note 32(b) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the 2021 Year are set out in note 19 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this report.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary on pages 160 to 161 of this report. This summary does not form part of the audited consolidated financial statements.

BUSINESS REVIEW

The business review, including (i) review of the business of the Group during the 2021 Year; (ii) particulars of important events affecting the Group that have occurred since the end of the 2021 Year; (iii) key financial and business performance indicators; and (iv) discussion on the Group's likely future business development are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 7 to 14 of this report. These discussions form part of this report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporate citizen, the Group recognises the importance of good environmental stewardship. The Group implemented green policies to raise energy efficiency and minimise energy consumption. For details, please refer to the section headed "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" on pages 30 to 46 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with applicable laws and regulations and the risk of non-compliance with such requirements. The Group has implemented system and allocated staff resources to ensure ongoing compliance with applicable laws, rules and regulations. The Company and its subsidiaries operating in Hong Kong and the PRC are subject to requirements under various laws and regulations. For subsidiaries operating in Hong Kong, applicable laws and regulations include, among others, Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong), Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), the Competition Ordinance (Cap. 619 of the Laws of Hong Kong), Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Insurance Ordinance (Cap. 41 of the Laws of Hong Kong) and the applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the GEM Listing Rules apply to the Company. For subsidiaries operating in the PRC, applicable laws and regulations include, among others, Administrative Measures on Foreign Investments in Commercial Sector (外商投資商業領域管理辦法), Law on Environmental Impact Assessment of the PRC (中華人民共和國環境影響評價法), Law on Wholly Foreign Owned Enterprises of the PRC (中華人民共和國外資企業法) and Administrative Regulations on Company Registration of the PRC (中華人民共和國公司登記管理條例). During the 2021 Year and up to the date of this report, save as disclosed in this report, the Group has compiled with the relevant laws and regulations that have significant impact on the Group in Hong Kong and the PRC.

RELATIONSHIP WITH KEY STAKEHOLDERS

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

Employees

The Group recognises the value and importance of its employees and the Group has been devoting resources in staff training and review of their development.

Providing a work environment that is free from all forms of discrimination, the Group has devised an integrated human capital strategy to recruit, develop and motivate employees, making sure that employees are provided with competitive remuneration package, appropriate training and development opportunities and their performance goals are aligned with the Group's business objectives.

In the 2021 Year, there were no known reports of any incidence of discrimination by the employees. Management and staff at all levels are responsible to ensure all employees are working in compliance with the statutory requirements, arrange adequate resources to fulfil the safety requirements and carry out training and supervision.

Customers

The Group is committed to provide safe and high-quality products and services to its customers. A customer complaint handling mechanism is in place to receive, analyse and handle complaints and make recommendations on remedies with the aim of improving quality of the Group's services and products and maintaining established relationship with customers.

Suppliers

The Group has developed long-standing relationships with a number of suppliers. The Group selects the suppliers in a prudent manner and requires them to satisfy certain assessment criteria including track records, financial strength, reputation and ability to deliver the products on time and quality standards.

For approved suppliers, evaluations are carried out annually regarding their performance, and records are maintained. In case of any inferior or substandard raw materials received, suppliers are informed and requests regarding replacements are raised immediately.

Community

The Company will continue to contribute to the harmonious society through social contributions and participations in public service activities. For details, please refer to the section headed "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" on pages 30 to 46 of this annual report.

DIRECTORS

The Directors during the 2021 Year and up to the date of this report were:

Executive Directors

Mr. Liu Xiaolin *(Chairman)*
Mr. Yao Michael Yi *(Co-Chairman) (resigned on 20 May 2021)*
Mr. He Xun
Mr. Huang Song
Mr. Leung Pak Hou Anson *(retired on 18 May 2021)*
Mr. Wang Zheng

Independent Non-executive Directors

Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit
Mr. Qian Hongji

The reason of each of resignation of Director is set out on page 18 of this report.

Pursuant to bye-law 83(2) of the bye-laws of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting or the next following annual general meeting (as the case may be) of the Company after his appointment and shall be eligible for re-election.

In addition, pursuant to bye-law 84(1) of the bye-laws of the Company, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The retiring Directors shall be eligible for re-election. Mr. Liu Xiaolin, Mr. Huang Song and Mr. Wang Zheng will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 15 to 16 of this report.

DIRECTORS' SERVICE CONTRACTS

All of the Directors are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company's bye-laws and the GEM Listing Rules.

All Directors have entered into service contracts with the Company for a term of one year.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than the related party transaction disclosed in note 45(b) to the consolidated financial statements, no Director and no entity connected with a Director had any material interest, either directly or indirectly, in any transactions, arrangements and contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during or at the end of the 2021 Year.

CONTRACTS BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

No contract of significance, whether for provision of services or otherwise, between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries subsisted at any time during the 2021 Year.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER AND LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDER

The Convertible Bonds are secured by a personal guarantee executed by Mr. Liu Xiaolin (the "**Individual Guarantor**"), the chairman and an executive Director, a corporate guarantee executed by Genius Lead Limited (the "**Corporate Guarantor**"), the controlling shareholder of the Company, and a share charge (the "**Share Charge**") over 529,500,546 shares of the Company held by the Corporate Guarantor (the "**Charged Shares**"). On 27 May 2021, the Company redeemed the outstanding Convertible Bonds in part in the principal amount of US$5,000,000 being 50% of the total outstanding principal amount of US$10,000,000. Upon completion of the Partial Redemption, the principal amount of the Convertible Bonds remaining outstanding is US$5,000,000. Following the Partial Redemption, the Subscriber has released 264,750,273 shares of the Company being half of the Charged Shares. Upon the Partial Release, the number of shares held by the Corporate Guarantor which remain subject to the Share Charge is 264,750,273 shares.

Pursuant to the terms and conditions of the Convertible Bonds, it is an event of default if (i) the controlling shareholder of the Company, namely, the Corporate Guarantor, ceases to hold 51% or more equity interest directly or indirectly in the Company (unless otherwise agreed by the Subscriber in writing), or (ii) the Individual Guarantor ceases to be a Director and the chairman of the Board, or (iii) the Individual Guarantor ceases to hold 51% or more beneficial interest directly or indirectly in the Company (unless otherwise agreed by the Subscriber in writing), or (iv) if there is a breach of any warranty, representation or statement made or given, or any other obligations, by the Corporate Guarantor and the Individual Guarantor under the personal guarantee and the corporate guarantee and the Share Charge including without limitation the warranty that the Corporate Guarantor shall be the legal and beneficial owner of the Charged Shares during the subsistence of the Share Charge. As at the date of this report, the Corporate Guarantor beneficially owns 529,500,546 shares of the Company, representing approximately 54.97% of the issued share capital of the Company. The Convertible Bonds are repayable on 11 May 2022.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the 2021 Year.

COMPETING INTERESTS

None of the Directors, the controlling shareholder of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in a business, apart from the business of the Group, which competes or may compete, either directly or indirectly, with the business of the Group during the 2021 Year.

EMOLUMENT POLICY

The emolument policy of the Directors and senior management of the Group is set up by the remuneration committee of the Board on the basis of their merits, qualifications and competences. The emoluments of the Directors are decided by the Board on the recommendation of the remuneration committee of the Board, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme and a share award scheme as an incentive to Directors and eligible participants. Details of the schemes are set out in notes 40(a) and 40(b) to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the Directors and senior management of the Company for the 2021 Year by band is as follows:

Emoluments bands	Number of individuals
HK$Nil to HK$1,000,000	6
HK$1,000,001 to HK$1,500,000	0
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	1
HK$4,000,001 to HK$5,000,000	1
HK$28,500,001 to HK$29,000,000	1

Further particulars in relation to Directors' remuneration and the five individuals with highest emoluments are set out in notes 15 and 14 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "**SFO**")) as recorded in the register required to the be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(i) Long position in shares of the Company

Name of Director	Capacity and nature of interest	No. of shares held	Approximate percentage *(Note a)*
Mr. Liu Xiaolin ("**Mr. Liu**")	Interest of a controlled corporation	529,500,546 *(Note b)*	54.97%

Notes:

(a) As at 31 December 2021, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK$0.10 each of the Company.

(b) Genius Lead is the registered and beneficial owner of these shares of the Company, and Genius Lead is wholly-owned by Genius Earn, which is in turn wholly-owned by Mr. Liu. As such, Mr. Liu is deemed to be interested in the shares of the Company held by Genius Lead.

(ii) Long position in shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	No. of shares held in associated corporation	Approximate percentage
Mr. Liu	Genius Earn	Beneficial owner	1	100%

(iii) Long position in share options granted by the Company

Name of Directors	Nature of interest	Date of Grant	Exercise period	Exercise price per share	Aggregate long position in the underlying shares	Approximate percentage *(note a)*
Mr. Liu	Beneficial owner	12 January 2018	12 January 2021 to 11 January 2022	HK$1.67	260,000	0.02%
	Beneficial owner	20 August 2019	20 August 2021 to 19 August 2023	HK$1.68	640,000	0.06%
Mr. Wang Zheng	Beneficial owner	12 January 2018	12 January 2021 to 11 January 2022	HK$1.67	1,400,000	0.14%
	Beneficial owner	20 August 2019	20 August 2021 to 19 August 2023	HK$1.68	400,000	0.04%
Mr. Huang Song	Beneficial owner	12 January 2018	12 January 2021 to 11 January 2022	HK$1.67	1,400,000	0.14%
Mr. He Xun	Beneficial owner	2 September 2020	2 September 2021 to 1 September 2024	HK$2.00	9,660,000	1.00%
Total					13,760,000	1.42%

Note:

(a) As at 31 December 2021, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK$0.10 each of the Company.

Please refer to the section headed "Share Option Scheme" on pages 58 to 59 of this report for details of the share options granted to the Directors.

Save as disclosed above, as at 31 December 2021, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

NOTIFIABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2021, the following person or entity (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares and underlying shares

Name of shareholder	Capacity and nature of interest	No. of shares held	Approximate percentage *(Note a)*
Genius Earn *(Note b)*	Interest of a controlled corporation	529,500,546	54.97%
Genius Lead *(Note b)*	Beneficial owner	529,500,546	54.97%
Guoyuan Securities Investment (Hong Kong) Limited *(Note c)*	Beneficial owner	22,428,571	2.33%
	Person having a security interest in shares	452,654,078	46.99%
Guoyuan International Holdings Limited *(Note c)*	Interest of a controlled corporation	475,082,649	49.32%
Guoyuan Securities Co., Ltd. *(Note c)*	Interest of a controlled corporation	475,082,649	49.32%
Richlane Ventures Limited *(Note d)*	Beneficial owner	58,000,000	6.02%
Ko Chun Shun Johnson ("**Mr. Ko**") *(Note d)*	Interest of controlled corporations	95,545,000	9.92%

Notes:

(a) As at 31 December 2021, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK$0.10 each of the Company.

(b) Genius Lead is wholly-owned by Genius Earn. As such, Genius Earn is deemed to be interested in the shares of the Company held by Genius Lead under the SFO.

(c) Guoyuan Securities Investment (Hong Kong) Limited is wholly-owned by Guoyuan International Holdings Limited. As such, Guoyuan International Holdings Limited is deemed to be interested in the shares of the Company in which Guoyuan Securities Investment (Hong Kong) Limited is interested. Guoyuan International Holdings Limited is wholly-owned by Guoyuan Securities Co., Ltd.. As such, Guoyuan Securities Co., Ltd. is deemed to be interested in the shares of the Company in which Guoyuan International Holdings Limited is deemed to be interested.

(d) Richlane Ventures Limited is wholly-owned by Ko Chun Shun Johnson. As such, Mr. Ko is deemed to be interested in the 58,000,000 shares of the Company held by Richlane Ventures Limited. The remaining 37,545,000 shares of the Company in which Mr. Ko is deemed to be interested are held by other companies controlled by Mr. Ko.

Save as disclosed above, as at 31 December 2021, no other person or entity (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 29 May 2014, the Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute the success the Group's operation. The principal terms of the share option scheme are set out in note 40(a) to the consolidated financial statements. Details of movements in the Company's share options during the year ended 31 December 2021 are set out as follows:

			Number of Shares over which options are exercisable						
Name of Grantees	**Date of grant**	**Exercise price per share** *(HK$)*	**Balance as at 1 January 2021**	**Granted during the 2021 Year**	**Exercised during the 2021 Year**	**Lapsed during the 2021 Year**	**Cancelled during the 2021 Year**	**Balance as at 31 December 2021**	**Exercise period**
Directors									
Mr. Liu	12 January 2018	1.67	520,000 *(Note 1)*	–	–	260,000	–	260,000	*Note 6*
	20 August 2019	1.68	960,000 *(Note 3)*	–	–	320,000	–	640,000	*Note 8*
Mr. Wang Zheng	12 January 2018	1.67	2,700,000 *(Note 1)*	–	–	1,300,000	–	1,400,000	*Note 6*
	20 August 2019	1.68	600,000 *(Note 3)*	–	–	200,000	–	400,000	*Note 8*
Mr. Huang Song	12 January 2018	1.67	2,700,000 *(Note 1)*	–	–	1,300,000	–	1,400,000	*Note 6*
Mr. Yao Michael Yi	20 August 2019	1.68	9,680,000 *(Note 3)*	–	–	9,680,000 *(Note 11)*	–	–	*Note 8*
Mr. He Xun	2 September 2020	2.00	9,660,000 *(Note 4)*	–	–	–	–	9,660,000	*Note 9*
Sub-total			**26,820,000**	**–**	**–**	**13,060,000**	**–**	**13,760,000**	
Consultants									
Mr. Bi Wenhan	12 January 2018	1.67	5,200,000 *(Note 1)*	–	–	2,600,000	–	2,600,000	*Note 6*
Mr. Wu Ting Yuk Anthony	12 January 2018	1.67	5,200,000 *(Note 1)*	–	–	2,600,000	–	2,600,000	*Note 6*
	20 August 2019	1.68	9,680,000 *(Note 3)*	–	–	3,220,000	–	6,460,000	*Note 8*
Dr. Zhai Pu	26 November 2020	2.00 to 2.20	5,000,000 *(Note 5)*	–	–	–	–	5,000,000	*Note 10*
Sub-total			**25,080,000**	**–**	**–**	**8,420,000**	**–**	**16,660,000**	
Employees	4 October 2018	1.71	2,000,000 *(Note 2)*	–	–	2,000,000 *(Note 12)*	–	–	*Note 7*
	20 August 2019	1.68	4,500,000 *(Note 3)*	–	–	1,490,000	–	3,010,000	*Note 8*
Sub-total			**6,500,000**	**–**	**–**	**3,490,000**	**–**	**3,010,000**	
Total			**58,400,000**	**–**	**–**	**24,970,000**	**–**	**33,430,000**	

Notes:

1. The share options were granted on 12 January 2018. The closing price of the shares immediately before the date of grant was HK$1.51 per share.

2. The share options were granted on 4 October 2018. The closing price of the shares immediately before the date of grant was HK$1.71 per share.

3. The share options were granted on 20 August 2019. The closing price of the shares immediately before the date of grant was HK$1.37 per share.

4. The share options were granted on 2 September 2020. The closing price of the shares immediately before the date of grant was HK$1.55 per share.

5. The share options were granted on 26 November 2020. The closing price of the shares immediately before the date of grant was HK$1.34 per share.

