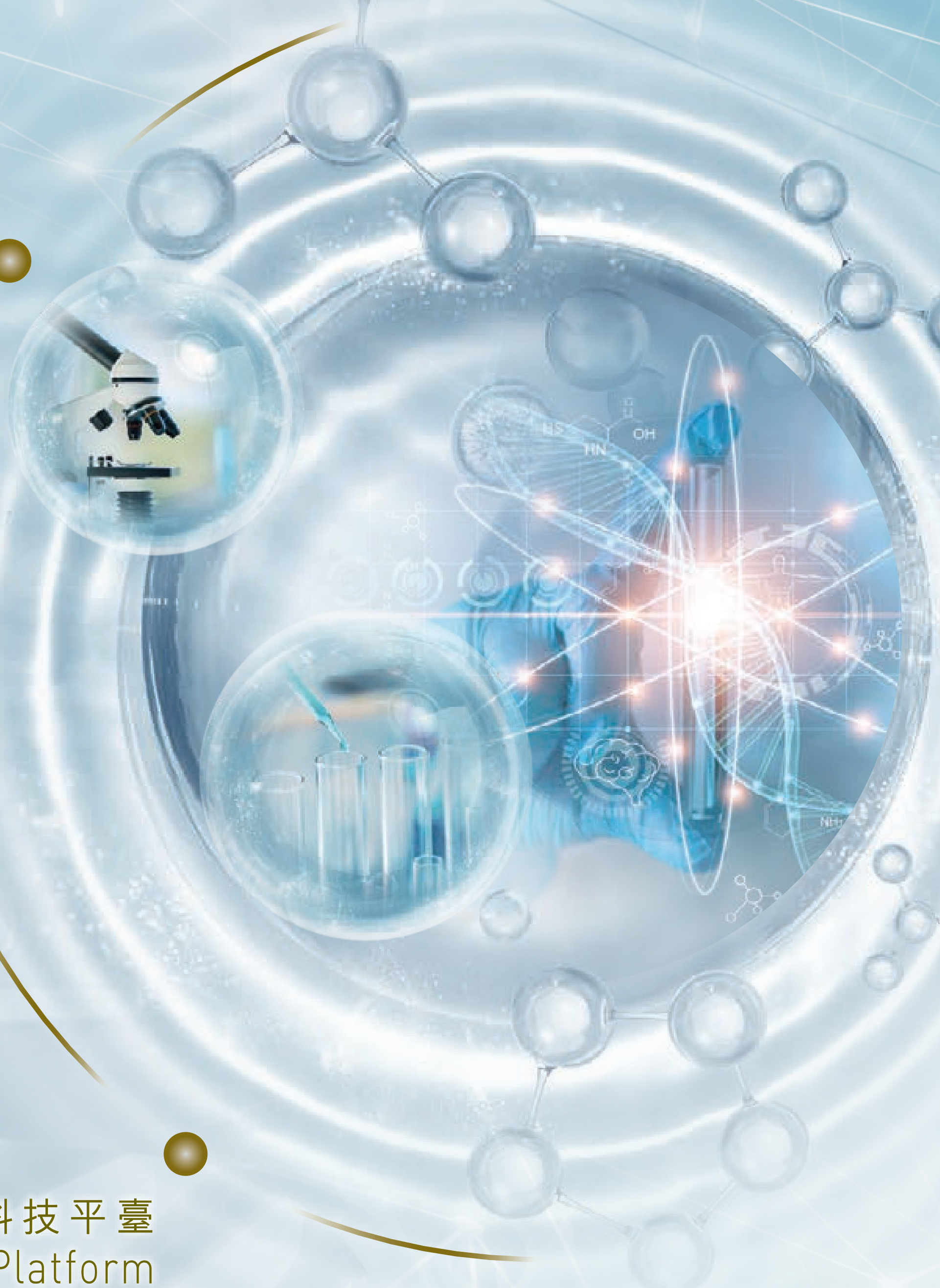
CHINA BIOTECH SERVICES HOLDINGS LIMITED
中國生物科技服務控股有限公司

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



精準治療
Precision Treatment

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未來生物科技平臺
Future Biotech Platform

ANNUAL REPORT
2023

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CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Liu Xiaolin *(Chairman)*
Mr. He Xun
Mr. Huang Song

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Ms. Chui Hoi Yan *(re-designated on 30 June 2023)*

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Dr. Ho Ivan Chun Kit
Mr. Qian Hongji

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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

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Mr. Liu Xiaolin

COMPANY SECRETARY
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Shanghai Commercial Bank Limited
Industrial and Commercial Bank of China
Nanyang Commercial Bank Limited
Ping An Bank Co., Ltd.
China Everbright Bank
Bank of Communications Limited

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 2023 ("**2023 Year**") to the shareholders of the Company.

REVIEW OF THE 2023 YEAR

After three years of the pandemic, due to the relaxation and the subsequent removal of COVID-19 quarantine requirements by the relevant government authorities at the beginning of 2023, the demand for the Group's COVID-19 nucleic acid testing services as well as rapid antigen test kits decreased. It was a year full of challenges for the Group and the healthcare industry as consumption sentiment was low, the overall market environment was weak, the number of elderly people in Hong Kong decreased in consequence of the pandemic, and the demand for testing for long-term patients decreased. During the 2023 Year, the Group recorded revenue of approximately HK$211,985,000, representing a significant decrease of 88.55% as compared with that for the year ended 31 December 2022 (the "**2022 Year**"). The Group recorded a gross profit of approximately HK$34,324,000 (2022: HK$1,100,957,000).

After the COVID-19 pandemic, the public's awareness of and concern about health continue to increase, and the demand for private medical services has increased. The Group is well prepared to continue to provide a diversity of tests and launch new tests, and has been aggressively seeking cooperations with different medical platforms, insurance companies and corporate entities to promote our healthcare services and expand our reach into the Greater Bay Area.

During the 2023 Year, the Group has not stopped and continued to develop its CAR-T business and boron neutron capture therapy technology business, and has made phased progress.

CAR-T CLINICAL RESEARCH AND DEVELOPMENT OF SHANGHAI LONGYAO

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**") continues to develop its anti-tumor cell therapy products during the past three years of the pandemic, and the clinical trials of our CAR-T drug have been progressing as planned. The stage I Trial of the first CD20-targeted investigational new drug, namely LY007 Cellular Injection, began in the first quarter of 2022. The first three testing groups of nine patients had completed cell infusion treatment in the Trial, and it is expected that sufficient patients will have been enrolled to participate in the Trial by the first quarter of 2024. We are preparing to submit filing to the CDE for the stage II Trial. On 18 October 2023, the Company and (阿斯利康投資(中國)有限公司 (in English, for identification purpose only, AstraZeneca Investment (China) Co., Ltd.) ("**AstraZeneca (China)**") entered into a strategic cooperation framework agreement, pursuant to which the Parties have agreed to cooperate with respect to the development of (i) enhancement, commercialisation and licensing of immune cell therapy; (ii) design, planning and ecological construction of the R&D and production base; and (iii) cooperation models with innovative platforms. During the 2023 Year, the Company, Shanghai Longyao and 宜興環科園產發股權投資合夥企業(有限合夥) (in English, for identification purpose only, Yixing Huanke Product Development Equity Investment Enterprise (Limited Partnership)) entered into the Capital Injection Agreement, pursuant to which (i) the Investor agreed to make a capital injection in the amount of RMB48,000,000, of which RMB992,670 shall be used to subscribe for 5.35% equity interest of the enlarged registered capital of Shanghai Longyao and RMB47,007,330 shall be credited as the capital reserves of Shanghai Longyao, (ii) the Company agreed, through a wholly-owned subsidiary to be established in the PRC, to make a capital injection in the amount of RMB49,960,000, of which RMB1,033,204 shall be used to subscribe for 5.57% equity interest of the enlarged registered capital of Shanghai Longyao and RMB48,926,796 shall be credited as the capital reserves of Shanghai Longyao. The pre-investment valuation of this round is approximately RMB800 million. Under the current sluggish capital market, Shanghai Longyao can still successfully complete this social financing, which verifies the recognition of Shanghai Longyao by industry experts and also helps the research and development, business and product pipeline development of Shanghai Longyao. After introducing the investor and AstraZeneca's strategic cooperation agreement, investors and major international pharmaceutical companies have recognized Shanghai Longyao's biological products. Looking forward to the CAR-T business, with the deepening of cooperation with AstraZeneca, our stage I clinical trial is about to be completed, and we will enter the sectional milestone of the stage II clinical trial and obtain commercialisation opportunities.