6. The share options granted to each grantee are exercisable to subscribe for (i) a maximum of one-third of the shares in respect which the share options were granted from 12 January 2019 to 11 January 2020; (ii) a maximum of another one-third of the shares in respect which the share options were granted from 12 January 2020 to 11 January 2021; and (iii) a maximum of the remaining one-third of the shares in respect of which the share options were granted from 12 January 2021 to 11 January 2022.

7. The share options granted to each grantee are exercisable to subscribe for (i) a maximum of one-third of the shares in respect of which the share options were granted from 4 October 2019 to 3 October 2020; (ii) a maximum of another one-third of the shares in respect of which the share options were granted from 4 October 2020 to 3 October 2021; and (iii) a maximum of the remaining one-third of the shares in respect which the share options were granted from 4 October 2021 to 3 October 2022.

8. The share options granted to each grantee are exercisable to subscribe for (i) a maximum of one-third of the shares in respect of which the share options were granted from 20 August 2020 to 19 August 2021; (ii) a maximum of another one-third of the shares in respect which the share options were granted from 20 August 2021 to 19 August 2022; and (iii) a maximum of the remaining one-third of the shares in respect which the share options were granted from 20 August 2022 to 19 August 2023.

9. The share options are exercisable to subscribe for (i) 3,220,000 shares from 2 September 2021 to 1 September 2022; (ii) 3,220,000 shares from 2 September 2022 to 1 September 2023; and (iii) 3,220,000 shares from 2 September 2023 to 1 September 2024.

10. The share options are exercisable to subscribe for (i) 1,665,000 shares from 26 November 2021 to 25 November 2022 at exercise price of HK$2.00; (ii) 1,665,000 shares from 26 November 2022 to 25 November 2023 at exercise price of HK$2.10; and (iii) 1,670,000 shares from 26 November 2023 to 25 November 2024 at exercise price of HK$2.20.

11. The share options granted to Mr. Yao Michael Yi lapsed upon his resignation as co-chairman and an executive Director with effect from 20 May 2021.

12. The share options granted to the relevant employee lapsed upon his resignation.

On 26 May 2020, the 10% general limit imposed under the rules of the share option scheme on the total number of shares which may be issued upon the exercise of all options to be granted under the share option scheme was refreshed (the "**Refreshment**"), and share options to subscribe for up to a maximum of 96,980,615 shares, representing 10% of the then issued shares of the Company, may be granted under the share option scheme as at the date of the Refreshment. Since the date of the Refreshment and up to and including the date of this report, share options to subscribe for up to a total of 14,660,000 shares were granted. Hence, as at the date of this report, share options to subscribe for up to 82,320,615 shares may be further granted under the share option scheme. Further, share options to subscribe for 8,260,000 shares lapsed after 31 December 2021 so as at the date of this report, share options to subscribe for 25,170,000 shares were outstanding. Therefore, as at the date of this report, a total of 107,490,615 shares, representing 11.16% of the issued shares of the Company as at the date of this report, were available for issue under the share option scheme.

Reason for grant of share options to consultants

The Group positions itself as a science and technology group in biomedical field with a view to achieving application of advanced medical technologies from around the world in the PRC and the Greater Bay Area. Given the current background and experience of the Board, the Group has been engaging biomedical professionals and consultants to strengthen its knowledge on industry development and technical background.

The consultants were, and will mainly be, consulted by the Company for marketing and introduction guidance, information and guidance on the latest bio-technology, advices on potential projects and review of investment opportunities to support the Group's business expansion and development. In view of their experience and background in the healthcare and medical industry, the Company considered that the consultants would provide significant contributions to the business development of the Company.

The grant of the share options, which shall be vested by stages, will provide incentives and rewards for the consultants to contribute to the success of the Company's operations and future development and is consistent with the purpose of the share option scheme. Further, the grant of the share options will not have any adverse impact on the cash flow of the Group and the Company can receive subscription money upon exercise of the share options. The Directors believed that the grant of the share options to the consultants is fair and reasonable and in the interests of the Company and its shareholders as a whole.

SHARE AWARD SCHEME

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute the success the Group's operation. The principal terms of the share award scheme are set out in note 40(b) to the consolidated financial statements.

During the 2021 Year, the trustee of the share award scheme did not subscribe for any new shares of the Company, receive any existing shares of the Company from any shareholder of the Company or purchase any shares on the market and no shares were awarded by the Company under the share award scheme.

Under the share award scheme, the Company shall not make any further grant of award which will result in the number of shares granted under the share award scheme exceeding 10% of the total number of issued shares of the Company as at the adoption date of the share award scheme on 18 August 2021, i.e. 963,231,150 shares.

As no shares were awarded by the Company under the share award scheme, 96,323,115 shares, representing 10% of the issued shares of the Company as at the date of this report, were available for grant under the share award scheme as at the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2021 Year or at the end of the 2021 Year has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted to four Directors on 12 January 2018, 20 August 2019 and 2 September 2020. No shares were awarded to any Director under the share award scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the 2021 Year, the Company repurchased 485,000 shares, 450,000 shares and 1,760,000 shares of the Company on the Stock Exchange in January, June and July 2021 respectively. 485,000 and 2,210,000 shares repurchased were subsequently cancelled by the Company on 9 February 2021 and 9 August 2021 respectively. The Directors believed that the repurchases reflected the management's confidence in the Company's long-term business prospects and would ultimately benefit the Company and create value for the shareholders of the Company. Details of the repurchases of shares of the Company are as follows:

Date of repurchase	Number of shares	Repurchase price per share Highest	Repurchase price per share Lowest	Consideration
		HK$	*HK$*	*HK$*
4 January 2021	115,000	1.30	1.27	147,850
5 January 2021	60,000	1.30	1.29	77,900
6 January 2021	30,000	1.33	1.28	38,950
8 January 2021	30,000	1.30	1.29	38,900
11 January 2021	25,000	1.27	1.27	31,750
12 January 2021	15,000	1.29	1.28	19,250
13 January 2021	5,000	1.27	1.27	6,350
14 January 2021	140,000	1.34	1.27	181,000
15 January 2021	65,000	1.35	1.31	86,250
22 June 2021	180,000	1.35	1.28	234,450
29 June 2021	70,000	1.65	1.62	114,600
30 June 2021	200,000	1.69	1.65	334,000
2 July 2021	215,000	1.69	1.63	357,950
5 July 2021	195,000	1.73	1.64	325,950
6 July 2021	325,000	1.75	1.68	550,750
7 July 2021	370,000	1.77	1.67	644,200
8 July 2021	255,000	1.75	1.66	436,150
9 July 2021	400,000	1.78	1.67	683,450
Total	**2,695,000**			**4,309,700**

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company during the 2021 Year.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures for the 2021 Year.

RELATED PARTY AND CONNECTED TRANSACTIONS

During the 2021 Year, the Group entered into the following transactions referred to in note 45(a) to the consolidated financial statements, each of which constituted a non-exempt continuing connected transaction for the Company subject to announcement, annual review and reporting requirements but exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules, and particulars of which were previously disclosed in the announcements of the Company dated 30 March 2021, 7 April 2021, 9 June 2021 and 28 July 2021. The Company shall comply with the annual review and reporting requirements for all of the following non-exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules.

Transactions with BGI

(a) Provision of services for COVID-19 testing services by BGI and referral of services to BGI

On 30 March 2021, Sunrise Diagnostic Centre Limited ("**SDCL**"), an indirect 60%-owned subsidiary of the Company, and BGI Health (HK) Company Limited ("**BGI**"), a company incorporated in Hong Kong with limited liability and the holder of 40% of the issued share capital of SDCL, entered into a master services agreement in respect of the provision of the COVID-19 test services through RT-PCR method by BGI to SDCL and a referral services agreement pursuant to which SDCL will refer customers who require COVID-19 test services to BGI. BGI has been providing services for COVID-19 testing services.

Pursuant to the master services agreement, the services to be provided by BGI include the provisions of extraction reagents for extraction of the sample, swabs, testing kit including the testing reagent to perform the testing; consumables such as face masks and personal protective equipment; and manpower to extract sample from the patients for detection of COVID-19 in the sample to assist clinical diagnosis and process the testing of the samples at the designated laboratories.

SDCL shall pay to BGI a service fee based on the number of COVID-19 testing performed. According to the terms of the master services agreement, the service fee charged by BGI is on a sliding scale where the unit price per sample will decrease if the number of the samples in a single testing batch increases and where the unit price of each COVID-19 test will increase if the turnaround time of the test result is shorter.

The services fee is determined based on arm's length negotiations between SDCL and BGI with regard to various factors including but not limited to the scale, scope, type, complexity and duration of the services and the resources required. Such unit price charged by BGI for providing the services is equivalent to (or better than) the unit price charged by BGI when providing similar services to independent third parties.

Pursuant to the referral services agreement, the referral services include the referral of customers by SDCL to BGI for BGI to provide COVID-19 test services to the customers; assisting BGI to enter into the service contracts, tender or service order with the potential customers; assisting with the communication between the potential customers and BGI; planning and organisation of the testing services scope; supervising the payment of services fee from the customers according to the terms of the service contracts entered into between BGI and the customers; and any follow up work under the service contracts.

BGI shall pay SDCL a referral services fee based on the number of COVID-19 test performed by BGI under the service contracts, tender and/or service orders entered into with the referred customers during the term of the referral services agreement.

The referral services fee is based on arm's length negotiations between SDCL and BGI with regard to various factors including but not limited to the anticipated demand for COVID-19 tests, the resources and manpower required for the performance of the referral services.

As disclosed in the announcement dated 30 March 2021 and 28 July 2021, the annual caps for the service fee payable by SDCL to BGI under the master services agreement and referral services fee payable by BGI to SDCL under the referral services agreement for the Year 2021 are HK$250,000,000 and HK$400,000,000 respectively. The amount of the services fee for COVID-19 testing services paid by SDCL to BGI under the master services agreement for the 2021 Year is approximately HK$52,036,000 and the amount of the referral services fee paid by BGI to SDCL under the referral services agreement for the 2021 Year is approximately HK$303,527,000.

(b) Purchase of laboratory equipment, consumables and kits for COVID-19 testing

On 9 June 2021, SDCL and BGI entered into a master supply agreement in respect of the supply of laboratory equipment, consumables and kits for COVID-19 nucleic acid testing by BGI to SDCL. The agreement commenced from the date of master supply agreement until its expiry on 31 December 2022.

Pursuant to the master supply agreement, the equipment, consumables and kits include protective equipment such as face masks, disposable gloves, protective suits, disposable shoes covers; consumables for running the COVID-19 real-time RT-PCR test and detection of COVID-19 virus and inactivation of COVID-19 virus in the test samples such as filter tips, centrifuge tubes; and sterilizing equipment.

The purchase price of materials is determined based on the market price and on arm's length basis. The purchase price shall be on normal commercial terms, not less favorable to SDCL than the price charged by BGI for selling same equipment, consumables and kits to independent third parties and not less favourable to SDCL than those offered by independent third parties.

As disclosed in the announcement dated 9 June 2021, the annual caps for the purchase price payable by SDCL to BGI under the master supply agreement for the 2021 Year and for the year ending 31 December 2022 are HK$65,000,000 (HK$315,000,000 when aggregated with the annual cap for the service fee payable by SDCL to BGI under the master services agreement) and HK$80,000,000 respectively. The amount of purchase price paid by SDCL to BGI for the 2021 Year is approximately HK$21,482,000.

BGI holds 40% of the issued share capital of SDCL, an indirect 60%-owned subsidiary of the Company. BGI is therefore a connected person of the Company at the subsidiary level. The master services agreement, the referral services agreement, the master supply agreement and the transactions contemplated thereunder respectively constitute continuing connected transactions with a connected person at the subsidiary level under Chapter 20 of the GEM Listing Rules.

The independent non-executive Directors have conducted an annual review of the implementation of the continuing connected transactions under the master services agreement, the referral services agreement and the master supply agreement and confirmed that such transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Other than the related party transaction disclosed in note 45 to the consolidated financial statements, no transactions, arrangements, contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the reporting period or at any time during the 2021 Year.

None of the related party transactions entered into during the 2021 Year disclosed in note 45 to the consolidated financial statements constituted a connected transaction or continuing connected transaction (as defined in the GEM Listing Rules) save and except (i) the above continuing connected transactions, and (ii) the remuneration of directors referred to in note 45(b) to the consolidated financial statements (which were fully exempt connected transactions).

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" set out on pages 17 to 29 of this report.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes in operation for the 2021 Year are set out in note 16 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the independent non-executive Directors to be independent and meet the requirements set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

CONFIRMATION FROM AUDITOR OF THE COMPANY

The Board of Directors has received an unqualified letter issued by the auditor of the Company in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) and with reference to Practice Note 740 issued by the Hong Kong Institute of Certified Public Accountants confirming that:

(a) nothing has come to their attention that causes them to believe that the above non-exempt continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

DIRECTORS' REPORT

INDEMNITY PROVISIONS

Bye-law 164(1) of the Company's Bye-laws provides that the Directors or other officers of the Company shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty provided that the indemnity shall not be extended to any matter in respect of any fraud or dishonesty which may be attached to the relevant Director or officer of the Company.

INDEPENDENT AUDITOR

There were no other changes of auditor of the Company in the past three years.

The consolidated financial statements of the Group for the 2021 Year have been audited by RSM Hong Kong, who will retire and be eligible to offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to reappoint auditor and to fix their remuneration.

On behalf of the Board

China Biotech Services Holdings Limited
Liu Xiaolin
Chairman and Executive Director

Hong Kong, 28 March 2022

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF CHINA BIOTECH SERVICES HOLDINGS LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of China Biotech Services Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 75 to 159 which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RSM

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
1. *Impairment assessment of goodwill, intangible assets, right-of-use assets and property, plant and equipment ("**PPE**") for the provision of medical laboratory testing services and health check services segment* Refer to notes 19, 20, 21 and 22 to the consolidated financial statements. At 31 December 2021, the Group has intangible assets of approximately HK$13,374,000 (2020: HK$13,374,000) and goodwill which has been fully impaired. No impairment loss has been provided during the year. The goodwill and intangible assets arose from the acquisition of DVF Holdco (Cayman) Limited and its subsidiaries in 2015. Goodwill and intangible assets with an infinite useful life are tested for impairment annually. PPE, right-of-use assets and intangible assets with finite useful life are tested for impairment when indicators of potential impairment are identified.	Our procedures included: – assessing management's identification of cash-generating units ("**CGUs**"), the amounts of goodwill, intangible assets, PPE and right-of-use assets allocated to each CGU and, with the assistance of our internal valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards; – evaluating the competence, capabilities and objectivity of the independent appraiser engaged by the Company to prepare discounted cash flow forecasts to help management assess the value-in-use of the relevant CGUs; – obtaining the independent valuation report from the independent appraiser engaged by management and comparing key inputs in the calculations, which include revenue growth rates, gross profit ratios and working capital assumptions, with the financial budget approved by the directors, available relevant external data and our own views based on our experience and knowledge of the industry in which the Group operates;

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Key Audit Matter	How our audit addressed the Key Audit Matter
1. *Impairment assessment of goodwill, intangible assets, right-of-use assets and PPE for the provision of medical laboratory testing services and health check services segment – Continued* For goodwill, intangible assets, PPE and right-of-use assets where indicators of impairment were identified, management assessed the recoverable amounts of the separately identifiable CGU to which the relevant assets were allocated based on value-in-use calculations using discounted cash flow forecasts. An independent appraiser was engaged by management to prepare the valuation report in order for management to assess the impairment. The preparation of discounted cash flow forecasts involves the exercise of significant management's judgement, in particular in forecasting revenue growth rates and in determining long-term growth rates, inflation rates and the discount rates applied.	– utilising our internal valuation specialists to assist us in evaluating the assumptions and judgements adopted in the discounted cash flow forecasts relating to inflation, the growth rate beyond the forecast period and the discount rates applied to derive the recoverable amount of the CGUs. This evaluation included researching public information relating to inflation and independently recalculating the discount rates applied with reference to those of other comparable companies in the same industries; – comparing the key assumptions adopted in cash flow forecasts prepared in the previous year with the current year's actual performance to assess the historical accuracy of management's forecasting process and considering whether any significant variances had been incorporated in the current year's cash flow forecasts; and – considering the disclosure in the consolidated financial statements in respect of management's impairment assessments.

RSM

Key Audit Matter	How our audit addressed the Key Audit Matter
2. *Impairment assessment of goodwill, intangible assets, right-of-use assets and PPE for the provision of tumor immune cell therapy, immune cell storage and health management services segment* Refer to notes 19, 20, 21 and 22 to the consolidated financial statements. At 31 December 2021, the Group has goodwill and intangible assets of approximately HK$111,347,000 (2020: HK$108,388,000) and HK$66,241,000 (2020: HK$73,374,000) respectively. No impairment loss has been provided during the year. The goodwill and intangible assets arose from the acquisition of Shanghai Longyao Biotech Company Limited ("**Shanghai Longyao**") in 2019. Goodwill with an infinite useful life are tested for impairment annually. PPE, right-of-use assets and intangible assets with finite useful life are tested for impairment when indicators of potential impairment are identified.	Our procedures included: – assessing management's identification of CGUs, the amounts of goodwill, intangible assets, PPE and right-of-use assets allocated to each CGU and, with the assistance of our internal valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards; – evaluating the competence, capabilities and objectivity of the independent appraiser engaged by the Company to prepare discounted cash flow forecasts to help management assess the fair value less cost to disposal of the relevant CGUs; – obtaining the independent valuation report from the independent appraiser engaged by management and comparing key inputs in the calculations, which include revenue growth rates, gross profit ratios and working capital assumptions, with the financial budget approved by the directors, available relevant external data and our own views based on our experience and knowledge of the industry in which the Group operates;

RSM

Key Audit Matter	How our audit addressed the Key Audit Matter
2. *Impairment assessment of goodwill, intangible assets, right-of-use assets and PPE for the provision of tumor immune cell therapy, immune cell storage and health management services segment – Continued* For goodwill, intangible assets, PPE and right-of-use assets where indicators of impairment were identified, management assessed the recoverable amounts of the separately identifiable CGU to which the relevant assets were allocated based on fair value less cost to disposal calculated by using discounted cash flow forecasts. An independent appraiser was engaged by management to prepare the valuation report in order for management to assess the impairment. The preparation of discounted cash flow forecasts involves the exercise of significant management's judgement, in particular in forecasting revenue growth rates and in determining long-term growth rates, inflation rates and the discount rates applied.	– utilising our internal valuation specialists to assist us in evaluating the assumptions and judgements adopted in the discounted cash flow forecasts relating to inflation, the growth rate beyond the forecast period and the discount rates applied to derive the recoverable amount of the CGUs. This evaluation included researching public information relating to inflation and independently recalculating the discount rates applied with reference to those of other comparable companies in the same industries; – comparing the key assumptions adopted in cash flow forecasts prepared in the previous year with the current year's actual performance to assess the historical accuracy of management's forecasting process and considering whether any significant variances had been incorporated in the current year's cash flow forecasts; and – considering the disclosure in the consolidated financial statements in respect of management's impairment assessments.

RSM

Key Audit Matter	How our audit addressed the Key Audit Matter
3. *Impairment assessment of goodwill, intangible assets, right-of-use assets and PPE for the provision of insurance brokerage services* Refer to notes 19, 20, 21 and 22 to the consolidated financial statements. At 31 December 2021, the Group has goodwill and intangible assets of approximately HK$9,207,000 (2020: HK$9,207,000) and HK$1,324,000 (2020: HK$1,324,000) respectively. No impairment loss has been provided during the year. The goodwill and intangible assets arose from the acquisition of Fortstone International (Hong Kong) Limited ("**Fortstone**") in 2019. Goodwill and intangible assets with an infinite useful life are tested for impairment annually. PPE and right-of-use assets with finite useful life are tested for impairment when indicators of potential impairment are identified.	Our procedures included: – assessing management's identification of CGUs, the amounts of goodwill, intangible assets, PPE and right-of-use assets allocated to each CGU and, with the assistance of our internal valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards; – evaluating the competence, capabilities and objectivity of the independent appraiser engaged by the Company to prepare discounted cash flow forecasts to help management assess the value-in-use of the relevant CGUs; – obtaining the independent valuation report from the independent appraiser engaged by management and comparing key inputs in the calculations, which include revenue growth rates, gross profit ratios and working capital assumptions, with the financial budget approved by the directors, available relevant external data and our own views based on our experience and knowledge of the industry in which the Group operates;

RSM

Key Audit Matter	How our audit addressed the Key Audit Matter
3. *Impairment assessment of goodwill, intangible assets, right-of-use assets and PPE for the provision of insurance brokerage services – Continued* For goodwill, intangible assets, PPE and right-of-use assets where indicators of impairment were identified, management assessed the recoverable amounts of the separately identifiable CGU to which the relevant assets were allocated based on value-in-use calculations using discounted cash flow forecasts. An independent appraiser was engaged by management to prepare the valuation report in order for management to assess the impairment. The preparation of discounted cash flow forecasts involves the exercise of significant management's judgement, in particular in forecasting revenue growth rates and in determining long-term growth rates, inflation rates and the discount rates applied.	– utilising our internal valuation specialists to assist us in evaluating the assumptions and judgements adopted in the discounted cash flow forecasts relating to inflation, the growth rate beyond the forecast period and the discount rates applied to derive the recoverable amount of the CGUs. This evaluation included researching public information relating to inflation and independently recalculating the discount rates applied with reference to those of other comparable companies in the same industries; – comparing the key assumptions adopted in cash flow forecasts prepared in the previous year with the current year's actual performance to assess the historical accuracy of management's forecasting process and considering whether any significant variances had been incorporated in the current year's cash flow forecasts; and – considering the disclosure in the consolidated financial statements in respect of management's impairment assessments.

Other Information

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

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Liu Eugene.

RSM Hong Kong
Certified Public Accountants
28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	*8*	**623,761**	655,792
Cost of sales		**(265,741)**	(316,710)
Gross profit		**358,020**	339,082
Net gain/(loss) on financial assets at fair value through profit or loss		**489**	(47)
Other income, gains/(losses)	*9*	**225**	5,817
Allowance for impairment loss on financial assets, net		**(251)**	(1,145)
Selling and distribution expenses		**(11,724)**	(11,848)
Administrative expenses		**(157,081)**	(132,489)
Profit from operations		**189,678**	199,370
Finance costs	*11*	**(6,543)**	(6,498)
Gain on fair value change of contingent consideration	*36*	**2,141**	5,494
Loss on partial redemption of convertible bond	*34*	**(2,687)**	–
(Loss)/gain on fair value change of derivative financial instrument	*34*	**(1,921)**	6,384
Loss on disposal of subsidiaries	*41(a)*	**–**	(1,948)
Profit before tax		**180,668**	202,802
Income tax expense	*12*	**(48,096)**	(35,179)
Profit for the year	*13*	**132,572**	167,623
Profit for the year attributable to:			
Owners of the Company		**19,385**	30,170
Non-controlling interests		**113,187**	137,453
		132,572	167,623

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Profit for the year		**132,572**	167,623
Other comprehensive income after tax:			
Items that will not be reclassified to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income ("**FVTOCI**")	*25*	**27,763**	16,223
Loss on disposal of financial assets at FVTOCI		**(507)**	–
		27,256	16,223
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**4,310**	2,696
		4,310	2,696
Other comprehensive income for the year, net of tax		**31,566**	18,919
Total comprehensive income for the year		**164,138**	186,542
Total comprehensive income for the year attributable to:			
Owners of the Company		**47,962**	49,376
Non-controlling interests		**116,176**	137,166
		164,138	186,542
Earnings per share	*18*		
Basic and diluted (cents)		**2.0**	3.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*19*	**94,710**	128,796
Right-of-use assets	*20*	**10,784**	18,863
Goodwill	*21*	**120,554**	117,595
Intangible assets	*22*	**80,939**	88,072
Investment in an associate	*24*	**–**	–
Financial assets at FVTOCI	*25*	**122,021**	98,845
Derivative financial assets	*34*	**–**	5,637
		429,008	457,808
Current assets			
Inventories	*26*	**4,738**	5,532
Trade and other receivables	*27*	**105,939**	41,533
Loan and interest receivables	*28*	**13,257**	13,060
Held for trading securities	*29*	**1,759**	1,270
Derivative financial assets	*34*	**1,527**	–
Income tax recoverable		**–**	379
Bank and cash balances	*30*	**150,554**	384,539
Total current assets		**277,774**	446,313
TOTAL ASSETS		**706,782**	904,121
EQUITY AND LIABILITIES			
Share capital	*31*	**96,323**	96,685
Other reserves	*33*	**299,075**	246,646
Equity attributable to owners of the Company		**395,398**	343,331
Non-controlling interests		**70,497**	168,774
Total equity		**465,895**	512,105
LIABILITIES			
Non-current liabilities			
Convertible bonds	*34*	**–**	76,292
Lease liabilities	*35*	**3,556**	6,786
Contingent consideration	*36*	**–**	25,799
Deferred tax liabilities	*37*	**9,936**	10,825
		13,492	119,702
Current liabilities			
Trade and other payables	*38*	**54,927**	213,041
Convertible bonds	*34*	**38,651**	–
Lease liabilities	*35*	**7,576**	12,598
Contingent consideration	*36*	**23,658**	–
Borrowings	*39*	**17,387**	10,664
Current tax liabilities		**85,196**	36,011
Total current liabilities		**227,395**	272,314
TOTAL EQUITY AND LIABILITIES		**706,782**	904,121

Approved by the Board of Directors on 28 March 2022 and are signed on its behalf by:

Liu Xiaolin
Director

Wang Zheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company											
	Share capital	Share premium	Share repurchase for cancellation	Share-based payments reserve	Special reserve	Other reserves	Financial assets at FVTOCI reserve	Foreign currency translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(note 33b(i))	*(note 33b(ii))*	*(Note 33b(iii))*	*(Note 33b(iv))*	*(Note 33b(v))*				
At 1 January 2020	96,981	498,852	–	22,793	212,948	4,163	(15,285)	(200)	(531,060)	289,192	24,171	313,363
Total comprehensive income for the year	–	–	–	–	–	–	16,223	2,983	30,170	49,376	137,166	186,542
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	6,884	6,884
Share-based payments *(note 40(a))*	–	–	–	9,113	–	–	–	–	–	9,113	–	9,113
Lapse of share options *(note 40(a))*	–	–	–	(6,277)	–	–	–	–	6,277	–	–	–
Transfer upon disposal of subsidiaries *(note 41(a))*	–	–	–	–	–	(1,009)	–	–	1,009	–	602	602
Changes in ownership interests in subsidiaries without loss of control	–	–	–	–	–	158	–	–	–	158	(49)	109
Repurchase and/for cancellation of shares *(note 31(a), (b))*	(296)	(3,012)	(1,200)	–	–	–	–	–	–	(4,508)	–	(4,508)
Changes in equity for the year	(296)	(3,012)	(1,200)	2,836	–	(851)	16,223	2,983	37,456	54,139	144,603	198,742
At 31 December 2020	96,685	495,840	(1,200)	25,629	212,948	3,312	938	2,783	(493,604)	343,331	168,774	512,105
At 1 January 2021	**96,685**	**495,840**	**(1,200)**	**25,629**	**212,948**	**3,312**	**938**	**2,783**	**(493,604)**	**343,331**	**168,774**	**512,105**
Total comprehensive income for the year	–	–	–	–	–	–	**26,635**	**1,942**	**19,385**	**47,962**	**116,176**	**164,138**
Release of financial assets at FVTOCI upon disposal	–	–	–	–	–	–	**15,337**	–	**(15,337)**	–	–	–
Repurchase and/for cancellation of shares *(note 31(a), (b))*	**(362)**	**(5,148)**	**1,200**	–	–	–	–	–	–	**(4,310)**	–	**(4,310)**
Share-based payments *(note 40(a))*	–	–	–	**5,245**	–	–	–	–	–	**5,245**	–	**5,245**
Lapse of share options *(note 40(a))*	–	–	–	**(14,423)**	–	–	–	–	**14,423**	–	–	–
Changes in ownership interests in subsidiaries without loss of control	–	–	–	–	–	**3,170**	–	–	–	**3,170**	**1,057**	**4,227**
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	**490**	**490**
Dividend paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	**(216,000)**	**(216,000)**
Changes in equity for the year	**(362)**	**(5,148)**	**1,200**	**(9,178)**	–	**3,170**	**41,972**	**1,942**	**18,471**	**52,067**	**(98,277)**	**46,210**
At 31 December 2021	**96,323**	**490,692**	–	**16,451**	**212,948**	**6,482**	**42,910**	**4,725**	**(475,133)**	**395,398**	**70,497**	**465,895**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**180,668**	202,802
Adjustments for:			
Finance costs	*11*	**6,543**	6,498
Interest income	*9*	**(12)**	(21)
Loss on disposal of subsidiaries	*41(a)*	**–**	1,948
Depreciation of property, plant and equipment	*19*	**46,422**	21,152
Depreciation of right-of-use assets	*20*	**12,696**	10,792
Loss on partial redemption of convertible bond	*34*	**2,687**	–
Gain on fair value change of contingent consideration	*36*	**(2,141)**	(5,494)
Loss/(gain) on fair value change of derivative financial instrument	*34*	**1,921**	(6,384)
Release of lease liabilities		**(203)**	–
Amortisation of intangible assets	*22*	**8,994**	8,392
Loss on disposal of property, plant and equipment	*9*	**–**	39
Equity-settled share-based payments	*40(a)*	**5,245**	9,113
Fair value (gain)/losses on held for trading securities	*29*	**(489)**	47
Write-down for inventories		**3,199**	107
Allowance for impairment loss on financial assets, net		**251**	1,145
Written off on right-of-use assets	*20*	**193**	–
Operating cash flows before working capital changes		**265,974**	250,136
Increase in inventories		**(2,405)**	(2,516)
Increase in trade and other receivables		**(64,922)**	(22,125)
Decrease/(increase) in loan and interest receivables		**68**	(100)
(Decrease)/increase in trade and other payables		**(158,270)**	197,381
Cash generated from operations		**40,445**	422,776
Income taxes refund/(paid)		**60**	(777)
Net cash generated from operating activities		**40,505**	421,999

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow on disposal of subsidiaries	*41(a)*	–	129
Interest received		12	21
Proceeds on disposal of finance assets at FVTOCI		4,080	–
Proceeds from disposal of property, plant and equipment		–	202
Purchases of property, plant and equipment	*19*	(12,216)	(126,600)
Net cash used in investing activities		(8,124)	(126,248)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(12,054)	(23,936)
Borrowings raised		22,300	10,280
Repayment of lease liabilities		(13,556)	(10,494)
Capital injection from non-controlling shareholders of a subsidiary		490	1,936
Proceeds on issue of convertible bonds		–	76,277
Partial redemption of convertible bonds		(40,187)	–
Proceeds from share allotment to a subsidiary		–	109
Repurchase of shares		(4,310)	(4,508)
Interest paid		(3,294)	(5,727)
Dividend paid to non-controlling shareholders of a subsidiary		(216,000)	–
Net cash (used in)/generated from financing activities		(266,611)	43,937
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(234,230)	339,688
Effect of foreign exchange rate changes		245	(667)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		384,539	45,518
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		150,554	384,539
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	*30*	150,554	384,539

1. GENERAL INFORMATION

China Biotech Services Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") was incorporated and registered as an exempted company in Cayman Islands under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. On 29 August 2013, the Company deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business in Hong Kong is Suites 1904-05A, 19/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are (i) provision of tumor immune cell therapy, immune cell storage and health management services in the People's Republic of China (the "**PRC**"); (ii) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (iii) provision of medical laboratory testing services and health check services in Hong Kong; (iv) provision of insurance brokerage services; and (v) trading of securities in Hong Kong.