CONSTRUCTION AND DEVELOPMENT OF THE HAINAN PENGBO BNCT CENTER PROJECT

鵬博(海南)硼中子醫療科技有限公司 (in English, for identification purpose only, Pengbo (Hainan) Medical Technology Co., Ltd.) ("**Pengbo (Hainan)**"), an indirect wholly-owned subsidiary of the Company, entered into a site admission and investment agreement (the "**Site Admission Agreement**") with the Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration (the "**Administration**") on 28 February 2022. Pursuant to the Site Admission Agreement, Pengbo (Hainan) has formally commenced in September 2022 building and to operating a cancer treatment centre ("**Pengbo Boao BNCT Hospital**") by adoption of the accelerator-based BNCT system (the "**BNCT System**") covering the cyclotron accelerator, dose calculation program and related medical device for BNCT treatment to be procured and supplied by Sumitomo Heavy Industries, Ltd. ("**Sumitomo**"). Pengbo Boao BNCT Hospital is located in the Hainan Boao Lecheng International Medical Tourism Pilot Zone of Hainan Free Trade Port (the "**Boao Pilot Zone**").

During the 2023 Year, the construction works of Pengbo Boao BNCT Hospital had been progressing under planned schedule. Structural construction of the facility is completed by the end of 2023. Arrival of the BNCT system sourced from Sumitomo, Japan, in the Boao Pilot Zone has completed in February 2024. Installation of the BNCT System is going to start subsequently. The import of (i) the Neutron Irradiation System for BNCT (Model Number: BNCTS-2-3), and (ii) the Treatment Planning Program for Boron Neutron Capture Therapy (Model Number: BNCTDE-1) (collectively, the "**Medical Devices**"), was approved by the Hainan Provincial Medical Products Administration on 28 January 2024, as urgently needed medical devices for use by Pengbo Boao BNCT Hospital. Pengbo Boao BNCT Hospital is targeted to commence operation in late 2024 or early 2025.

We intend to be the first approved service provider to offer BNCT cancer treatment to patients in the Greater China region, and aim to introduce and scale up this advanced tumor radiation therapy treatment services to patients in Mainland China, Hong Kong and Macau as well as Southeast Asia with advanced cancer. In addition, the Group has signed agreements with several hospitals in the PRC, including but not limited to Huashan Hospital affiliated to Fudan University, Shanghai (上海復旦大學附屬華山醫院), Peking University Shenzhen Hospital, and Fosun Chancheng Hospital, for the provision of treatment services for cancer patients referred by them at Pengbo Boao BNCT Hospital to be opened in 2024 and for cooperation in tumour treatment. Apart from offering BNCT cancer treatment services for cancer patients, the Group will generate revenue in the future through the distribution of BNCT equipment, medicines and its related services, including consultancy services in relation to the design and construction of BNCT Centre, maintenance services for BNCT equipment and the provision of professional training services for medical staff.

All in all, although the current economic environment and capital market environment are facing relatively big challenges, we will move forward and implement the plans we have formulated, and are committed to building a leading healthcare platform and an advanced biotechnology platform integrating cancer diagnosis and treatment.

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 Director for their dedicated efforts and contributions to the Group over the past year.

Liu Xiaolin
Chairman and Executive Director

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2023 (the "**2023 Year**"), the principal activities of the Group are (i) provision of medical laboratory testing services and health check services in Hong Kong; (ii) provision of tumor immune cell therapy and health management services in the People's Republic of China (the "**PRC**"); (iii) sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; and (iv) provision of insurance brokerage services.

Turnover

During the 2023 Year, the Group recorded a turnover of approximately HK$211,985,000, representing a significantly decrease of approximately 88.55% as compared with that of approximately HK$1,851,532,000 for the year ended 31 December 2022 (the "**2022 Year**"). The introduction of new antiviral oral drugs and bivalent vaccines after the outbreak of the fifth wave of COVID-19 in 2022 marked a big turning point in the battle of the pandemic. The rapid changes in the COVID-19 epidemic situation and the swift relaxation and the subsequent removal of the COVID-19 related quarantine prevention and control measures adopted by the Hong Kong government caused a negative impact to the demand for the Group's COVID-19 nucleic acid test ("**NAT**") services. The fading threats of COVID-19 also affected the sales of rapid antigen test kits in the 2023 Year.

Impacted by the slow recovery of local economy post-pandemic, the overall demand for medical laboratory testing services and health check services was lower than expected throughout the 2023 Year. Nevertheless, the segment of insurance brokerage services demonstrated the strongest rebound in terms of turnover during the 2023 Year.

Provision of medical laboratory testing services and health check services

The Group continues to offer a wide spectrum of medical laboratory testing services and quality health check diagnostic services in Hong Kong in the 2023 Year. The services of this segment were being delivered through three medical laboratories and three health check centres established in Hong Kong.

The turnover of this segment decreased from approximately HK$1,619,568,000 for the 2022 Year to approximately HK$192,910,000 for the 2023 Year. It recorded a decrease of 88.09% as compared with the 2022 Year. During the 2022 Year, the Group was one of the pivot service providers of rapid NAT for COVID-19 to passengers arriving at Hong Kong International Airport and departing from Hong Kong to the Mainland China or Macau at the Shenzhen Bay Port and at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port under the arrangement enacted by the government of Hong Kong. However, due to the relaxation and the subsequent removal of COVID-19 quarantine requirements by the relevant government authorities, the demand of COVID-19 NAT services for passengers in or out of the ports decreased significantly during the 2023 Year. As a result, the decrease in demand of COVID-19 related laboratory testing services in the 2023 Year brought about the decrease of segmental turnover.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and health management services in the PRC. Shanghai Longyao received the approval for initiating a phase 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. LY007 Injection is the first CD20-targeted autologous chimeric antigen receptor T-cell ("**CAR-T**") therapy product approved by NMPA for initiating the Trial. LY007 Injection is an IND that carries Shanghai Longyao's patented novel structural design with the OX40 costimulatory molecule expressed independently for purpose of enhancing the natural T-cell activation. It has been classified as a Class 1 IND for the treatment of relapsed/refractory CD20-positive B-cell non-Hodgkin lymphoma ("**B-NHL**"). In January 2022, kick-off meetings of the Trial were convened in 上海交通大學醫學院附屬瑞金醫院 (in English, for identification purpose only, Ruijin Hospital affiliated to Shanghai Jiao Tong University School of Medicine) ("**Ruijin Hospital**") and 江蘇省人民醫院 (in English, for identification purpose only, Jiangsu Province Hospital). The first subject enrolled in the Trial was taken up by the Ruijin Hospital on 1 March 2022 and the same subject had successfully received CAR-T cell infusion on 7 April 2022. As at the date of this report, the screening of qualified subject patients in the low, medium, and high dose groups has been completed. Currently, a total of nine (9) individuals with B-NHL successfully received reinfusion of LY007 Injection and completed dose limited toxicity ("**DLT**") observation. The subjects in the maximum tolerated dose ("**MTD**") group are undergoing enrollment and cell infusion, and the cell infusion of one subject in the MTD dose group has been completed. It is expected to complete the comprehensive registration of the trial for total thirteen (13) subject patients by April 2024. The preparation work for Phase II clinical trial has been initiated and is currently underway. No turnover from this segment was generated during the 2023 Year.

Sale and distribution of health related and pharmaceutical products

Sale and distribution of health related and pharmaceutical products segment recorded a significant decrease during the 2023 Year. The turnover of this segment substantially decreased from approximately HK$217,179,000 for the 2022 Year to approximately HK$881,000 for the 2023 Year. It represented a decrease of approximately 99.59% as compared with that of the 2022 Year. This significant decrease was attributable to the decline in demand for rapid antigen test kits following the relaxation of COVID-19 quarantine requirements by the relevant government authorities during the 2023 Year. To further strengthen the Group's sale of health related and pharmaceutical product segment and to expand the Group's product portfolio, in August 2022, the Group entered into a five-year license and distribution agreement with a Japanese pharmaceutical company that manufactures and supplies nicotinamide mononucleotide ("**NMN**") powder for intravenous (IV) infusion. In January 2023, the Group entered into a distributorship and agency agreement with an agent for the exclusive distribution of the NMN products in Hong Kong and Macau.