In the opinion of the directors of the Company, Genius Lead Limited, a company incorporated in Samoa with limited liability, is the immediate holding company, Genius Earn Limited, a company incorporated in the British Virgin Islands ("**BVI**") with limited liability, is the ultimate holding company and Mr. Liu Xiaolin ("**Mr. Liu**") is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**"), and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19- Related Rent Concessions beyond 30 June 2021.

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phrase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**").

The amendments do not have an impact on these consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

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

The Group previously applied the practical expedient in HKFRS 16 such that as lessee, it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 4(f)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 20).

The application of the amendments had no impact on the consolidated financial statements as the Group has adopted the amendments since 1 January 2021.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – *Continued*

(b) New and revised HKFRSs in issue but not yet effective

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(a) Consolidation – *Continued*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of CGUs or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's presentation and functional currency. Other than those subsidiaries established in the PRC whose functional currency of the principal operating subsidiaries of the Group is Renminbi ("**RMB**"), the functional currency of other subsidiaries is HK$. The directors consider that choosing HK$ as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this 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 at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(e) Property, plant and equipment

Property, plant and equipment, including building, held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the shorter of the lease term or 3-5 years
Land and buildings	Over the shorter of the lease term or 20 years
Motor vehicles	3-10 years
Furniture, fixtures and office equipment	1-10 years
Plant and machinery	3-20 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(f) Leases – *Continued*

The Group as lessee – *Continued*

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(f) Leases – *Continued*

The Group as lessee – *Continued*

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(g) Intangible assets

(i) Internally-generated intangible assets – Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

– The technical feasibility of completing the intangible asset so that it will be available for use or sale;

– Management intends to complete the intangible asset and use or sell it;

– There is ability to use or sell the intangible asset;

– It can be demonstrated how the intangible asset will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;

– The expenditure attributable to the intangible asset during its development can be reliably measured.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(g) Intangible assets – *Continued*

(ii) Intangible assets acquired separately – brand name, customer relationship, patents and non-competition agreements

Brand name and non-competition agreements with indefinite useful lives are not amortised. The customer relationship and patents are stated at cost less accumulated amortisation and impairment loss. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVTOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit loss ("**ECL**").

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(o) Convertible loans

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consisting of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; this amount is carried as a derivative liability that is subsequently measured at fair value through profit or loss until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition. The portion related to the derivative component is expensed immediately.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(r) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

(s) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sales of health related and pharmaceutical products is recognised when control of the products has transferred, being when the products are delivered to the customers, no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from medical laboratory testing services and health check services is recognised at a point of time when the test services and health check services is completed.

Revenue from tumor immune cell therapy services is recognised over time when the services are provided.

Revenue from insurance brokerage services is recognised at the point when the insurance policy becomes effective in accordance with the commission terms of the underlying agreements entered into with insurance policy issuers.

Revenues from the logistic services are recognised when the performance obligation is satisfied over time as services are rendered and payment is generally due upon delivery of the shipments and issuance of the invoice to the customers.

Net gains/losses on held for trading securities and those securities held for trading, include and unrealised fair value gains/losses which are recognised in the period in which they arise.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Bank interest income is recognised on a time-proportion basis using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

The Group operates various post-employment schemes, including defined contribution pension plans.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(u) Share-based payments

Share options scheme

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(u) Share-based payments – *Continued*

Share award scheme

The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payments reserve. The number of shares expected to vest is estimated based on the vesting criteria and conditions or periods set out in the relevant award letter determined by the Board. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited prior to the vesting date due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed on the effective date of the forfeiture.

Where the Company's shares are issued to or acquired from the market by the Company's share award trust under the share award scheme, the total fair value of shares issued or total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as 'shares held for Share Award Scheme' and deducted from total equity. Upon vesting, the related costs of the vested shares for share award scheme issued or purchased from the market are credited to 'shares held for share award scheme', with a corresponding decrease in share-based payment reserve for the Share Award Scheme.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

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

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(x) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(y) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(z) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(z) Impairment of financial assets – *Continued*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(z) Impairment of financial assets – *Continued*

Significant increase in credit risk – *Continued*

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is generally more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(z) Impairment of financial assets – *Continued*

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(aa) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ab) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Consolidation of entity with less than 50% equity interest holding

Although the Group owns less than 50% of the equity interest in Sunrise Diagnostic Centre Limited ("**SDCL**"), it is treated as a subsidiary because the Group is able to control the relevant activities of SDCL as a result of the shareholders' agreement between the Group and the other shareholder of SDCL.

(b) Business model assessment

Classification and measurement of financial assets depends on the results of the solely payments of principal and interest ("**SPPI**") and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group 's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(c) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

(d) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 20 for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year ended 31 December 2021, approximately HK$48,096,000 (2020: HK$35,179,000) of income tax was charged to profit or loss based on the estimated profit.

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amount.

Further, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's operation.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2021 were approximately HK$94,710,000 (2020: HK$128,796,000) and approximately HK$10,784,000 (2020: HK$18,863,000) respectively.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty – *Continued*

(c) *Impairment of goodwill and intangible assets*

Determining whether goodwill and intangible assets are impaired requires an estimation of the fair value less cost to disposal or value in use of the cash-generating unit to which goodwill and intangible assets have been allocated. The calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's insurance brokerage operations.

The carrying amount of goodwill at the end of the reporting period was approximately HK$120,554,000 (2020: HK$117,595,000) without provision of impairment loss (2020: Nil) during the year. Details of the impairment loss calculation are provided in note 21 to the consolidated financial statements.

The carrying amount of intangible assets at the end of the reporting period was approximately HK$80,939,000 (2020: HK$88,072,000) without provision of impairment loss (2020: Nil) during the year. Details of the impairment loss calculation are provided in note 22 to the consolidated financial statements.

(d) *Impairment of trade receivables and loan and interest receivables*

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and loan and interest receivables based on the credit risk of trade receivables and loan and interest receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2021, the carrying amount of trade receivables and loan and interest receivables is approximately HK$92,130,000 and HK$13,257,000 respectively (net of allowance for impairment loss of HK$1,093,000 and HK$6,305,000 respectively) (2020: approximately HK$30,314,000 and HK$13,060,000 respectively (net of allowance for impairment loss of HK$577,000 and net of allowance for impairment loss HK$6,570,000 respectively)).

(e) *Allowance for slow-moving inventories*

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. An allowance of approximately HK$3,199,000 for slow-moving inventories was made for the year ended 31 December 2021 (2020: HK$107,000).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty – *Continued*

(f) Fair value of derivative component

As disclosed in note 34 to the consolidated financial statements, the fair value of the derivative component of the convertible bonds at the date of issue and the end of the reporting period were determined using binomial option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation of these factors is different from those previously estimated, such differences will impact the fair value gain or loss on the derivative component in the period in which such determination is made.

The carrying amount of the derivative financial assets as at 31 December 2021 was HK$1,527,000 (2020: HK$5,637,000).

(g) Fair value measurement of financial investment

In the absence of quoted market prices in an active market, the Group has engaged independent professional qualified valuers to estimate the fair value of the Group's financial assets at FVTPL and financial assets at FVTOCI as at 31 December 2021.

The held for trading securities as at 31 December 2021 was approximately HK$1,759,000 (2020: HK$1,270,000).

The financial assets at FVTOCI as at 31 December 2021 was approximately HK$122,021,000 (2020: HK$98,845,000).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities HK$, United States Dollars ("**US$**") and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise. The foreign currency risk is not significant to the Group.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on listed equity securities quoted on the Stock Exchange.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 5% higher/lower (2020: 5% higher/lower):

- Profit after tax for the year ended 31 December 2021 would increase/decrease by approximately HK$88,000 (2020: profit after tax increase/decrease by HK$53,000). This is mainly due to the changes in fair value of held for trading securities.

- Total comprehensive income for the year ended 31 December 2021 would increase/decrease by approximately HK$2,704,000 (2020: Nil). This is mainly due to the changes in fair value of financial assets at FVTOCI.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and loan and interest receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

***Trade receivables** – Continued*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, as at 31 December 2021 and 2020:

	2021		
	Expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current (not past due)	*****	**80,062**	******
1 to 30 days past due	**0.2%**	**9,713**	**18**
31 to 60 days past due	**0.8%**	**497**	**4**
61 to 90 days past due	**0.7%**	**305**	**2**
More than 90 days past due	**40.4%**	**2,646**	**1,069**
		93,223	**1,093**

	2020		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	*	27,041	**
1 to 30 days past due	5.2%	536	28
31 to 60 days past due	5.2%	2,393	125
61 to 90 days past due	5.3%	281	15
More than 90 days past due	63.9%	640	409
		30,891	577

* Amount less than 0.01%

** Amount less than HK$1,000

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Trade receivables – *Continued*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**577**	345
Allowance of impairment losses recognised for the year, net	**516**	232
At 31 December	**1,093**	577

Group has concentration of credit risk as 43% (2020: 25%) and 85% (2020: 59%) of the total trade receivables was due from the Group's largest trade receivables and the five largest trade receivables respectively.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

Loan and interest receivables

The Group measures loss allowance under HKFRS 9 ECL model. The measure of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data, collateral values, credit rating of customers and adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial assets is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The key inputs used for measuring ECL are:

– Probability of default (PD);

– Loss given default (LGD); and

– Exposure at default (EAD)

These figures are generally derived from historical data and they are adjusted to reflect forward-looking information.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Loan and interest receivables – *Continued*

Elements of the ECL models that are considered accounting judgements and estimates include:

– The Group's estimation of probabilities of default to individual customers;

– The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;

– Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures; and

– Determination of associations between macroeconomic scenarios and, economic inputs, such as delinquency ratios and collateral values, and the effect on probabilities of default, exposures at default and losses given default.

It is the Group's policy to regularly review its model in the context of actual loss experience and adjust when necessary.

The Group categorises the credit quality of its loans receivable and interest receivables according to 3 different stages under the ECL model:

– Stage 1: financial assets without significant increase in credit risk since initial recognition where loss allowance is calculated based on 12-month ECL

– Stage 2: financial assets with significant increase in credit risk since initial recognition where loss allowance is calculated based on lifetime ECL

– Stage 3: credit impaired assets where loss allowance is calculated based on lifetime ECL

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Loan and interest receivables – *Continued*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– Significant deterioration in external market indicators of credit risk for a particular financial instrument;

– Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– An actual or expected significant deterioration in the operating results of the debtor;

– Significant increases in credit risk on other financial instruments of the same debtor; and

– An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group collects performance and default information about its credit risk exposures and analyses all data collected and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as delinquency rate.

The Group uses different criteria to determine whether credit risk has increased significantly and the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Loan and interest receivables – *Continued*

Significant increase in credit risk – Continued

The Group has controls and procedures in place to identify when the credit risk of an asset improves and the definition of significant increase in credit risk is no longer met. When this is the case the asset may move back to stage 1 from stage 2, subject to payments being up to date and the ability of the borrower to make future payments on time.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– Probable bankruptcy entered by the borrowers; or

– Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– Significant financial difficulty of the issuer or the counterparty;

– A breach of contract, such as a default or past due event;

– The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– The disappearance of an active market for that financial asset because of financial difficulties.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Loan and interest receivables – *Continued*

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

Credit risk exposure

The Group applies the general approach to provide for ECL prescribed by HKFRS 9 on its loans receivable and interest receivables. The Group has taken into account the probability of default and loss given default with reference to the historical delinquency ratio of loans, collateral values, credit rating of customers and current and forward-looking information on macroeconomic factors.

Movement in the loss allowance for financial assets at amortised cost during the year is as follows:

	HK$'000
At 1 January 2020	3,578
Allowance of impairment losses recognised for the year	2,992
At 31 December 2020 and 1 January 2021	6,570
Reversal of impairment losses recognised for the year	(265)
At 31 December 2021	**6,305**

6. FINANCIAL RISK MANAGEMENT – *Continued*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2021					
Trade and other payables	**54,646**	**–**	**–**	**54,646**	**54,646**
Borrowings	**17,387**	**–**	**–**	**17,387**	**17,387**
Convertible bonds	**40,031**	**–**	**–**	**40,031**	**38,651**
Contingent consideration	**1,572**	**–**	**–**	**1,572**	**1,572**
Lease liabilities	**7,911**	**3,651**	**–**	**11,562**	**11,132**
	121,547	**3,651**	**–**	**125,198**	**123,388**
At 31 December 2020					
Trade and other payables	212,482	–	–	212,482	212,482
Borrowings	10,664	–	–	10,664	10,664
Convertible bonds	–	86,649	–	86,649	76,292
Contingent consideration	–	4,064	–	4,064	3,101
Lease liabilities	13,237	5,598	1,386	20,221	19,384
	236,383	96,311	1,386	334,080	321,923

(e) Interest rate risk

The Group's cash flow interest rate risk primarily relates to its cash held in securities trading accounts with stock brokers and bank deposit.