Construction of boron neutron capture therapy ("BNCT") cancer treatment centre

鵬博(海南)硼中子醫療科技有限公司 (in English, for identification purpose only, Pengbo (Hainan) Medical Technology Co., Ltd.) ("**Pengbo (Hainan)**"), an indirect wholly-owned subsidiary of the Company, entered into a site admission and investment agreement (the "**Site Admission Agreement**") with the Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration (the "**Administration**") on 28 February 2022. Pursuant to the Site Admission Agreement, Pengbo (Hainan) has committed to building and to operating a cancer treatment centre (the "**BNCT Centre**") by adoption of the accelerator-based BNCT system (the "**BNCT System**") covering the cyclotron accelerator, dose calculation program and related medical device for BNCT treatment to be procured and supplied by Sumitomo Heavy Industries, Ltd. ("**Sumitomo**"). The BNCT Centre is under construction in Hainan Boao Lecheng International Medical Tourism Pilot Zone of Hainan Free Trade Port (the "**Boao Pilot Zone**").

In June 2022, Pengbo (Hainan) signed a bundle of sales contract, service contract and a memorandum of understanding with Sumitomo in respect of the supply of the BNCT System together with the initial spare parts and the provision of the operation and maintenance services required for commencement of the operation of the BNCT Centre. The construction works of the BNCT Centre began in November 2022.

In December 2022, the BNCT Centre was granted with a 醫療機構執業許可證 (in English, for identification purpose only, the Practice License of Medical Institution) by the Administration for a term of five years until December 2027. On 28 January 2024, the Company obtained the approval by Hainan Provincial Medical Products Administration for the import of two BNCT medical devices.

During the 2023 Year, the construction works of the BNCT Centre had been progressing under planned schedule. Structural construction of the facility was completed in December 2023. Arrival of the BNCT system and its peripheral parts in Hainan has completed in February 2024. Installation of the BNCT System is going to start by May 2024. The BNCT Centre is targeted to commence operation in late 2024 or early 2025. No turnover from this segment was generated during the 2023 Year.

Provision of insurance brokerage services

Provision of insurance brokerage services segment recorded a significantly increase in turnover during the 2023 Year. The turnover of this segment increased from approximately HK$6,933,000 during the 2022 Year to approximately HK$18,163,000 for the 2023 Year. It represented an increase by 1.62 times as compared with the 2022 Year. The increase was mainly due to the removal of travel restrictions imposed on Mainland Chinese citizens from visiting Hong Kong during the 2023 Year.

Provision of logistics services

The Group has been providing testing materials and specimens logistics services for local clinics and corporate clients. The turnover of logistics services has decreased from approximately HK$7,817,000 for the 2022 Year to approximately HK$31,000 for the 2023 Year. It represented a decrease by 99.60% as compared with the 2022 Year due to keen market competition and decrease in demand for testing materials and specimen logistics services.

Money lending business

Ferran Finance Limited, an indirect wholly-owned subsidiary of the Company, is a holder of money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group's loan portfolio comprises unsecured loans granted to individual customers which are repayable within one year. No additional loan was granted by the Group for the 2023 Year. During the 2023 Year, no interest income is recorded from the money lending business (2022 Year: HK$35,000).

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK$34,324,000 for the 2023 Year, representing a decrease of approximately HK$1,066,633,000 when compared with that of approximately HK$1,100,957,000 in the 2022 Year. Also, the gross profit margin for the 2023 Year was approximately 16.19%, representing a decrease of approximately 43.27 percentage points when compared with the gross profit margin of approximately 59.46% for the 2022 Year. The decrease in gross profit margin was attributable to (i) decrease of the turnover from medical laboratory testing services and health check services segment; and (ii) decrease in trading of rapid antigen test kits from the sale and distribution of health related and pharmaceutical products segment.

Selling and distribution expenses

Selling and distribution expenses for the 2023 Year were approximately HK$14,610,000 (2022 Year: HK$13,726,000), representing an increase of approximately HK$884,000 or 6.44% compared with such expenses for the 2022 Year. The slight increase was due to increase in staff costs during the 2023 Year.

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 2023 Year were approximately HK$138,342,000, representing a decrease of approximately HK$102,814,000 or 42.63%, as compared with that of approximately HK$241,156,000 for the 2022 Year. The decrease in administrative expenses was mainly attributable to decrease in staff costs and recruitment expenses by approximately HK$65,300,000 due to cessation of COVID-19 testing services provided in airport and other ports from medical laboratory testing services and health check services segment.

Finance costs

During the 2023 Year, the Group's interest expenses amounted to approximately HK$5,311,000 (2022 Year: HK$3,495,000). The increase in the finance costs was mainly attributable to the finance costs arising from the convertible bonds issued on 30 December 2022.

Impairment losses on property, plant and equipment and right-of-use assets

Due to the rapid changes in the COVID-19 epidemic situation and the swift relaxation and subsequent removal of the COVID-19 related quarantine prevention and control measures adopted by the relevant government authorities, the demand of COVID-19 testing services decreased significantly. As impairment indicators exited, namely the decrease in revenue contributed from COVID-19 testing related to medical laboratory testing services and health check services with a decrease in gross profit margin during the 2023 Year.

During the 2023 Year, the Directors appointed an independent professional valuer to perform an impairment assessment and identified the recoverable amounts of property, plant and equipment fell below the carrying amounts. Accordingly, the Group recognised an impairment loss on property, plant and equipment and right-of-use assets of approximately HK$16,186,000 (2022 Year: Nil) and HK$3,484,000 (2022 Year: Nil) for the 2023 Year respectively.

All the above-mentioned impairment loss on property, plant and equipment and right-of-use assets were included in the Group's medical laboratory testing services and health check services segment in the reportable and operating segment of the Group.

Loss for the year

The Group recorded a net loss attributable to the owners of the Company of approximately HK$95,447,000 for the 2023 Year (2022 Year: net profit attributable to the owners of the Company of HK$258,087,000). The turning from net profit to net loss was mainly attributable to the decline in the demand for the Group's COVID-19 NAT services as well as the drop of sales related to the rapid antigen test kits following the relaxation and the subsequent removal of COVID-19 quarantine requirements by the relevant government authorities.

BUSINESS REVIEW

Renewal of continuing connected transaction in relation to the master supply agreement

On 18 January 2023, Sunrise Diagnostic Centre Limited ("**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 (and therefore a connected person of the Company at the subsidiary level), entered into a master supply agreement to renew the existing continuing connected transaction in relation to the procurement of the equipment, consumables and kits by SDCL from BGI for a term commencing from 18 January 2023 to 31 December 2023 with annual cap for the transactions contemplated thereunder for the year ended 31 December 2023 of HK$120,000,000. Details were disclosed in the announcement of the Company dated 18 January 2023.

The acquisition of BNCT parts and the procurement of maintenance services for the BNCT equipment

On 17 January 2023, the Company, Pengbo (Hainan), and Sumitomo entered into the sales contract and maintenance service contract, pursuant to which Pengbo (Hainan) agreed to acquire the BNCT parts at the initial sales contract price of JPY436,000,000 (equivalent to approximately HK$26,502,000) and procure maintenance service for the BNCT equipment at the consideration of JPY360,600,000 (equivalent to approximately HK$21,919,000) from Sumitomo, excluding any withholding tax which shall be borne by Pengbo (Hainan). Details were disclosed in the announcement of the Company dated 17 January 2023.

Grant of share options

On 6 January 2023, the Company granted to eligible participants share options to subscribe for up to a total of 5,000,000 shares of the Company under its share option scheme adopted on 29 May 2014 ("**Share Options Scheme**"), representing approximately 0.52% of the total number of shares of the Company in issue as at the date of grant on 6 January 2023. The share options have a vesting period of three years. Details were disclosed in the announcements of the Company dated 6 January 2023 and 10 January 2023.

Share award scheme

During the 2023 Year, the trustee of the Company purchased an aggregate of 5,295,000 ordinary shares of nominal value of HK$0.10 each in the share capital of the Company ("**Shares**") with consideration of approximately HK$4,185,000 from the open market on the Stock Exchange for the purpose of the Share Award Scheme (the "**Share Award Scheme**") adopted by the Company in accordance with the scheme rules on 18 August 2021. 582,000 award shares have been granted to selected participants pursuant to the Share Award Scheme during the 2023 Year. Details were disclosed in the announcement of the Company dated 15 September 2023.

Disposal of a joint venture

SDCL entered into an agreement with Sure Metro Limited to terminate the joint venture agreement and to dispose 51% shareholding of Hong Kong Medical Test Centre Limited ("**HKMTC**"), a joint venture of SDCL with Sure Metro Limited, at a cash consideration of HK$8,540,000. Having taken into consideration that the performance of HKMTC for the past financial year was not satisfactory due to change in epidemic situation, the Directors determined that the disposal of HKMTC would enable the Company to free up the resources devoted to this business and redirect the resources to the Group's other existing businesses which might have higher growth potential to maximise the benefit of the shareholders of the Company. The completion of the disposal of HKMTC took place on 20 November 2023. For details, please refer to the disclosure made in note 24 to the audited consolidated financial statements.

Acquisition of subsidiaries

Capital Injections into Shanghai Longyao and Grant of Put Option

On 8 December 2023, the Company, Shanghai Longyao (an indirect non-wholly owned subsidiary of the Company) and 宜興環科園產發股權投資合夥企業(有限合夥)(in English, for identification purpose only, Yixing Huanke Product Development Equity Investment Enterprise (Limited Partnership) ("**Yixing Huanke**"), a limited partnership established under the laws of the PRC, entered into a capital injection agreement, pursuant to which (i) Yixing Huanke agreed to make a capital injection in the amount of RMB48,000,000, of which RMB992,670 shall be used to subscribe for 5.35% equity interest of the enlarged registered capital of Shanghai Longyao and RMB47,007,330 shall be credited as the capital reserves of Shanghai Longyao, (ii) the Company agreed, through a wholly-owned subsidiary to be established in the PRC, to make a capital injection in the amount of RMB49,960,000, of which RMB1,033,204 shall be used to subscribe for 5.57% equity interest of the enlarged registered capital of Shanghai Longyao and RMB48,926,796 shall be credited as the capital reserves of Shanghai Longyao, (iii) a put option has been granted to Yixing Huanke whereby, upon the occurrence of any redemption event, Yixing Huanke shall be entitled to require Shanghai Longyao to repurchase, or (if Shanghai Longyao fails to repurchase) to require the Company to purchase, all or part of the Yixing Huanke's shareholding in Shanghai Longyao at the Put Price, and (iv) a call option, exercisable at the discretion of the Company on or before 31 December 2024, has been granted to the Company, pursuant to which the Company may buy all or part of Yixing Huanke's shareholding in Shanghai Longyao.

On the same date, Mr. Liu Xiaolin ("**Mr. Liu**"), the chairman and executive director of the Company, and Yixing Huanke's entered into the side letter under which Mr. Liu has undertaken to Yixing Huanke that if Shanghai Longyao fails to repurchase or the Company fails to purchase all of Yixing Huanke's shareholding in Shanghai Longyao at the Put Price upon the exercise of the Put Option by Yixing Huanke, Mr. Liu shall purchase such equity interest in accordance with the terms of the capital injection agreement.

The completion of the capital injections took place on 19 February 2024. Details were disclosed in the announcements of the Company dated 8 December 2023 and 8 January 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The relaxation of threats from COVID-19 pandemic had significantly slackened the demand for NAT services and rapid antigen test kits that formed the core parts of business incomes of the Group in the past two financial years. In 2023, the local economy has ushered in a new post-pandemic era and the Group has positioned itself well to extend its conventional medical laboratory testing services and health check services to high throughput public health screening services for the Hong Kong community.

Though the rebound in demand for medical laboratory testing and health check services had been slightly slower than expected in the 2023 Year, we are seeing warm-up signs in the market starting from 2024 as seasonal flu and other respiratory virus infection cases are on the rise, while COVID-19 continues to pose a threat. Due to the rising awareness and health concerns of the general public fostered by the pandemic, the growing trend of aging population, larger demand for private medical services and increasing number of life insurance policies, it is expected that demand for health check and related medical services in Hong Kong will continue to grow.

To seize this opportunity, we have been aggressively seeking cooperations with different medical platforms, insurance companies and corporate entities to promote our healthcare services in Hong Kong and expand our reach into the Greater Bay Area. At the same time, we have continued to strengthen and broaden our scope of services to cope with the expected demand. For instance, we have introduced several new tests, such as human papillomavirus ("**HPV**"), a type of virus that can cause abnormal tissue growth (for example, warts) and other changes to cells) DNA test, colorectal cancer DNA test and cPass™ test (neutralizing antibodies screening) etc. On the other hand, we will seek cooperation with the Hong Kong government, medical specialists, non-profit organisations and other institutes to achieve rapid entry into the early screening of colorectal cancer and HPV DNA test market.

Our high-standard molecular biology laboratory at the Hong Kong Science and Technology Park has been providing next generation sequencing ("**NGS**") based cancer companion diagnostic test since July 2022. We are seeking business cooperation with contract research organisations, local hospitals, medical centres, local clinical laboratories and insurance companies to distribute reagents and NGS testing services. Moreover, we will endeavour to collaborate with hospitals and surgeons to prepare for the next FDA (The Food and Drug Administration of the United States) test product verification, to cooperate with local and overseas universities to develop and verify the testing items in demand, increase the scope of services of hospital testing, as well as to establish a personal genetic database in Hong Kong to provide real implementation of personalized precision health and precision medicine in Hong Kong and the Greater Bay Area.

Simultaneously, we have continued the development of our anti-tumor cell therapy products during the past three years of the pandemic, and the clinical trials of our CAR-T drug have been progressing as planned. The stage I Trial of the first CD20-targeted investigational new drug, namely LY007 Cellular Injection, began in the first quarter of 2022. The first three testing groups of nine patients had completed cell infusion treatment in the Trial and we are confident to have enrolled sufficient patients to participate in the Trial by April 2024. On 18 October 2023, the Company entered into a strategic cooperation framework agreement with 阿斯利康投資(中國)有限公司 (in English, for identification purpose only, AstraZeneca Investment (China) Co., Ltd.) ("**AstraZeneca (China)**"), pursuant to which the parties have agreed to cooperate with respect to the development of (i) enhancement, commercialisation and licensing of immune cell therapy; (ii) design, planning and ecological construction of the R&D and production base; and (iii) cooperation models with innovative platforms.

More notably, we have entered into agreements to purchase the BNCT equipment, drug and related services from Sumitomo and Stella Pharma Corporation. We intend to be the first service provider to offer BNCT cancer treatment to patients in the Greater China region, and aim to introduce and scale up this advanced tumor radiation therapy treatment services to patients in Mainland China, Hong Kong and Macau with refractory head and neck cancer.

In addition, the Group has entered into cooperation partnership with several hospitals in the PRC, including but not limited to Huashan Hospital affiliated to Fudan University, Shanghai (上海復旦大學附屬華山醫院), for the provision of treatment services for cancer patients referred by them at the BNCT Centre in Hainan to be opened in 2024 and for cooperation in tumour treatment. Apart from offering BNCT treatment services for cancer patients, the Group will generate revenue in the future through the distribution of BNCT equipment, medicines and its related services, including consultancy services in relation to the design and construction of BNCT Centre, maintenance services for BNCT equipment and the provision of professional training services for medical staff.

We have been making progress on the construction of the BNCT Centre in Boao Pilot Zone. Pengbo (Hainan) has also been granted the medical institution practicing license (醫療機構執業許可證) by the administration of the Boao Pilot Zone. The construction and renovation of the BNCT Centre, followed by installation of BNCT equipment and test run, is targeted to be completed in late 2024 or early 2025.

Moving forward, we will continue to enrich our diagnostic and health checkup business with customised service offerings. We will endeavor to speed up the Trial and the construction of the BNCT Centre and will continue to stay at the forefront of the biomedical field by leveraging on the latest advancements in biomedical research and technology to develop innovative solutions for precision diagnosis and treatment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Liquidity and Financial Resources

As at 31 December 2023, the Group held cash and bank balances of approximately HK$72,087,000 (2022: HK$92,770,000), all were principally denominated in Renminbi and Hong Kong dollars. The decrease in cash and bank balances of approximately HK$20,683,000 is mainly due to uses for operations business of the Group and construction of BNCT Centre.