At 31 December 2021, if interest rates had been 100 basis points higher/lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$967,000 (2020: HK$3,083,000) higher/lower, arising mainly as a result of higher/lower interest income on its bank and cash balance, cash held in securities trading accounts with stock brokers.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(f) Categories of financial instruments at 31 December

	2021 HK$'000	2020 HK$'000
Financial assets:		
Financial assets at FVTPL:		
– Held for trading securities	**1,759**	1,270
– Derivative financial assets	**1,527**	5,637
Financial assets at amortised cost	**268,180**	437,511
Financial assets at FVTOCI:		
– Equity instrument	**122,021**	98,845
Financial liabilities:		
Financial liabilities at amortised cost	**121,816**	318,822
Contingent consideration	**1,572**	3,101

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS – *Continued*

(a) Disclosures of level in fair value hierarchy at 31 December 2021 and 2020:

Description	Fair value measurements using: Level 3	
	2021	2020
	HK$'000	HK$'000
Recurring fair value measurements:		
Financial assets		
Financial assets at FVTPL:		
Listed securities in Hong Kong	**1,759**	1,270
Financial assets at FVTOCI:		
Unlisted equity securities	**67,940**	98,845
Listed securities in Hong Kong	**54,081**	–
Derivatives	**1,527**	5,637
Total	**125,307**	105,752
Financial liabilities		
Contingent consideration	**23,658**	25,799

7. FAIR VALUE MEASUREMENTS – *Continued*

(b) Reconciliation of assets measured at fair value based on level 3:

	Held for trading securities HK$'000	Financial assets at FVTOCI HK$'000	Derivative financial assets HK$'000	Contingent consideration HK$'000
Description				
At 1 January 2020	1,317	82,622	–	(31,293)
Issuance of convertible bonds	–	–	(747)	–
Fair value gain recognised in other comprehensive income	–	16,223	–	–
Fair value (losses)/gain recognised in profit or loss	(47)	–	6,384	5,494
At 31 December 2020 and 1 January 2021	**1,270**	**98,845**	**5,637**	**(25,799)**
Disposal	**–**	**(4,587)**	**–**	**–**
Partial redemption of convertible bonds	**–**	**–**	**(2,189)**	**–**
Fair value gain recognised in other comprehensive income	**–**	**27,763**	**–**	**–**
Fair value gain/(losses) recognised in profit or loss	**489**	**–**	**(1,921)**	**2,141**
At 31 December 2021	**1,759**	**122,021**	**1,527**	**(23,658)**

7. FAIR VALUE MEASUREMENTS – *Continued*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2021 and 2020:

The Group's financial manager is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial manager reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial manager and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements Description	Valuation technique	Unobservable inputs	Range 2021	Range 2020	Effect on fair value for increase of inputs	Fair value 2021 HK$'000 Assets/(Liabilities)	Fair value 2020 HK$'000 Assets/(Liabilities)
Private equity investments classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	**14.5%**	12.5%-14.4%	Decrease	**67,940**	51,593
		Growth rate	**3%**	3%	Increase		
		Discount for lack of marketability	**21%**	20%-25%	Decrease		
	Backsolve from most recent transaction price *(note)*	Weighted average probability	**N/A**	50%	Increase	**–**	47,252
	Market approach	Discount for lack of marketability	**8.5%**	N/A	Decrease	**54,081**	–
Held for trading securities	Market approach	Discount for lack of marketability	**20%**	20%	Decrease	**1,759**	1,270
		Volatility	**44%**	32%	Increase		
Contingent consideration	Discounted cash flows	Weighted average probability	**25%-30%**	25%-35%	Increase	**(23,658)**	(25,799)
		Share price	**15%**	15%	Increase		
Derivative: option component of convertible bonds	Binomial option pricing model	Expected volatility	**61%**	53%	Increase	**1,527**	5,637
		Discount rate	**2.6%**	2.6%	Increase		

Note: The valuation techniques changes from backsolve from most recent transaction price method to market approach in 2021.

8. REVENUE

Disaggregation of revenue from contracts with customers by major products or services line for the year is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Manufacture and sale of health related and pharmaceutical products	**107**	869
Provision of medical laboratory testing services and health check services	**607,776**	646,748
Provision of insurance brokerage services	**7,922**	6,875
Money lending business	**1,244**	1,300
Provision of logistic services	**6,712**	–
	623,761	655,792

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and the geographical regions:

For the year ended 31 December	Manufacture and sale of health related and pharmaceutical products		Provision of medical laboratory testing services and health check services		Provision of insurance brokerage services		Money lending business		Provision of logistic services		Total	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Primary geographical markets												
– Hong Kong	**107**	869	**607,776**	646,748	**7,922**	6,875	**1,244**	1,300	**6,712**	–	**623,761**	655,792
– The PRC except Hong Kong	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Segment revenue	**107**	869	**607,776**	646,748	**7,922**	6,875	**1,244**	1,300	**6,712**	–	**623,761**	655,792
Timing of revenue recognition												
Products and services transferred at a point in time	**107**	869	**607,776**	646,748	**7,922**	6,875	**1,244**	1,300	**–**	–	**617,049**	655,792
Products and services transferred over time	**–**	–	**–**	–	**–**	–	**–**	–	**6,712**	–	**6,712**	–
Total	**107**	869	**607,776**	646,748	**7,922**	6,875	**1,244**	1,300	**6,712**	–	**623,761**	655,792

9. OTHER INCOME, GAINS/(LOSSES)

	2021 HK$'000	2020 HK$'000
Interest income	**12**	21
Government grants *(note)*	**–**	5,037
Loss on disposal of property, plant and equipment	**–**	(39)
Net foreign exchange (loss)/gain	**(525)**	200
COVID-19- related rent concessions	**156**	–
Gain on early termination of lease	**11**	–
Others	**571**	598
	225	5,817

Note:

During the year ended 31 December 2020, the Group recognised government grants of HK$5,037,000 in respect of COVID-19 related subsidies, of which HK$5,017,000 related to the Employment Support Scheme provided by the Hong Kong government.

10. SEGMENT INFORMATION

The Group has five operating segments as follows:

Immunotherapy	–	provision of tumor immune cell therapy, immune cell storage and health management services
Pharmaceutical products	–	manufacture, research and development, sale and distribution of health related and pharmaceutical products
Medical and health related services	–	provision of medical laboratory testing services and health check services
Securities	–	trading of securities
Insurance brokerage	–	insurance brokerage services
Others	–	money lending business and provision of logistic services

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

The Group's other operating segments include money lending business and provision of logistic services. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the 'others' column.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include other income, gains/(losses), unallocated administrative expenses, gain on fair value change of contingent consideration, loss on partial redemption of convertible bonds, (loss)/gain on fair value change of derivative financial instrument, loss on disposal of subsidiaries, finance costs and income tax expense. Segment assets do not include the unallocated bank and cash balances, interests in associates, current and deferred tax assets, financial assets at FVTOCI and derivative financial assets. Segment liabilities do not include borrowings, current and deferred tax liabilities, convertible bonds, derivative financial liabilities and contingent consideration. Segment non-current assets do not include financial instruments, deferred tax assets and post-employment benefit assets.

10. SEGMENT INFORMATION – *Continued*

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about operating segment profit or loss, assets and liabilities:

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2021							
Revenue from external customers	–	107	607,776	–	7,922	7,956	623,761
Segment (loss)/profit	(42,393)	(1,088)	266,305	(3,163)	(66)	1,257	220,852
Other income, gain/(losses)							225
Finance costs							(6,543)
Gain on fair value change of contingent consideration							2,141
Loss on partial redemption of convertible bonds							(2,687)
Loss on fair value change of derivative financial instruments							(1,921)
Unallocated corporate expenses							(31,399)
Profit before tax							180,668
Income tax expense							(48,096)
Profit for the year							132,572
As at 31 December 2021							
Segment assets	184,589	8	211,823	4,442	12,005	13,485	426,352
Unallocated corporate assets							280,430
Total assets							706,782
Segment liabilities	10,606	58	132,641	365	838	316	144,824
Unallocated corporate liabilities							96,063
Total liabilities							240,887

10. SEGMENT INFORMATION – *Continued*

Information about operating segment profit or loss, assets and liabilities: – *Continued*

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2020							
Revenue from external customers	–	869	646,748	–	6,875	1,300	655,792
Segment (loss)/profit	(39,376)	(2,313)	287,276	(6,603)	(349)	(2,373)	236,262
Other income, gain/(losses)							5,817
Reversal of allowance for impairment loss on financial asset							2,079
Finance costs							(6,498)
Gain on fair value change of contingent consideration							5,494
Gain on fair value change of derivative financial instruments							6,384
Loss on disposal of subsidiaries							(1,948)
Unallocated corporate expenses							(44,788)
Profit before tax							202,802
Income tax expense							(35,179)
Profit for the year							167,623
As at 31 December 2020							
Segment assets	188,718	1,234	190,506	2,084	11,515	13,060	407,117
Unallocated corporate assets							497,004
Total assets							904,121
Segment liabilities	9,977	309	248,047	375	422	72	259,202
Unallocated corporate liabilities							132,814
Total liabilities							392,016

10. SEGMENT INFORMATION – *Continued*

Other segment information

Other segment information for the year ended 31 December 2021:

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	120	–	12,072	–	–	24	12,216
Amortisation of intangible assets	8,994	–	–	–	–	–	8,994
Depreciation of property, plant and equipment	1,178	–	44,720	16	61	447	46,422
Depreciation of right-of-use assets	343	48	7,710	–	292	4,303	12,696
Provision/(reversal) of allowance for impairment loss on financial assets, net	–	90	426	–	–	(265)	251
Write-down of inventories	–	569	2,630	–	–	–	3,199

Other segment information for the year ended 31 December 2020:

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	732	–	125,848	–	–	20	126,600
Amortisation of intangible assets	8,392	–	–	–	–	–	8,392
Depreciation of property, plant and equipment	1,166	–	19,446	21	62	457	21,152
Depreciation of right-of-use assets	768	290	4,863	–	292	4,579	10,792
Loss on disposal of property, plant and equipment	39	–	–	–	–	–	39
Allowance for impairment loss on financial assets, net	–	–	232	–	–	913	1,145
Write-down of inventories	–	94	13	–	–	–	107

10. SEGMENT INFORMATION – *Continued*

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Hong Kong	**623,761**	655,792	**125,241**	165,827
The PRC except Hong Kong	**–**	–	**181,746**	187,499
	623,761	655,792	**306,987**	353,326

Revenue from major customers:

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2021 HK$'000	2020 HK$'000
Provision of medical and health related services segment		
Customer A	**–**	462,822
Customer B	**127,817**	65,557
Customer C	**310,226**	–

11. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**697**	724
Interest on borrowings	**504**	978
Effective interest on convertible bonds	**5,342**	4,787
Imputed interest on loan from a non-controlling shareholder of a subsidiary	**–**	9
	6,543	6,498

12. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2021 HK$'000	2020 HK$'000
Current tax		
Hong Kong Profits Tax	**49,465**	36,478
Over-provision in prior year	**(20)**	(40)
	49,445	36,438
Deferred tax *(note 37)*	**(1,349)**	(1,259)
	48,096	35,179

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2020: 25%).

A subsidiary of the Group in the PRC had been certified by the relevant PRC authorities as high technology enterprises pursuant to the Income Tax Law in the PRC, the subsidiary was subjected to EIT rate of 15% (2020: 15%).

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the respective applicable tax rate is as follows:

	2021 HK$'000	2020 HK$'000
Profit before tax	**180,668**	202,802
Tax at the respective applicable tax rates	**33,945**	39,002
Tax effect of income that is not taxable	**(256)**	(1,313)
Tax effect of expenses that are not deductible	**3,200**	2,026
Tax effect of temporary differences not recognised	**4,771**	(10,999)
Tax effect of tax losses not recognised	**6,799**	6,672
Tax effect of ultisation of tax losses not previously recognised	**(178)**	(4)
Over-provision in prior year	**(20)**	(40)
Tax concession	**(165)**	(165)
Income tax expense	**48,096**	35,179

13. PROFIT FOR THE YEAR

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

	2021 HK$'000	2020 HK$'000
Amortisation of intangible assets	**8,994**	8,392
Depreciation of property, plant and equipment	**46,422**	21,152
Depreciation of right-of-use assets	**12,696**	10,792
Loss on disposal of property, plant and equipment	**–**	39
Loss/(gain) on fair value change of derivative financial instruments	**1,921**	(6,384)
Operating lease charges		
– Office premises and warehouses	**1,278**	1,765
Staff costs including directors' remuneration		
– Salaries, bonuses and allowances	**94,784**	61,143
– Equity-settled share-based payments	**2,481**	4,865
– Retirement benefits scheme contributions	**2,089**	1,543
	99,354	67,551
Research and development cost	**28,677**	29,192
Auditor's remuneration		
– Audit services	**1,100**	1,100
– Non-audit services	**–**	140
	1,100	1,240
Cost of inventories sold	**56,712**	67,928
Write-down on inventories (included in cost of sales)	**3,199**	107
Allowance for impairment loss on financial assets, net	**251**	1,145

14. EMPLOYEE BENEFITS EXPENSE

	2021 HK$'000	2020 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**94,784**	61,143
Equity-settled share-based payments	**2,481**	4,865
Retirement benefit scheme contributions *(note 16)*	**2,089**	1,543
	99,354	67,551

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2020: four) directors whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining two (2020: one) individual is set out below:

	2021 HK$'000	2020 HK$'000
Salaries and allowances	**1,046**	1,320
Discretionary bonuses	**29,333**	–
Equity-settled share-based payments	**–**	683
Retirement benefit scheme contributions	**17**	66
	30,396	2,069

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$28,500,001 to HK$29,000,000	**1**	–
	2	1

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the years ended 31 December 2021 and 2020.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2021, the remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Share-based payments HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors						
Mr. Liu	2,400	2,160	250	128	18	4,956
Mr. Yao Michael Yi *(note a)*	929	168	–	606	–	1,703
Mr. Leung Pak Hou Anson *(note b)*	–	500	–	–	7	507
Mr. Wang Zheng	654	–	–	93	–	747
Mr. He Xun	521	–	–	1,639	–	2,160
Mr. Huang Song	816	–	–	15	–	831
Independent Non-executive Directors						
Mr. Yan Guoxiang	240	–	–	–	–	240
Mr. Qian Hongji	240	–	–	–	–	240
Dr. Ho Ivan Chun Kit	240	–	–	–	–	240
	6,040	2,828	250	2,481	25	11,624

15. BENEFITS AND INTERESTS OF DIRECTORS – *Continued*

(a) Directors' emoluments – *Continued*

For the year ended 31 December 2020, the remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Share-based payments HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors						
Mr. Liu	2,000	5,870	300	312	18	8,500
Mr. Yao Michael Yi *(note a)*	2,400	504	–	2,176	–	5,080
Mr. Leung Pak Hou Anson *(note b)*	–	1,310	197	–	18	1,525
Mr. Wang Zheng	792	–	99	653	–	1,544
Mr. He Xun	484	–	–	615	–	1,099
Mr. Huang Song	480	–	–	518	–	998
Independent Non-executive Directors						
Mr. Yan Guoxiang	240	–	–	–	–	240
Mr. Qian Hongji	240	–	–	–	–	240
Dr. Ho Ivan Chun Kit	240	–	–	–	–	240
	6,876	7,684	596	4,274	36	19,466

Notes:

(a) Mr. Yao Michael Yi resigned as an executive director and co-chairman on 20 May 2021.

(b) Mr. Leung Pak Hou Anson did not offer himself for re-election as an executive director and retired at the annual general meeting held on 18 May 2021.

None of the directors waived or agreed to waive any emoluments paid by the Group and no incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the years ended 31 December 2021 and 2020.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the directors of the Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. RETIREMENT BENEFIT SCHEMES

Provident fund benefits are offered to certain fulltime employees through a registered scheme under Occupational Retirement Scheme Ordinance ("**ORSO**"). The ORSO scheme is administered by trustees, which are independent, with assets held separately from those of the Group. Under the ORSO scheme, the Group contributes 5% of monthly salaries of employees.

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong (other than those who are cover under ORSO scheme). The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The Group's contributions to the MPF Scheme and the central pension scheme in the PRC (collectively, the "**Defined Contribution Schemes**") vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2021 and 2020, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2021.

17. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

18. EARNINGS PER SHARE

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

	2021	2020
	HK$'000	HK$'000
Earnings		
Earnings for the year for the purpose of calculating basic/diluted earnings per share	**19,385**	30,170

	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted earnings per share	**964,714**	968,490

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

The computation of the diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market prices of the shares for the year ended 31 December 2021 and 2020.

The computation of the diluted earnings per share did not assume the conversion of the Company's convertible bonds since its exercise had anti-dilute effect that would result in an increase in earnings per share for the year ended 31 December 2021 and 2020.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Land and buildings HK$'000	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost						
At 1 January 2020	9,429	15,211	1,189	6,149	18,006	49,984
Additions	1,646	–	–	1,507	123,447	126,600
Disposal of subsidiaries	(363)	–	–	(1,078)	(3,676)	(5,117)
Written off	–	–	–	(6)	(6)	(12)
Disposals	–	–	(324)	–	–	(324)
Exchange differences	9	–	34	36	520	599
At 31 December 2020 and 1 January 2021	10,721	15,211	899	6,608	138,291	171,730
Additions	2,238	–	–	850	9,128	12,216
Written off	(808)	–	–	(9)	(91)	(908)
Exchange differences	4	–	8	12	162	186
At 31 December 2021	**12,155**	**15,211**	**907**	**7,461**	**147,490**	**183,224**
Accumulated depreciation						
At 1 January 2020	8,607	1,770	328	4,615	10,881	26,201
Charge for the year	724	491	210	1,135	18,592	21,152
Disposal of subsidiaries	(363)	–	–	(1,077)	(3,167)	(4,607)
Written off	–	–	–	(6)	(6)	(12)
Disposals	–	–	(83)	–	–	(83)
Exchange differences	2	–	19	17	245	283
At 31 December 2020 and 1 January 2021	8,970	2,261	474	4,684	26,545	42,934
Charge for the year	1,754	491	165	1,328	42,684	46,422
Written off	(808)	–	–	(9)	(91)	(908)
Exchange differences	1	–	3	4	58	66
At 31 December 2021	**9,917**	**2,752**	**642**	**6,007**	**69,196**	**88,514**
Carrying amount						
At 31 December 2021	**2,238**	**12,459**	**265**	**1,454**	**78,294**	**94,710**
At 31 December 2020	1,751	12,950	425	1,924	111,746	128,796

At 31 December 2021 and 2020, none of the property, plant and equipment pledged as security for the Group's borrowings.

20. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 1 January 2020	13,135
Additions	16,662
Depreciation	(10,792)
Modification *(note)*	(196)
Exchange differences	54
At 31 December 2020 and 1 January 2021	**18,863**
Additions	**4,491**
Depreciation	**(12,696)**
Modification *(note)*	**309**
Write off	**(193)**
Exchange differences	**10**
At 31 December 2021	**10,784**

Note: The Group has reassessed the lease liabilities due to modification of lease payment and adjusted the carrying amount of right-of-use assets accordingly.

Lease liabilities of HK$11,132,000 (2020: HK$19,384,000) are recognised with related right-of-use assets of HK$10,784,000 (2020: HK$18,863,000) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2021 HK$'000	2020 HK$'000
Depreciation expenses on right-of-use assets	**12,696**	10,792
Interest expense on lease liabilities (included in finance cost)	**697**	724
Expenses relating to short-term lease (included in cost of goods sold, selling and distribution expenses, and administrative expenses)	**1,278**	1,765

Details of total cash outflow for leases is set out in note 41(c).

For both years, the Group leases various offices, clinics, labs and warehouses for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

During the year, the Group has no leases contracts with the extension options.

21. GOODWILL

	2021 HK$'000	2020 HK$'000
Cost		
At 1 January	**146,049**	143,797
Exchange differences	**2,959**	2,252
At 31 December	**149,008**	146,049
Accumulated impairment		
At 1 January	**28,454**	28,454
Impairment loss recognised for the year	**–**	–
At 31 December	**28,454**	28,454
Carrying amount		
At 31 December	**120,554**	117,595

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2021 HK$'000	2020 HK$'000
Provision of medical laboratory testing services and health related services:		
– DVF Holdco (Cayman) Limited ("**DVF**") acquired in 2015 ("**CGU A**")	**–**	–
Provision of tumor immune cell therapy, immune cell storage and health management services:		
– Shanghai Longyao acquired in 2019 ("**CGU B**")	**111,347**	108,388
Provision of insurance brokerage services:		
– Fortstone acquired in 2019 ("**CGU C**")	**9,207**	9,207
	120,554	117,595

The recoverable amounts of the CGUs have been determined on the basis of the higher of its fair value less costs of disposal and its value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The management considered no impairment indicators of non-current asset attributable to CGU A. The recoverable amount of CGU A is determined based on its value in use by using discounted cash flow method. The recoverable amount of CGU A exceeds the carrying amount of CGU A. The growth rate used by the Group to prepare the cashflow forecast from CGU A is 3%, this rate does not exceed the average long-term growth rate for the relevant markets. The discount rate used to discount the forecast cash flow was 17% (2020: 17%).

21. GOODWILL – *Continued*

The recoverable amount for CGU B was determined based on fair value less cost of disposal calculated by using discounted cash flow technique, covering the most recent financial budgets approved by the directors for the next eight years with residual period using the growth rate of 3%. The rate used to discount the fair value less cost of disposal is 16.7% (2020: 16.7%), which reflects specific risks relating to CGB B. The fair value less cost of disposal of CGU B is estimated by an independent professional qualified valuer and classified as level 3 measurement.

The key assumptions for the fair value less cost of disposal calculation were those regarding the discount rate, growth rate and budgeted gross margin, which had been determined based on the development trend of the industry and budgeted revenue, which had been determined based on the management's expectation for the industry development of CGU B.

For CGU C, the recoverable amount was determined based on its value in use by using the discounted cash flow method. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from CGU C is 15% (2020: 13%).

22. INTANGIBLE ASSETS

	Customer relationship HK$'000	Brand name HK$'000	Patents HK$'000	Non-competition agreement HK$'000	Total HK$'000
Cost					
At 1 January 2020	12,247	34,915	87,092	1,324	135,578
Exchange differences	–	–	1,847	–	1,847
At 31 December 2020 and 1 January 2021	12,247	34,915	88,939	1,324	137,425
Exchange differences	–	–	2,428	–	2,428
At 31 December 2021	**12,247**	**34,915**	**91,367**	**1,324**	**139,853**
Accumulated amortisation and impairment losses					
At 1 January 2020	12,247	21,541	6,532	–	40,320
Amortisation for the year	–	–	8,392	–	8,392
Exchange differences	–	–	641	–	641
At 31 December 2020 and 1 January 2021	12,247	21,541	15,565	–	49,353
Amortisation for the year	–	–	8,994	–	8,994
Exchange differences	–	–	567	–	567
At 31 December 2021	**12,247**	**21,541**	**25,126**	**–**	**58,914**
Carrying amount					
At 31 December 2021	**–**	**13,374**	**66,241**	**1,324**	**80,939**
At 31 December 2020	–	13,374	73,374	1,324	88,072

The average remaining amortisation period of the customer relationship and patents are 4 years (2020: 5 years) and 8 years (2020: 9 years) respectively.

For the brand name and non-competition agreement, they have no foreseeable limit to the period over which are expected to generate net cash flow for the Group. The directors considered that they have an indefinite useful life because it is expected to contribute to net cash flows indefinitely. They will not be amortised until its useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that it may be impaired.

The Group carried out reviews of the recoverable amount of its non-current assets in 2021, CGU A, CGU B and CGU C (referred to notes 21 to the consolidated financial statements) having regard to the market conditions of the Group's products. Customer relationship and brand name are attributed to CGU A. Patent is attributed to CGU B and non-competition agreement is attributed to CGU C. The management considered there was not impairment indicator of the non-current assets attributable to CGUs, and no impairment loss was provided for intangible assets.

23. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2021 are as follows:

Name	Place of incorporation and kind of legal entity	Principal country of operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Angel Rise International Limited	BVI, limited liability company	Hong Kong	Ordinary shares US$1	–	100%	Investment holding
Best Global Group Limited	BVI, limited liability company	Hong Kong	Ordinary shares US$1	100%	–	Investment holding
Grande Fortune International Limited	BVI, limited liability company	Hong Kong	Ordinary shares US$1	100%	–	Investment holding
Gain Yield Holdings Limited	Samoa, limited liability company	Hong Kong	Ordinary shares US$110	90.9%	–	Investment holding
Master Glory Enterprises Corporation	BVI, limited liability company	Hong Kong	Ordinary shares US$10,000	–	100%	Investment holding
Keyun Limited	BVI, limited liability company	Hong Kong	Ordinary shares US$1	–	100%	Investment holding
Asia Molecular Diagnostics Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1,000	–	97%	Provision of medical diagnostic services
Asia Molecular Diagnostics Laboratory Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares US$2,500,000	–	77.6%	Provision of medical diagnostic services
China Biology Services Group Limited ("**China Biology**")	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	100%	Investment holding
Ferran Finance Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	100%	Provision of money lending in Hong Kong
Fortstone	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$2,000,000	–	51%	Provision of insurance brokerage services
Genezone International Health Management Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$110,100	–	90.09%	Provision of coordination of healthcare providers services
Healthy International Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$10,000	–	100%	Marketing and sale of health supplements, slimming pills and beauty products and trading of pharmaceutical intermediates

23. INVESTMENTS IN SUBSIDIARIES – *Continued*

Name	Place of incorporation and kind of legal entity	Principal country of operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
PHC Biomedicine Logistics Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	97%	Provision of logistic services
PHC Medical Diagnostic Centre Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$198,000	–	97%	Provision of medical laboratory testing services and health check services
Precision Health Care Services Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$500,002	–	97%	Provision of health check services
Silver Wisdom Development Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	100%	Investment holding
SDCL	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$100	–	40% *(note)*	Provision of medical laboratory testing services
T. F. Industries Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	97%	Property investment
Town Health Choice Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	100%	Sale of health supplements, traditional Chinese medicines, slimming pills and beauty products
Ultra Leap Holdings Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	100%	Trading of securities
Victory Medical Laboratory Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1,000	–	97%	Provision of medical laboratory testing services and health check services
Shanghai Longyao	The PRC, limited liability company	The PRC	Registered capital RMB16,224,718	–	69.4%	Provision of tumor immune cell therapy, immune cell storage and health management services

Note: Although the Group owns less than 50% of the equity interest in SDCL, it is able to gain power over than 50% of the voting right by virtue of agreement with another shareholder. Consequently, the Group consolidates SDCL.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

23. INVESTMENTS IN SUBSIDIARIES – *Continued*

The following table shows information on the subsidiary that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	SDCL	
	2021	2020
Principal place of business/country of incorporation	**Hong Kong**	Hong Kong
% of ownership interests/voting rights held by NCI	**60%/40%**	60%/40%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**76,254**	115,327
Current assets	**150,276**	372,372
Non-current liabilities	**(3,643)**	(3,288)
Current liabilities	**(119,488)**	(233,158)
Net assets	**103,399**	251,253
Accumulated NCI	**62,039**	150,752
Year ended 31 December:		
Revenue	**537,765**	584,923
Profit	**212,146**	251,253
Total comprehensive income	**212,146**	251,253
Profit allocated to NCI	**127,288**	150,752
Dividends paid to NCI	**(216,000)**	–
Net cash generated from operating activities	**88,339**	477,170
Net cash used in investing activities	**(6,898)**	(125,630)
Net cash used in financing activities	**(363,472)**	(2,324)
Net (decrease)/increase in cash and cash equivalents	**(282,031)**	349,216

24. INVESTMENTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Unlisted investments:		
Share of net assets	–	–
Goodwill	–	–
Impairment loss for the year	–	–
	–	–

Details of the Group's associates at 31 December 2021 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing 2021	2020	Principal activities
New Health Elite International Limited ("**New Health**")	BVI	Ordinary shares US$100	**22.62%**	22.62%	Investment holding of subsidiaries which are principally engaged in provision of health management and well-being services

The following table shows, in aggregate, the Group's share of the amounts of the individually immaterial associate of New Health that are accounted for using the equity method.

	2021 HK$'000	2020 HK$'000
At 31 December:		
Carrying amounts of interests	–	–
Year ended 31 December:		
Loss for the year	**(5,431)**	(4,938)
Other comprehensive loss	**(433)**	(421)
Total comprehensive loss	**(5,864)**	(5,359)

As at 31 December 2021, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to approximately HK$693,000 (2020: HK$990,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

As the loss was incurred in the past few years by New Health and has carried net liabilities at the year ended, the Directors are of the opinion that the investments is irrecoverable and accordingly made full impairment on it.

25. FINANCIAL ASSETS AT FVTOCI

	2021 HK$'000	2020 HK$'000
Unlisted equity securities at fair value		
As at 1 January	**98,845**	97,907
Disposal	**(4,587)**	–
Transferred to listed securities	**(47,252)**	–
Fair value gain	**20,934**	938
As at 31 December	**67,940**	98,845
Listed securities in Hong Kong		
Transferred from unlisted equity securities	**47,252**	–
Fair value gain	**6,829**	–
As at 31 December	**54,081**	–
	122,021	98,845
Analysed as:		
Current assets	**–**	–
Non-current assets	**122,021**	98,845
	122,021	98,845

Financial assets at FVTOCI are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	**54,081**	4,587
US$	**67,940**	94,258
	122,021	98,845

26. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**–**	2
Finished goods	**4,738**	5,530
	4,738	5,532

27. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**93,223**	30,891
Allowance for impairment loss	**(1,093)**	(577)
	92,130	30,314
Rental and other deposits	**5,851**	5,383
Other receivables	**4,399**	3,891
Allowance for impairment loss of other receivables	**(1,423)**	(1,423)
Prepayments	**1,570**	1,621
Sales proceeds on disposal of associates	**1,268**	1,268
Cash held in securities trading accounts with stock brokers	**2,144**	479
	13,809	11,219
Total trade and other receivables	**105,939**	41,533

27. TRADE AND OTHER RECEIVABLES – *Continued*

The Group generally allows an average credit period of 90 days (2020: 90 days) for its pharmaceutical products customers, laboratory testing and health check services customers and logistic service customers and 30 days (2020: 30 days) for its insurance brokerage services customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2021 **HK$'000**	2020 HK$'000
0 to 90 days	**80,062**	27,041
91 to 180 days	**10,490**	3,042
181 to 365 days	**1,325**	231
Over 365 days	**253**	–
	92,130	30,314

As at 31 December 2021, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK$1,093,000 (2020: HK$577,000).

As of 31 December 2021, trade receivables of approximately HK$12,068,000 (2020: HK$3,273,000) were past due but not impaired. These related to a number of independent customers for whom there had no recent history of default. The ageing analysis of these trade receivables past due but not impaired is as follows:

	2021 **HK$'000**	2020 HK$'000
Less than 90 days	**10,490**	3,042
91 to 275 days	**1,325**	231
Over 275 days	**253**	–
	12,068	3,273

The carrying amounts of the Group's trade receivables are denominated in HK$.

28. LOAN AND INTEREST RECEIVABLES

The maturity profile of loan and interest receivables at the reporting date is analysed by the remaining periods to their contractual maturity dates as follows:

	2021 **HK$'000**	2020 HK$'000
Loan and interest receivables	**19,562**	19,630
Allowance for impairment loss	**(6,305)**	(6,570)
	13,257	13,060
Less: non-current portion	**–**	–
Current portion	**13,257**	13,060

28. LOAN AND INTEREST RECEIVABLES – *Continued*

The carrying amounts of the loan and interest receivables are denominated in HK$.