As at 31 December 2023, the Group had secured bank borrowing of approximately HK$20,000,000 (2022: Nil), which carried a floating interest rate (i.e. HIBOR plus 1.5%) and is repayable within one year.

As at 31 December 2023, the Group had secured other borrowings of approximately HK$10,963,000 (equivalent to RMB10,000,000) (2022: Nil), which carried a fixed interest rate at 6% per annum and is repayable within two years.

As at 31 December 2023, the Group had no unsecured other borrowings.

As at 31 December 2022, the Group had unsecured other borrowings of approximately HK$5,641,000 (equivalent to approximately RMB5,000,000), which carried a fixed interest rate at 10% per annum and is repayable within one year.

The increase in the bank and other borrowings were mainly due to the use of additional bank loan by the Group for general working capital.

As at 31 December 2023, total assets of the Group were approximately HK$662,362,000 (31 December 2022: HK$1,470,491,000), whereas total liabilities were approximately HK$171,636,000 (31 December 2022: HK$643,971,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 25.91% (31 December 2022: 43.79%). Current ratio (defined as total current assets divided by total current liabilities) was 1.64 times (31 December 2022: 1.61 times).

Fortstone, an indirect non-wholly-owned subsidiary of the Company, is a holder of insurance broker company licence under the Insurance Ordinance. As an insurance brokerage company, Fortstone is subject to capital and net assets requirement 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). As at 31 December 2023, Fortstone has complied with the capital and net assets requirement during the 2023 Year.

Capital Structure

As at 31 December 2023, the total issued share capital of the Company was HK$96,323,115 (2022: HK$96,323,115) divided into 963,231,150 (2022: 963,231,150) ordinary shares of HK$0.10 each.

On 20 December 2022, convertible bonds in the total principal amount of US$10,000,000 were issued by the Company to the subscriber at the issue price of US$10,000,000 (equivalent to approximately HK$77,800,000). Based on the initial conversion price of HK$1.45 per conversion share at the exchange rate of HK$7.85 to US$1.00, a maximum number of 54,137,931 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full. The use of net proceeds from the issue of the convertible bonds is as follows:

Intended use	**Net proceeds** *HK$'000*	**Utilisation up to 31 December 2023** *HK$'000*	**Remaining balance as at 31 December 2023** *HK$'000*	**Expected timeline for utilising the remaining net proceeds**
Investment in BNCT project	23,340 (equivalent to approximately US$3.000 million)	23,340 (equivalent to approximately US$3.000 million)	Nil	N/A
Research and development costs and general working capital	15,124 (equivalent to approximately US$1.944 million)	15,124 (equivalent to approximately US$1.944 million)	Nil	N/A

As at the date of this report, the net proceeds were used according to the intentions previously disclosed by the Company in its announcements dated 20 December 2022 and 9 August 2023 and the Directors were not aware of any material change to the intended use of the net proceeds set forth above.

SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

As at 31 December 2023, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$56,920,000 (31 December 2022: HK$82,942,000) including one (31 December 2022: one) investment in unlisted equity securities and one (31 December 2022: one) investment in listed equity securities. It mainly consisted an investment of approximately HK$52,204,000 in Pillar Biosciences, Inc. ("**Pillar**") and an investment of HK$4,716,000 in Broncus Holding Corporation ("**Broncus**") (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 2216). It is the Group's investment strategy to hold the investments in Pillar and Broncus as long-term investments for the creation of synergy and long term shareholder value.

(i) Investment in Pillar

As at 31 December 2023, the Group held approximately 3.01% (31 December 2022: 3.11%) of equity interest of Pillar or 1,638,216 series B preferred stock in Pillar with fair value of HK$52,204,000 (equivalent to US$6,684,000) (31 December 2022: HK$69,270,000 (equivalent to US$8,881,000)) which represented 7.88% of the total asset of the Group as at 31 December 2023 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 2023, it recorded an unaudited consolidated loss of approximately US$22.10 million. A fair value loss on the Group's investment in Pillar of approximately HK$17,066,000 (2022 Year: fair value gain of approximately HK$1,330,000) has been recognised in other comprehensive income for the 2023 Year. No dividend income was received from Pillar for both years. As part of the strategic cooperation between the Group and Pillar, a company has been set up by the parties in Hong Kong, namely Asia Molecular Diagnostic Laboratory Limited ("**AMDL**"). AMDL has established a high-standard molecular biology laboratory at the Hong Kong Science and Technology Park and has been providing NGS precision cancer diagnostic services in Hong Kong. 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 2023, the Group held approximately 1.13% (31 December 2022: 1.13%) or 5,970,160 shares in Broncus with fair value of approximately HK$4,716,000 (31 December 2022: HK$13,672,000) which represented 0.71% of the total asset of the Group as at 31 December 2023 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 device and consumables. Based on the latest unaudited consolidated financial statements of Broncus for the six months ended 30 June 2023, it recorded an unaudited consolidated loss of approximately US$14.7 million. A fair value loss on the Group's investment in Broncus of approximately HK$8,956,000 (2022: HK$39,358,000) has been recognised in other comprehensive income for the 2023 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 2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the disposal of a joint venture and the acquisition of subsidiaries as disclosed in the section headed "BUSINESS REVIEW" above, the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2023 Year.

OPERATING LEASE COMMITMENTS

Details of operating lease commitments are stated in note 44 to the consolidated financial statements.

CAPITAL COMMITMENTS

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

PLEDGED ASSETS

Details of pledged assets are stated in notes 21, 22, 27 and 29 to the consolidated financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities are stated in note 42 of the consolidated financial statements.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2023 Year, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group is not exposed to significant foreign exchange risk and has not employed any financial instrument for hedging. 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 2023, the Group had a total of 162 (2022: 260) full time employees which were located in Mainland China and Hong Kong. Total staff costs for the 2023 Year was approximately HK$92,607,000 (2022 Year: HK$166,735,000).

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 (including internal training on the Group's policies and procedures, and paid external training organised by third parties), participation in the 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 per employee. 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 2023 Year were approximately HK$2,996,000 (2022 Year: HK$3,271,000).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 46 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

Executive Directors

Mr. Liu Xiaolin ("Mr. Liu"), aged 53, 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 and a member of 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 January 2003 to January 2008, Mr. Liu was the executive director of Shenzhen Jiuming Investment & Consulting Limited* (深圳市久名投資咨詢有限公司), a company principally engaging in investments. From February 2008 to October2014, 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. He Xun ("Mr. He"), aged 59, has been appointed as an executive Director on 7 August 2018. Mr. He was appointed as a member of the State Pharmacopoeia Commission of China (國家藥典委員會) from October 2002 to October 2007, and has been a member of the Science and Technology Expert Committee of the Shenzhen Municipal Government (深圳市科技專家委員會) since January 2011. Mr. He was the founding president of Shenzhen Life Science and Biotechnology Association in December 2012. Since February 2016 and May 2017 respectively, 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). From January 2017 to January 2020, he served as 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). From January 2018 to January 2020, Mr. He had 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)), which is principally engaged in trust asset management. Mr. He was an independent non-executive director of Shenzhen Weiguang Biological Products Co., Ltd. (stock code: 002880.SZ), a company listed on the Shenzhen Stock Exchange from January 2019 to December 2021.

Mr. He obtained a Bachelor's degree in chemical engineering and a Master's degree in chemical engineering from Tsinghua University in July 1987 and June 1991 respectively, and subsequently a Master's degree of business administration from the National University of Singapore in August 2001. Mr. He was accredited as a senior pharmaceutical engineer by the Guangdong Province Personnel Office (廣東省人事廳) in November 1999, and a senior engineer in biotechnology by the Shenzhen Human Resources and Social Security Bureau (深圳市人力資源和社會保障局) in August 2021.

Mr. Huang Song ("Mr. Huang"), aged 42, was appointed as a non-executive Director of the Company on 15 September 2017 and was redesignated as an executive Director of the Company on 16 December 2019.

Mr. Huang joined the National Institute of Biological Sciences, Beijing, the PRC, in February 2011 as a postdoctoral research fellow and currently serves as a deputy director of administration and a director of its Synthetic Biology Center (生物文庫中心), where he is mainly responsible for research management and administration. Mr. Huang has published a research paper 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 in July 2003 and a Doctor of Philosophy (PhD) degree in integrative biology from Southwestern Graduate School of Biomedical Sciences, the University of Texas Southwestern Medical Center at Dallas in December 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS

Non-executive Director

Ms. Chui Hoi Yam (alias 徐海瑛) (former name: 徐海英) ("Ms. Chui"), aged 56, has been appointed as the executive Director on 5 December 2022. Prior to joining the Group, Ms. Chui was a president of Harbin Pharmaceutical Group Co., Ltd.* (哈藥集團股份有限公司) ("**Harbin Pharmaceutical**"), a company listed on the Shanghai Stock Exchange (stock code: 600664), from March 2019 to May 2022 and was a director of Harbin Pharmaceutical from January 2021 to May 2022, where she was responsible for the overall business operation. Ms. Chui has previously worked in China Hewlett-Packard Co., Ltd. and Novartis International.

Ms. Chui received her Bachelor's degree in Economic Administration and Master's degree in Finance from Peking University, the PRC in July 1990 and July 2001, respectively.

Independent non-executive Directors

Mr. Yan Guoxiang ("Mr. Yan"), aged 58, 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 has over 18 years of experience in accounting and management. From March 2004 to September 2007, Mr. Yan was an accounting department manager of ShineWing Certified Public Accountants. From September 2007 to June 2010, Mr. Yan was an accounting department manager of Pan-China Certified Public Accountants. Mr. Yan was an assistant manager and finance manager of Chongyi Zhangyuan Tungsten Co., Ltd (stock code: 002378.SZ) from July 2010 to January 2012, a company listed on the Shenzhen Stock Exchange. From March 2012 to December 2014, Mr. Yan was a partner of Da Hua Certified Public Accountants. Since 2013, Mr. Yan has been the visiting professor of the accounting school of Jiangxi University of Finance and Economics. From August 2016 to August 2019, Mr. Yan was the general manager of Shenzhen Junxing Information Technology Co., Ltd. Since June 2018, Mr. Yan has been the executive director of Shenzhen Sichen Consulting Service Co. Ltd.* (深圳市士辰諮詢服務有限責任公司). Mr. Yan was the independent non-executive director of MLS Co., Ltd (stock code: 002745.SZ) from July 2010 to September 2016 and Huasu Holdings Co., Ltd. (stock code: 000509.SZ) from March 2014 to April 2017, both of which are companies listed on the Shenzhen Stock Exchange. From November 2015 to November 2021, Mr. Yan was the independent non-executive director of Eaglerise Electric (China) Co., Ltd. (伊戈爾電氣股份有限公司) (stock code: 002922.SZ) and since August 2018, Mr. Yan has been an independent non-executive director of Shenzhen Topway Video Communication Co., Ltd. (stock code: 002238.SZ), both of which are listed on the Shenzhen Stock Exchange. Mr. Yan is also an independent non-executive director and the convenor of the audit committee of Zhuhai Zhanchen New Materials Company Limited* (珠海展辰新材料股份有限公司) since June 2019.

Mr. Yan completed a professional course in financial accounting at Jiangxi Business School* (江西省商業學校) in July 1988 and graduated from Southwest University (西南大學) with a Bachelor's degree in accounting in July 2005. He has been a qualified intermediate financial economist of the PRC since June 1995, a certified public valuer of the PRC since August 1997 and a certified public accountant of the PRC since April 1998.

Dr. Ho Ivan Chun Kit ("Dr. Ho"), aged 47, 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 joined Los Angeles Cardiology Associates Medical Group, a large private cardiology group practice in Los Angeles, California, USA, in August 2008 as a licensed physician, working in the area of clinical medicine and cardiology. A company was admitted as a partner in Los Angeles Cardiology Associates Medical Group in August 2010. Such group became part of Keck School of Medicine of the University of Southern California in February 2019, and Dr. Ho is currently a clinical associate professor of medicine and the director of cardiac electrophysiology at the Keck School of Medicine of the University of Southern California. Throughout his professional career, Dr. Ho has had medical staff privileges at many different hospitals in southern California, USA, including Cedars-Sinai Medical Center and Good Samaritan Hospital.

BIOGRAPHICAL DETAILS OF DIRECTORS

Dr. Ho received his Bachelor's degree of arts summa cum laude in chemistry from Harvard College in Cambridge, Massachusetts, USA, in June 1997 and a Medical Doctor's degree from Harvard Medical School in Boston, Massachusetts, USA in June 2001. Dr. Ho was certified as a diplomate in internal medicine, cardiovascular disease and clinical cardiac electrophysiology by the American Board of Internal Medicine in 2004, 2007 and 2008 respectively.

Mr. Qian Hongji ("Mr. Qian"), aged 48, 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 is an experienced lawyer with extensive practice in the areas of mergers and acquisitions and other areas of corporate practice. He was a lawyer and partner at Beijing Zhongtong Cecheng Law Office from May 1999 to May 2004, and has since joined Dentons, a law firm in the PRC, in May 2005 where he is currently a senior partner. Mr. Qian had also been 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), from August 2016 to March 2018. Since June 2019, Mr. Qian has been an independent non-executive director of Hevol Services Group Co. Limited (stock code: 6093), a company listed on the Stock Exchange of Hong Kong Limited.

Mr. Qian graduated with a Bachelor of laws degree from the China Youth University of Political Studies* (中國青年政治學院) in July 1998 and a Juris Master's degree from Peking University in January 2009.

Changes in Information of Directors

Pursuant to Rule 17.50(A)(1) of GEM Listing Rules, the changes in information of Directors of the Company are set out below:

Directors	Details of changes
Ms. Chui Hoi Yam	Re-designated as a non-executive Director of the Company with effect from 30 June 2023

Please refer to the sections headed "Share Option Scheme" and "BENEFITS AND INTERESTS OF DIRECTORS" in notes to the consolidated financial statements for changes in Directors' interests in shares of Company within the meaning of Part XV of the SFO and Directors' emoluments for the year.

CORPORATE GOVERNANCE REPORT

Pursuant to the Rule 18.44(2) of the GEM Listing Rules, the board of Directors (the "**Board**") is pleased to present the corporate governance report for the year ended 31 December 2023 (the "**2023 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 2023 Year, the Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix C1 to the GEM Listing Rules, and has complied with the code provisions in the CG Code.

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 2023 Year and there is no incident of non-compliance.

BOARD OF DIRECTORS

Composition

As at 31 December 2023, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors

Mr. Liu Xiaolin *(Chairman)*
Mr. He Xun
Mr. Huang Song

Non-executive Director

Ms. Chui Hoi Yam *(re-designated on 30 June 2023)*

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.

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 the right to make decisions 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 the aim of developing its business and enhancing return to 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 18 to page 20 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 Remuneration Committee and the Nomination Committee 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 2023 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		16/16	N/A	4/4	2/2	1/1
Mr. He Xun		16/16	N/A	N/A	N/A	1/1
Mr. Huang Song		16/16	N/A	N/A	N/A	1/1
Non-Executive Director						
Ms. Chui Hoi Yan	*1*	14/16	N/A	N/A	N/A	1/1
Independent non-Executive Directors						
Mr. Yan Guoxiang		16/16	5/5	4/4	2/2	1/1
Dr. Ho Ivan Chun Kit		16/16	5/5	4/4	2/2	1/1
Mr. Qian Hongji		16/16	5/5	N/A	N/A	1/1

Note:

1. Ms. Chui Hoi Yan has been re-designated as a non-executive director with effect from 30 June 2023.

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 circulated 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 who advises 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

All independent non-executive Directors and non-executive Director 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/her 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.

The Company has established the following mechanisms, which is reviewed by the Board on an annual basis, to ensure independent views and input are available to the Board:

Independent non-executive Directors

– independence of independent non-executive Directors of the Company is evaluated against the requirements set out in Rule 5.09 of the GEM Listing Rules.
– annual confirmation from independent non-executive Directors regarding any changes to circumstances which may impair their independence.

Nomination and Appointment

– adopting the board diversity policy when nominating members of the Board.