All loan and interest receivables carried a fixed rate from 8% to 10% per annum, unsecured and are repayable with fixed terms agreed with the customers.

29. HELD FOR TRADING SECURITIES

	2021 **HK$'000**	2020 HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**1,759**	1,270
Analysed as:		
Current assets	**1,759**	1,270
Non-current assets	**–**	–
	1,759	1,270

The carrying amounts of the above financial assets are classified as follows:

	2021 **HK$'000**	2020 HK$'000
Held for trading	**1,759**	1,270

The carrying amount of the above financial assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The market for the listed securities as at 31 December 2021 and 2020 is not active (i.e. the listed securities has suspended trading at the year ended), the fair value was reference to the valuation performed by an independent professional qualified valuer. As at 31 December 2021 and 2020, the valuation technique included the use of Monte Carlo Simulation method by market approach.

30. BANK AND CASH BALANCES

As at 31 December 2021, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$14,511,000 (2020: HK$2,158,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

31. SHARE CAPITAL

	Note	2021 Number of shares '000	2021 HK$'000	2020 Number of shares '000	2020 HK$'000
Authorised:					
At 31 December		**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:					
At 1 January		**966,851**	**96,685**	969,806	96,981
Share repurchased	*(a), (b)*	**(3,620)**	**(362)**	(3,880)	(388)
Share not yet cancelled	*(b)*	**–**	**–**	925	92
At 31 December		**963,231**	**96,323**	966,851	96,685

Notes:

(a) During May and June 2020, the Company repurchased 2,955,000 shares of the Company for a total consideration of approximately HK$3,308,000 in the open market on the Stock exchange and cancelled on 22 July 2020 pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board.

During January, June and July 2021, the Company repurchased 2,695,000 shares of the Company for a total consideration of approximately HK$4,310,000 in the open market on the Stock exchange and cancelled on 9 February 2021 and 9 August 2021 pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board.

(b) From 15 December 2020 to 31 December 2020, the Company repurchased 925,000 shares of the Company for a total consideration of approximately HK$1,200,000 in the open market on the Stock exchange and subsequent cancelled on 9 February 2021 pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt comprises convertible bond and other borrowings. Total equity comprises all components of equity (i.e. share capital, non-controlling interest and other reserves).

As at 31 December 2021, bank and cash equivalents amounted to approximately HK$150,554,000 (2020: HK$384,539,000), which exceed total debt of approximately HK$94,516,000 (2020: HK$277,733,000). Accordingly, there was no net debt at 31 December 2021 and 2020 and calculation of debt-to-equity ratio at 31 December 2021 and 2020 is not meaningful.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

31. SHARE CAPITAL – *Continued*

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2021, 35.0% (2020: 31.2%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2021 and 2020.

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2021 HK$'000	2020 HK$'000
Non-current assets		
Investments in subsidiaries	**770**	1,125
Property, plant and equipment	**235**	672
Right-of-use assets	**3,029**	1,494
Derivative financial assets	**–**	5,637
	4,034	8,928
Current assets		
Prepayments and other receivables	**3,680**	2,085
Amount due from subsidiaries	**336,021**	319,203
Derivative financial assets	**1,527**	–
Bank and cash balances	**38,657**	11,923
	379,885	333,211
Non-current liabilities		
Convertible bonds	**–**	76,292
Lease liabilities	**1,447**	–
	1,447	76,292
Current liabilities		
Accruals and other payables	**1,927**	3,959
Amount due to subsidiaries	**17,909**	17,920
Convertible bonds	**38,651**	–
Lease liabilities	**1,658**	1,520
	60,145	23,399
Net current assets	**319,740**	309,812
NET ASSETS	**322,327**	242,448
Capital and reserves		
Share capital	**96,323**	96,685
Reserves	**226,004**	145,763
TOTAL EQUITY	**322,327**	242,448

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY – *Continued*

(b) Reserve movement of the Company

	Share premium	Share repurchase for cancellation	Share-based payments reserve	Special reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	498,852	–	22,793	212,948	(556,329)	178,264
Total comprehensive loss for the year	–	–	–	–	(37,402)	(37,402)
Repurchase and/for cancellation of shares	(3,012)	(1,200)	–	–	–	(4,212)
Share-based payments	–	–	9,113	–	–	9,113
Lapse of share options	–	–	(6,277)	–	6,277	–
At 31 December 2020 and 1 January 2021	495,840	(1,200)	25,629	212,948	(587,454)	145,763
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**94,814**	**94,814**
Repurchase and/for cancellation of shares	**(5,148)**	**1,200**	**–**	**–**	**–**	**(3,948)**
Share-based payments	**–**	**–**	**5,245**	**–**	**–**	**5,245**
Lapse of share options	**–**	**–**	**(14,423)**	**–**	**–**	**(14,423)**
At 31 December 2021	**490,692**	**–**	**16,451**	**212,948**	**(492,640)**	**227,451**

As at 31 December 2021, the aggregate amount of reserves of the Company available for distribution to owners of the Company was approximately HK$227,451,000 (2020: HK$145,763,000). The distributable reserves which include the Company's share premium, special reserve and accumulated losses, under the Companies Act 1981 of Bermuda, are distributable to owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company is still able to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

33. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share-based payment reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(u) to the consolidated financial statements.

(ii) Special reserve

Special reserve of approximately HK$212,948,000 was recorded after setting off the capital reduction and the cancellation of the share premium with the accumulated losses as at the date of the change of the domicile and the capital reorganisation of the Company which became effective on 28 August 2013 and 19 September 2013 respectively.

33. RESERVES – *Continued*

(b) Nature and purpose of reserves – *Continued*

(iii) Other reserves

Other reserves arose from the deemed disposal of partial interests in subsidiaries through issue and allotment of new shares by the then subsidiaries to certain independent third parties.

(iv) Financial assets at FVTOCI reserve

The financial assets at reserve comprises the cumulative net change in the fair value of financial assets as held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(j) to the consolidated financial statements.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

34. CONVERTIBLE BONDS

On 11 May 2020, the Company issued convertible bonds at the issue price of US$10,000,000 (equivalent to approximately HK$77,500,000) (equal to 100 per cent. of the principal amount of the convertible bonds). The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK$1.75 per conversion share and at the exchange rate of HK$7.85 to US$1.00, a maximum number of 44,857,142 conversion shares of the Company will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full. The bonds carry interest at a rate of 8.5% per annum, which is payable half-yearly in arrears on 20 June and 20 December.

The rate of exchange to be used shall be at the rate of US$1.00 to HK$7.85, provided that, if the average exchange rate (the "**Adjusted Exchange Rate**") of the Telegraphic Transfer Bank Buy and the Telegraphic Transfer Bank Sell as quoted on the website of the Hong Kong and Shanghai Banking Corporation Limited on the Business Day immediately prior to such date is at the rate of US$1.00 to HK$7.85001 or more, the rate of exchange to be used shall be such Adjusted Exchange Rate; provided further that if the bondholder exercises its Conversion Right, the exchange rate for the purpose of conversion will be at the rate of US$1.00 to HK$7.85, and that the Company shall pay the bondholder in cash at the time of conversion in an amount resulting from the difference between such rate and the Adjusted Exchange Rate.

The maturity date is two years from issue date. As at 31 December 2021, the convertible bonds were secured by 264,750,273 (2020: 529,500,546) ordinary shares of the Company held by Genius Lead Limited, the controlling shareholder and guaranteed by Mr. Liu Xiaolin, the chairman and executive Director of the Company, and Genius Lend Limited.

On 27 May 2021, the Company redeemed the convertible bonds in part in the principal amount of US$5,000,000 being 50% of the total principal amount of US$10,000,000 at applicable redemption amount of US$5,186,527.78 (equivalent to approximately HK$40,187,000) which included principal and interest accrued up to the date of redemption.

Reconciliation of partial redemption:	HK$'000
Cash settlement	40,187
Decrease in liability component	(39,689)
Decrease in derivative component	2,189
Loss on partial redemption	**2,687**

34. CONVERTIBLE BONDS – *Continued*

The proceeds received from the issue of the convertible bonds have been split between the liability and derivative components and the movements during the year are as follows:

	HK$'000
Nominal value of convertible bonds issued	77,500
Transaction cost related to liability component	(1,223)
Derivative component	(747)
Liability component at date of issue	75,530
Interest expenses	4,787
Interest paid	(4,025)
Liability component at 31 December 2020 and 1 January 2021	**76,292**
Partial redemption	**(39,689)**
Interest expenses	**5,342**
Interest paid	**(3,294)**
Liability component at 31 December 2021	**38,651**

	(Assets) HK$'000	**Liabilities** HK$'000	**Total** HK$'000
Derivative component at date of issue	(5,543)	6,290	747
Fair value (gain)/loss for the year	(8,691)	2,307	(6,384)
Derivative component at 31 December 2020 and 1 January 2021	(14,234)	8,597	(5,637)
Partial redemption	**6,442**	**(4,253)**	**2,189**
Fair value loss/(gain) for the year	**4,230**	**(2,309)**	**1,921**
Derivative component at 31 December 2021	**(3,562)**	**2,035**	**(1,527)**

The interest charged for the year is calculated by applying an effective interest rate of 10.19% (2020: 10.19%) to the liability component for the year (2020: 7.6 months period since the bonds were issued).

The directors of the Company estimated that the fair value of the liability component of the convertible bonds as at 31 December 2021 is approximately HK$40,545,000 (2020: HK$83,802,000). This fair value has been estimated by discounting the future cash flows at the market interest rate.

34. CONVERTIBLE BONDS – *Continued*

The derivative financial assets and derivative financial liabilities are embedded in the convertible bonds, which is the call option and the conversion option respectively. Each derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Binomial Option Pricing Model (level 3 fair value measurements). The key assumptions adopted are as follows:

	31 December 2021	31 December 2020
Weighted average share price (HK$)	**1.38**	1.30
Weighted average exercise price (HK$)	**1.75**	1.75
Expected volatility	**60.84%**	52.74%
Expected life	**0.36**	1.36
Risk free rate	**0.14%**	0.08%
Expected dividend yield	**Nil**	Nil

35. LEASE LIABILITIES

	Minimum lease payments		**Present value of minimum lease payments**	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Within one year	**7,911**	13,237	**7,576**	12,598
In the second to fifth years, inclusive	**3,651**	6,984	**3,556**	6,786
	11,562	20,221	**11,132**	19,384
Less: Future finance charges	**(430)**	(837)	**N/A**	N/A
Present value of lease obligations	**11,132**	19,384	**11,132**	19,384
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(7,576)**	(12,598)
Amount due for settlement after 12 months			**3,556**	6,786

The weighted average incremental borrowing rates applied to lease liabilities range from 3.0% to 5.13% (2020: 3.0% to 5.7%).

Minimum lease payments are denominated in HK$ and RMB, amount of approximately HK$11,048,000 (2020: HK$18,599,000) and HK$84,000 (HK$785,000) respectively.

36. CONTINGENT CONSIDERATION

	Shanghai Longyao HK$'000 (Note a)	Fortstone HK$'000 (Note b)	Total HK$'000
At 1 January 2020	26,048	5,245	31,293
Gain on fair value change	(3,350)	(2,144)	(5,494)
At 31 December 2020 and 1 January 2021	22,698	3,101	25,799
Gain on fair value change	(612)	(1,529)	(2,141)
At 31 December 2021	**22,086**	**1,572**	**23,658**
Classified as:			
Current liabilities			
– 2021	**22,086**	**1,572**	**23,658**
Non-current liabilities			
– 2020	22,698	3,101	25,799

As of 31 December 2021, the fair value of the contingent consideration liability was remeasured, and a gain of HK$2,141,000 (2020: HK$5,494,000) resulted from the change in fair value of the contingent consideration liability was recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

Note a:

Contingent consideration is payable, which is subject to fulfillment of certain performance targets ("**First Target Achievement**") by Shanghai Longyao. The Company shall allot and issue a total of 29,100,000 new shares of the Company at an issue price of HK$2.00. In the event that Shanghai Longyao meets certain other performance targets ("**Second Target Achievement**") after meeting the First Target Achievement, the Company shall allot and issue another 29,100,000 new shares of the Company in aggregate. In the event that Shanghai Longyao meets the Second Target Achievement without achieving the First Target Achievement, the Company shall allot and issue a total of 58,200,000 new shares of the Company to Mr. Ye Shenqin, Beike International (HK) Limited, Mr. Yang Xuanming and Mr. Wang Xin.

The initial amount recognised was HK$34,149,000, and as at 31 December 2021, the amount recognised was HK$22,086,000 (2020: HK$22,698,000). The fair value which was determined using management's best estimate and was within level 3 fair value measurement, which were reference to the valuation performed by an independent professional qualified valuer.

Note b:

Contingent consideration is payable in cash to the vendors of Fortstone amounted of HK$6,120,000 ("**Tranche Consideration**"), which is subject to the accumulated net profit after tax of Fortstone amounted to HK$9,000,000 ("**Actual Accumulated Profit**") for (a) the period from 31 October 2019 to 31 December 2019, (b) the two financial years ended 31 December 2020 and 2021 and (c) the period from 1 January 2022 to 31 October 2022 collectively. In the event that the Actual Accumulated Profit is a positive figure but less than HK$9,000,000 for third anniversary of the completion date, the Tranche Consideration shall be adjusted to the figures calculated according to as below:

Actual Accumulated Profit multiplied by HK$6,120,000 and divided by HK$9,000,000.

If the Actual Accumulated Profit is a negative figure, the contingent consideration shall be zero.

The initial amount recognised was HK$5,182,000, and as at 31 December 2021, the amount recognised was HK$1,572,000 (2020: HK$3,101,000). The fair value which was determined using management's best estimate and was within level 3 fair value measurement, which were reference to the valuation performed by an independent professional qualified valuer.

37. DEFERRED TAX

The following are the deferred tax liabilities recognised by the Group.

	Accelerated tax depreciation HK$'000
At 1 January 2020	12,084
Credit to profit or loss for the year *(note 12)*	(1,259)
At 31 December 2020 and 1 January 2021	10,825
Credit to profit or loss for the year *(note 12)*	(1,349)
Charge to other comprehensive income for the year	460
At 31 December 2021	**9,936**

At the end of the reporting period the Group has unused tax losses of approximately HK$228,489,000 (2020: HK$209,379,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. For the year ended 31 December 2021, included in unrecognised tax losses are losses of approximately HK$12,525,000, HK$28,594,000, HK$15,014,000, HK$10,636,000 and HK$1,113,000 that will expire in 2031, 2030, 2024, 2023 and 2022 respectively. Other tax losses may be carried forward indefinitely.

38. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**16,149**	190,233
Accruals	**28,189**	12,477
Receipt in advance	**281**	559
Other payables	**10,308**	9,772
	54,927	213,041

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

	2021 HK$'000	2020 HK$'000
0 to 90 days	**16,147**	24,144
91 to 180 days	**–**	166,079
181 to 365 days	**2**	10
	16,149	190,233

The carrying amounts of the Group's trade payables are denominated in HK$ and RMB, amount of approximately HK$16,149,000 (2020: HK$189,691,000) and HK$Nil (2020: HK$542,000) respectively.

39. BORROWINGS

	2021 HK$'000	2020 HK$'000
Other borrowings	**17,387**	10,664
The borrowings are repayable as follows:		
Within one year	**17,387**	10,664
Portion of borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**–**	–
	17,387	10,664
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(17,387)**	(10,664)
Amount due for settlement after 12 months	**–**	–

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

	RMB HK$'000	USD HK$'000	Total HK$'000
2021			
Other borrowings	**17,387**	**–**	**17,387**
2020			
Other borrowings	6,794	3,870	10,664

The average interest rates at 31 December were as follows:

	2021	2020
Other borrowings	**8% to 10%**	8% to 10%

All of the borrowings are arranged at fixed interest rates.

At 31 December 2021, borrowings of approximately HK$4,285,000 and HK$12,244,000 are guaranteed by Mr. Liu and the Company respectively.

At 31 December 2020, borrowing of approximately HK$3,870,000 is guaranteed by the Company and Mr. Liu. Borrowings of approximately HK$5,959,000 is guaranteed by China Biology, a subsidiary of the Company.

40. SHARE-BASED PAYMENTS

(a) Equity-settled share option scheme

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include any eligible employees (full-time or part-time including executive director), non-executive directors (including independent non-executive directors), suppliers, customers, person or entity that provides research, development or other technological support or other services, shareholders, advisers of the Company and the Company's subsidiaries. The Share Option Scheme became effective on 29 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme must not in aggregate exceed 30% of the issued share capital of the Company in issue from time to time. The total number of shares which may be issued upon exercise of all share options (excluding share options which have lapsed) to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares in issue on 26 May 2020 being the date of refreshment of the 10% limit by the shareholders. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options subject to the provision for early termination thereof.

Unless the directors otherwise determined and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

40. SHARE-BASED PAYMENTS – *Continued*

(a) Equity-settled share option scheme – *Continued*

Details of the specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK$	Number of share options
Directors and Consultants:				
12 January 2018	12 January 2018 to 11 January 2020	12 January 2020 to 11 January 2021	1.67	8,060,000
12 January 2018	12 January 2018 to 11 January 2021	12 January 2021 to 11 January 2022	1.67	8,260,000
20 August 2019	20 August 2019 to 19 August 2020	20 August 2020 to 19 August 2021	1.68	6,960,000
20 August 2019	20 August 2019 to 19 August 2021	20 August 2021 to 19 August 2022	1.68	6,960,000
20 August 2019	20 August 2019 to 19 August 2022	20 August 2022 to 19 August 2023	1.68	7,000,000
2 September 2020	2 September 2020 to 1 September 2021	2 September 2021 to 1 September 2022	2.00	3,220,000
2 September 2020	2 September 2020 to 1 September 2022	2 September 2022 to 1 September 2023	2.00	3,220,000
2 September 2020	2 September 2020 to 1 September 2023	2 September 2023 to 1 September 2024	2.00	3,220,000
26 November 2020	26 November 2020 to 25 November 2021	26 November 2021 to 25 November 2022	2.00	1,665,000
26 November 2020	26 November 2020 to 25 November 2022	26 November 2022 to 25 November 2023	2.10	1,665,000
26 November 2020	26 November 2020 to 25 November 2023	26 November 2023 to 25 November 2024	2.20	1,670,000
Employees:				
4 October 2018	4 October 2018 to 3 October 2020	4 October 2020 to 3 October 2021	1.71	1,000,000
4 October 2018	4 October 2018 to 3 October 2021	4 October 2021 to 3 October 2022	1.71	1,000,000
20 August 2019	20 August 2019 to 19 August 2020	20 August 2020 to 19 August 2021	1.68	1,490,000

40. SHARE-BASED PAYMENTS – *Continued*

(a) Equity-settled share option scheme – *Continued*

Date of grant	Vesting period	Exercise period	Exercise price HK$	Number of share options
20 August 2019	20 August 2019 to 19 August 2021	20 August 2021 to 19 August 2022	1.68	1,490,000
20 August 2019	20 August 2019 to 19 August 2022	20 August 2022 to 19 August 2023	1.68	1,520,000
				58,400,000

If the options remain unexercised after a period of 4 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Details of the movement of share options during the year are as follows:

	2021		2020	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**58,400,000**	**1.77**	52,800,000	1.68
Granted during the year	**–**	**N/A**	14,660,000	2.03
Expired during the year	**(17,510,000)**	**1.68**	(9,060,000)	1.67
Lapsed (other than expired) during the year	**(7,460,000)**	**1.68**	–	N/A
Outstanding at the end of the year	**33,430,000**	**1.83**	58,400,000	1.77
Exercisable at the end of the year	**33,430,000**	**1.83**	58,400,000	1.77

The options outstanding at the end of the year have a weighted average remaining contractual life of 1.73 years (2020: 2.44 years) and the exercise prices range from HK$1.67 to HK$2.20 (2020: HK$1.67 to HK$2.20).

40. SHARE-BASED PAYMENTS – *Continued*

(a) Equity-settled share option scheme – *Continued*

These fair values were calculated using the Binomial option pricing model. The inputs into the model are as follows:

	12 January 2018	4 October 2018	20 August 2019	2 September 2020	26 November 2020
Weighted average share price (HK$)	1.67	1.71	1.68	1.53	1.43
Weighted average exercise price (HK$)	1.67	1.71	1.68	2.00	2.10
Expected volatility	84.72% – 92.79%	70.28% – 83.06%	51.60% – 74.76%	38.77% – 60.78%	40.52% – 54.91%
Expected life	4 years	4 years	4 years	4 years	4 years
Risk free rate	1.78% – 2.06%	2.74% – 2.95%	1.59% – 1.79%	0.26% – 0.28%	0.12% – 0.24%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous four years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

The Group recognised the total expense of approximately HK$5,245,000 for the year ended 31 December 2021 (2020: HK$9,113,000) in relation to the share options granted by the Company.

(b) Share award scheme

The Company operates a share award scheme (the "**Share Award Scheme**") for the purpose of providing incentives and rewards ("**Award Shares**") to selected participants who contribute to the success of the Group's operations. Selected participants include the employees, officers, directors and consultants of the Company and the Company's subsidiaries. The Share Award Scheme became effective on 18 August 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Pursuant to the rules of the Share Award Scheme, the Company shall not make any further grant of Award Shares which will result in the number of shares granted under the Share Award Scheme exceeding 10% of the total number of issued Shares as at 18 August 2021. The maximum number of Award Shares that may be granted under the Share Award Scheme to a Selected Participant shall not exceed 1% of the total number of issued Shares as at 18 August 2021.

A trust is constituted by the trust deed entered by the Company and the trustee appointed (the "**Trustee**") to service the Share Award Scheme.

40. SHARE-BASED PAYMENTS – *Continued*

(b) Share award scheme – *Continued*

The Board may, from time to time, select any eligible person to participate in the Share Award Scheme, make an offer to the selected participants and grant Award Shares to such selected participants which are to be satisfied by (i) the new Shares to be subscribed by the Trustee under the Company's available general mandate on the relevant grant date or under a specific mandate approved or to be approved by the shareholders; or (ii) the existing Shares received by the Trustee from any shareholder of the Company; or (iii) purchased by the Trustee in the open market (either on-market or off-market) as directed by the Board.

The Board may, from time to time, subject to all applicable laws, determine vesting criteria and conditions or periods for the Award Shares to be vested.

The Trustee shall not exercise the voting rights in respect of any shares held by it under the Share Award Scheme.

As at 31 December 2021, the Board has not yet awarded any Award Shares to any selected participants.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of Huge Profit Group

On 14 September 2020, the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the 78% equity interests in Huge Profit Trading Limited and its subsidiary (collectively, the "**Huge Profit Group**") at a cash consideration of HK$500,000. The completion of the disposal of the Huge Profit Group took place on the same date.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	510
Inventories	303
Trade and other receivables	2,330
Bank and cash balances	371
Trade and other payables	(1,668)
Net assets disposed of	1,846
Release of non-controlling interest	602
Loss on disposal of the Huge Profit Group	(1,948)
Total consideration satisfied by cash	500
Net cash inflow arising on disposal:	
Cash consideration received	500
Cash and cash equivalents disposed of	(371)
	129

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(b) Reconciliation of liabilities arising from financing activities

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

	1 January 2021 HK$'000	**Entering into new leases HK$'000**	**Cash flows HK$'000**	**Interest expenses HK$'000**	**Lease modification HK$'000**	**Exchange difference HK$'000**	**Non-cash transaction HK$'000 *(note 41(d))***	**31 December 2021 HK$'000**
Borrowings *(note 39)*	**10,664**	**–**	**9,742**	**504**	**–**	**347**	**(3,870)**	**17,387**
Lease liabilities *(note 35)*	**19,384**	**4,491**	**(13,759)**	**697**	**309**	**10**	**–**	**11,132**
	30,048	**4,491**	**(4,017)**	**1,201**	**309**	**357**	**(3,870)**	**28,519**

	1 January 2020 HK$'000	Entering into new leases HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Lease modification HK$'000	Exchange difference HK$'000	Non-cash transaction HK$'000 *(note 41d))*	31 December 2020 HK$'000
Borrowings *(note 39)*	23,911	–	(14,905)	1,249	–	409	–	10,664
Loan from non-controlling shareholder of a subsidiary	4,939	–	–	9	–	–	(4,948)	–
Lease liabilities *(note 35)*	13,356	16,662	(11,218)	724	(196)	56	–	19,384
	42,206	16,662	(26,123)	1,982	(196)	465	(4,948)	30,048

(c) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2021 HK$'000	2020 HK$'000
Within operating cash flows	**1,278**	1,765
Within financing cash flows	**12,855**	10,494
	14,133	12,259

These amounts relate to the following:

	2021 HK$'000	2020 HK$'000
Lease rental paid	**14,830**	12,983

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(d) Major non-cash transactions

During the year ended 31 December 2021, the borrowing with principal of US$500,000 (equivalent to approximately HK$3,870,000) and accrued interest in a total of US$545,909 (equivalent to approximately HK$4,227,000) were settled by allotment and issue of 10 shares of a subsidiary of the Company, which representing 9.09% equity share of the subsidiary.

During the year ended 31 December 2020, a capital injection from a non-controlling shareholder of a subsidiary, amount of approximately HK$4,948,000 were offset by the loan from a non-controlling shareholder of a subsidiary.

42. CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

43. CAPITAL COMMITMENTS

Capital commitments authorised but not yet contracted at the end of the reporting period are as follows:

	2021 **HK$'000**	2020 HK$'000
Capital contribution to: WFOE in Guangdong province, PRC	–	4,781

On 19 January 2018, the Group has established a wholly foreign-owned enterprise ("**WFOE**") in Guangdong Province, the PRC, pursuant to the cooperation agreement dated 6 November 2017 entered into with 中國(廣東)自由貿易試驗區深圳前海蛇口片區管理委員會 (in English, China (Guangdong) Pilot Free Trade Zone Qianhai & Shekou Area of Shenzhen Management Committee) in relation to cooperation for provision of biotech services. The registered capital of the WFOE is RMB10,000,000. As at 31 December 2020, the Group had paid the registered capital of RMB5,947,000 for the WFOF with unpaid capital commitment is RMB4,053,000 (equivalent to approximately HK$4,781,000) remained outstanding. During the year ended 31 December 2021, the Group has fully paid up the registered capital.

44. LEASE COMMITMENTS

The Group as lessee

The Group regularly entered into short-term leases for its office, staff quarter and car park. As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20, and the outstanding lease commitments relating to short-term leases for office is approximately HK$400,000 (2020: HK$124,000).

45. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related party during the year:

	2021 HK$'000	2020 HK$'000
Loan interest expenses paid to the ultimate controlling party of the Company	**–**	436
Commission income generated from a non-controlling shareholder of a subsidiary	**303,527**	–
Logistic service income generated from a non-controlling shareholder of a subsidiary	**6,699**	–
Service fee charged by a non-controlling shareholder of a subsidiary	**52,036**	178,015
Purchase of equipment, consumables, and kits for performing COVID-19 nucleic acid testing from a non-controlling shareholder of a subsidiary	**21,482**	145,393

(b) The remuneration of directors and other members of key management during the year was as follows:

	2021 HK$'000	2020 HK$'000
Short-term benefits	**37,951**	17,276
Equity-settled share-based payments	**2,481**	4,865
Retirement benefits scheme contributions	**25**	111
	40,457	22,252

FIVE YEAR FINANCIAL SUMMARY

Results

	For the ended 31 December				
	2017	2018	2019	2020	**2021**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	105,135	70,304	59,214	655,792	**623,761**
Cost of sales	(74,933)	(42,220)	(36,841)	(316,710)	**(265,741)**
Gross profit	30,202	28,084	22,373	339,082	**358,020**
Net loss/(gain) on financial assets at fair value through profit or loss	(32,671)	(397)	(1,252)	(47)	**489**
Other income, gains/(losses)	667	2,430	(959)	5,817	**225**
Allowance for impairment loss on financial assets, net	(2,732)	(3,724)	(2,996)	(1,145)	**(251)**
Selling and distribution expenses	(16,807)	(16,966)	(12,379)	(11,848)	**(11,724)**
Administrative expenses	(51,944)	(78,988)	(94,111)	(132,489)	**(157,081)**
(Loss)/profit from operations	(73,285)	(69,561)	(89,324)	199,370	**189,678**
Finance costs	(2,189)	(3,472)	(1,692)	(6,498)	**(6,543)**
Gain/(loss) on disposal of subsidiaries	2,473	4,249	(316)	(1,948)	**–**
Loss on disposal of assets held for sale	(493)	–	–	–	**–**
Gain on disposal of associates	8,066	–	–	–	**–**
Gain on remeasurement on pre-existing interest in an associate	–	–	8,096	–	**–**
Gain on fair value change of contingent consideration	–	–	8,038	5,494	**2,141**
Loss on partial redemption of convertible bonds	–	–	–	–	**(2,687)**
Gain/(loss) on fair value change of derivative financial instrument	–	–	–	6,384	**(1,921)**
Share of profits/(loss) of associates	6,642	(460)	(1,390)	–	**–**
Impairment loss on available-for-sale financial assets	(4,049)	–	–	–	**–**
Impairment loss on goodwill	(1,478)	–	(264)	–	**–**
Impairment loss on intangible assets	(11,085)	–	(28,838)	–	**–**
Impairment loss on investments in associates	–	–	(3,903)	–	**–**
(Loss)/profit before tax	(75,398)	(69,244)	(109,593)	202,802	**180,668**
Income tax (expense)/credit	(1,132)	(189)	2,110	(35,179)	**(48,096)**
(Loss)/profit for the year	(76,530)	(69,433)	(107,483)	167,623	**132,572**
(Loss)/profit for the year attributable to:					
Owners of the Company	(63,022)	(64,250)	(98,845)	30,170	**19,385**
Non-controlling interests	(13,508)	(5,183)	(8,638)	137,453	**113,187**
(Loss)/profit for the year	(76,530)	(69,433)	(107,483)	167,623	**132,572**

FIVE YEAR FINANCIAL SUMMARY

Assets and liabilities

	As at 31 December				
	2017	2018	2019	2020	**2021**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	303,400	337,761	416,584	904,121	**706,782**
Total liabilities	(52,092)	(18,846)	(103,221)	(392,016)	**(240,887)**
Total equity	251,308	318,915	313,363	512,105	**465,895**
Non-controlling interests	3,366	5,162	(24,171)	(168,774)	**(70,497)**
Equity attributable to owners of the Company	254,674	324,077	289,192	343,331	**395,398**