Board and Committees' Structure

– reviewing the composition of the Board, and the Audit, Remuneration and Nomination Committees for compliance with the CG Code.
– reviewing the relationship among members of the Board, if any.

BOARD COMMITTEES

The Board is responsible for performing the corporate governance duties set out in the Code Provision A.2.1 of the CG Code, including (a) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (b) reviewing and monitoring the training and continuous professional development of Directors and senior management; (c) reviewing the Company's compliance with the Company's policies and practices on compliance with legal and regulatory requirements; (d) developing, reviewing and monitoring the code of conduct; and (e) reviewing the Company's compliance with the CG Code and disclosure in this report.

As part of the corporate governance practices, the Board has established three Board committees, namely, 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.

Audit Committee

The Audit Committee is currently composed of three independent non-executive Directors, namely, Mr. Yan Guoxiang (Chairman of the Audit Committee), and Dr. Ho Ivan Chun Kit and Mr. Qian Hongji as members. The financial results for the 2023 Year have been reviewed by the Audit Committee.

The principal duties of the Audit Committee include, among other matters as listed on the CG Code, the following:

(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 2023 Year, the Audit Committee has five meetings and has performed the above mentioned principal duties and reviewed the Company's quarterly results, interim results, annual results, annual report, interim report and quarterly reports and to advise and comments thereon to the Board. The Audit Committee has performed the duties to review the compliance procedures, report on the Company's internal control and risk management, and its other duties under the CG Code. 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 three members, including 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, among other matters as listed on the CG Code, the following:

(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 E.1.2 of the CG Code; and

(b) establishing a formal and 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 pursuant to Code Provision E.1.2 of the CG Code.

The Remuneration Committee held four meetings during the 2023 Year to perform the above mentioned principal duties.

The following is a summary of work performed by the Remuneration Committee during the 2023 Year:

(a) reviewing and recommending the policy and structure of the remuneration of the Directors and senior management pursuant to Code Provision E.1.2(c)(ii) of the CG Code to the Board;

(b) assessing individual performance of the Directors, and approving the terms of Directors' service contracts;

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

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

(e) reviewing and/or approving matters relating to share schemes of the Company under Chapter 23 of the GEM Listing Rules.

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 three members, including 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 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. 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 principal duties of the Nomination Committee include, among other matters as listed on the CG Code, the following:

(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 geographical background) of the Board on a regular basis, at least annually, 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 independence of the 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.

The following is a summary of the work performed by the Nomination Committee during the 2023 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 16 May 2023;

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

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

During the 2023 Year, two meetings were held by the Nomination Committee to, among, other thing, 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 Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Board includes both genders and has a balanced mix of experiences, including business management, business development, industry knowledge, medical, legal, finance, auditing and accounting experiences. Furthermore, the education background of the Directors ranges from biological chemistry, chemical engineering and medical to accountancy, legal and business administration, from education institutions in the PRC, Macau to the United States, the United Kingdom and Singapore. The Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board.

The Nomination Committee is responsible for ensuring the diversity of the Board members, and will review the board diversity policy and its implementation from time to time to monitor its continued effectiveness, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives.

As at 31 December 2023, the Board is composed of one female Director and six male Directors, the Nomination Committee will continue to measure the effectiveness of the diversity policy of the Board.

Gender Diversity in the Workforce

Please refer to page 52 of the Environmental, Social and Governance Report ("**ESG Report**") for the number of female and male employees and the demographic distribution of such employees of the Group (including senior management).

The Group achieved an overall female-male gender ratio of 1.70: 1 for the 2023 Year in Hong Kong and a ratio of 0.67: 1 in the PRC. The overall female-male gender ratio including the PRC and Hong Kong is 1.36: 1. As such, the Group considers it has achieved gender diversity for 2023 Year. The Group will continue to evaluate its gender diversity.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision C.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 are to ensure the Board to work effectively and perform its responsibilities, ensure that all key and appropriate issues are discussed by the Board, draw up and approve the agenda for each board meeting and consider any matters proposed by others Directors for inclusion in the agenda.

As at 31 December 2023 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**") was appointed as the Company Secretary on 9 October 2017. Ms. Wong graduated from City University of Hong Kong with a Bachelor's degree of business administration (Honours) in accountancy in July 2010. Ms. Wong is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since May 2014, and was certified as a chartered secretary and chartered governance professional by The Hong Kong Chartered Governance Institute in June 2020. Ms. Wong has taken more than 15 hours of relevant professional training to update her skills and knowledge during the 2023 Year.

CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director is provided with necessary induction and information to ensure that he/she 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 2023 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 C.1.4 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 2023 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 2023 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	√	√
Mr. He Xun	√	√
Mr. Huang Song	√	√
Non-executive Director		
Ms. Chui Hoi Yan	√	√
Independent Non-executive Directors		
Mr. Yan Guoxiang	√	√
Dr. Ho Ivan Chun Kit	√	√
Mr. Qian Hongji	√	√

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 77 to 86 of this annual report, are provided to the shareholders to differentiate the responsibilities of the Directors from those of the auditor regarding 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 2023 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. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and they can only provide reasonable, but not absolute, assurance against material misstatements or losses.

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 aware of their obligations to maintain 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.

Please refer to the paragraph headed "Anti-corruption" on page 41 under the ESG Report for details on whistleblowing and anti-corruption measures of the Company.

During the 2023 Year, the Group has yet to establish an internal audit function as required under code provision D.2.5 of the CG Code because of cost considerations and perceived effectiveness of existing internal controls, and the Group has adopted the practice of engaging an independent professional firm to report on its internal control processes on an annual basis. In addition, the Group will continue to review whether there is a need for an internal audit department at least annually.

During the 2023 Year, the Company engaged an independent professional firm, which has a team of professional staff with relevant expertise (such as certified public accountants), to perform an annual internal audit on the Group, including 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. The review was done on a systematic basis based on the risk assessments of the operations and controls, and covered review of inventory management and operating expenses and payment of the subsidiaries in Hong Kong and the PRC for the 2023 Year. The review plan was approved by the Board and the Audit Committee. The Board and the Audit Committee have 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 2023 Year, issued by the independent professional firm, listed out the findings identified in 2023 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 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 considered the systems effective and adequate throughout the 2023 Year.

The results of the internal control review and follow-up actions taken by the Group have been reported to the Board and the Audit Committee in connection with their annual review on the risk management and internal control systems of the Group in respect of the 2023 Year. Several areas have been considered during the reviews, which included but are 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.

Auditor's remuneration

For the 2023 Year, the fee payable to the auditor, RSM Hong Kong, in respect of audit services amounted to HK$1,200,000 (2022 Year: HK$1,200,000) and the fee payable to RSM Hong Kong in respect of non-audit services, which included agreed-upon procedures, the reporting accountant for major transaction, proposed transfer of listing to main board and due diligence, amounted to approximately HK$45,000 (2022 Year: HK$2,150,000).

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. As part of its commitment, the Company adheres to a policy of open and timely disclosure of corporate information to its shareholders and investors.

During the 2023 Year, there was no change in the bye-laws of the Company.

SHAREHOLDERS' COMMUNICATION POLICY

The Company's shareholder communication policy aims to encourage shareholder participation and to promote two-way communication with shareholders 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.

During the 2023 Year, the Company convened the 2023 AGM on 16 May 2023 and encouraged shareholders' participation in the AGM. The AGM provided a channel for a two-way communication for shareholders to communicate their views on various matters affecting the Company, and for the Company to better solicit and understand the views of its shareholders and stakeholders.

Furthermore, there are direct channels for shareholders to send their enquiries to the Board, as well as to put forward proposals and to convene SGM as detailed under the paragraphs titled "SHAREHOLDERS' RIGHTS" below.

In view of the above, the Company is of the view that the shareholders communication policy for the 2023 Year is effective, and will continue to evaluate and revise its shareholders' communication policy from time to time.

SHAREHOLDERS' RIGHTS

A. Procedures for Shareholders to Convene a Special General Meeting

SGMs of the Company shall be convened in accordance with bye-law 58 of the bye-laws of the Company, on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary at the Company's head office and principal place of business in Hong Kong (currently at Suites 1904-05A, 19/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong), for the purpose of requiring a SGM to be called by the Board for the transaction of any business or resolution specified in such requisition.

Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene such meeting in accordance with the provisions of Section 74(3) of the Bermuda Companies Act 1981, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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 to the Company's principal place of business in Hong Kong, which is currently 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 put forward a resolution to be considered at a 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**"). The Dividend Policy allows the shareholders of the Company to participate in the Company's profits by provision of dividends whilst preserving the Company's liquidity to capture future growth opportunities.

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

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

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

(iii) the liquidity conditions of the Group;

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

(v) any restriction on payment of dividends;

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE

The Group is fully committed to environmental protection, social responsibility and is equipped with the strictest corporate governance. In pursuant to the requirements of the Environmental, Social and Governance Reporting Guide ("**Environmental, Social and Governance Guide**") in Appendix C2 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 *2023 Environmental Social and Governance* ("**ESG**") *Report* (thereafter "**ESG Report**") in accordance with the mandatory disclosure requirements and the "comply of explain" provisions as set out in Appendix C2 of the GEM Listing Rules, covering business segments principally in (i) provision of tumor immune cell therapy 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; and (iv) provision of insurance brokerage services.

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 2023 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. Unless otherwise stated, the methodology used for the quantification of the above metrics was consistent with those used in the Group's pervious reports to allow for performance comparison.

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 in the Group's core business units of which it has financial control. This includes the Hong Kong head office as well as the group's subsidiaries operating in Hong Kong and Mainland China. There is no significant change in boundary and scope of this report from the Group's 2022 Environmental, Social and Governance Report.

Our reporting period shall cover the dates from **1 January 2023** to **31 December 2023** (both days inclusive) (the "**2023 Year**").

ESG GOVERNANCE STRUCTURE

The Board takes the lead and provides direction to management by instituting ESG policies and initiatives, setting goals and targets, 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, operation practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

The Board believes that 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.

MANAGEMENT OF ESG TOPICS

To provide clear guidance to our employees on the proper management approach of ESG-related topics, the Group has developed an ESG Policy which sets out the principles adopted by the Group to operate in a manner that provides a positive contribution to the environment and the society that it operates in. The policy is applicable to all directors, officers and employees of the Company, and external stakeholders such as subcontractors are also encouraged to follow the policy to demonstrate industry best practices.

The Group's ESG policy details the key responsibilities of the Group with respect to environmental and social issues, in addition to commitments for addressing the needs of individual stakeholder Groups, such as external stakeholders, employees, and the community.

The ESG Policy is used as the framework for the Group's regular review of its ESG performance, through performance monitoring using KPIs and performing stakeholder engagement to collect feedback to assist the Group's continuous improvement in ESG performance.

The Group's management views ESG performance as essential to the Group's sustainable success and holds regular ESG evaluation meetings to discuss latest developments in ESG, stakeholder expectations and the Group's ESG performance. This ensures the management team maintains up-to-date knowledge and awareness regarding emerging market trends and allow proactive management of ESG risks which may have an impact to the Group's business operations. This includes the use of scenario planning to gain an understanding of key ESG risk factors, which are incorporated into our company risk management process for close monitoring. In addition to management of ESG risks, the Group also actively seeks opportunities to integrate sustainability into our business operations.

STAKEHOLDER ENGAGEMENT

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

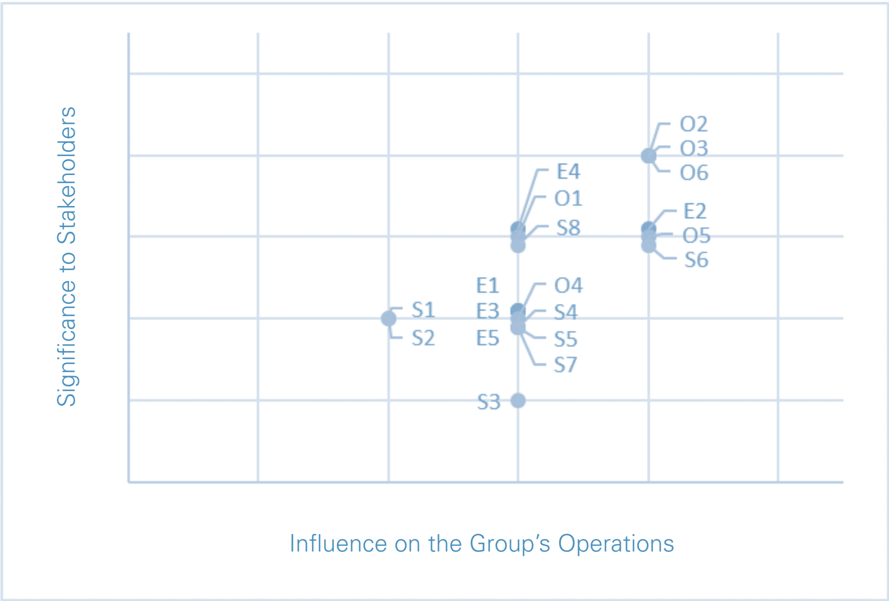
To ensure that the Group has adequately addressed the various aspects of ESG associated with its operation, it has consulted both internal and external stakeholders about its potential impacts. The Group understands the importance of maintaining good relationship with stakeholders of different backgrounds, 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 Reviews and Interviews • Internal announcements and publications • Suggestion Box
	Shareholders	• Corporate governance • Business compliance • Return on investment	• Press Releases and Announcements • Annual 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

During the 2023 Year, the Group continued to maintain an open and transparent dialogue with its stakeholders through, among others, diversified communication channels including staff meetings, annual general meeting and customers services channel. 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.

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.

Overview of Compliance with Relevant Laws and Regulations

During the 2023 Year, the Company has complied with the following non-exhaustive list of rules and regulations in its business activities:

Environmental

During the 2023 Year, the Company has complied with the following rules and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste:

- Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)
- Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)
- Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)
- Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong)
- Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong)

Social and Employment

During the 2023 Year, the Company has complied with the following rules and regulations (i) relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare; (ii) relating to preventing child and forced labour; and (iii) relating to providing a safe working environment and protecting employees from occupational hazards:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong)
- Employee Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)
- Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong)
- Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)
- Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong)
- Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong)
- Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong)
- Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

Product Responsibility

During the 2023 Year, the Company has complied with the following rules and regulations relating to health and safety, advertising, labelling and privacy matters relating to its products and services provided:

- Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)
- Trade Descriptions Ordinance (Chapter 262 of the Laws of Hong Kong)
- Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong)
- Competition Ordinance (Chapter 619 of the Laws of Hong Kong)
- Supplementary Medical Professions Ordinance (Chapter 359 of the Laws of Hong Kong)
- Medical Laboratory Technologists (Registration and Disciplinary Procedure) Regulations (Chapter 359A of the Laws of Hong Kong)
- Radiographers (Registration and Disciplinary Procedure) Regulation (Chapter 359H of the Laws of Hong Kong)
- Radiation Ordinance (Chapter 303 of the Laws of Hong Kong)
- Radiation (Control of Radioactive Substances) Regulations (Chapter 303A of the Laws of Hong Kong)
- Radiation (Control of Irradiating Apparatus) Regulations (Chapter 303B of the Laws of Hong Kong)
- Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong)

Anti-corruption

During the 2023 Year, the Company has complied with the following rules and regulations relating to bribery, extortion, fraud and money laundering:

- Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance Chapter 615 of the Laws of Hong Kong)
- United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong)
- Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong)
- Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong)

ENVIRONMENT

Impact Awareness

The Group understands the importance of having strong environmental awareness for our operations. As a company focused in providing services in precision diagnosis and cellular therapeutics, we recognize that our business activities can potentially cause significant impacts to the environment. We strive to minimize our environmental footprint by implementing sustainable practices in our R&D, medical testing, and cancer precision diagnosis operations. This includes reducing our energy consumption, minimizing waste generation, and managing our water usage. Additionally, we aim to source materials and equipment from environmentally responsible vendors, and we encourage our employees to adopt eco-friendly practices in their work and personal lives. We are committed to being a responsible corporate citizen and doing our part to protect the environment for future generations.

The Group understands that the Board plays a critical role in leading our ESG efforts and driving impact awareness. We recognize that ESG considerations are essential for the long-term success of our business and we are in progress of setting a dedicated ESG committee to monitor our progress and develop strategies to help us achieve our ESG goals. Additionally, our board members actively engage with stakeholders to understand their concerns and incorporate their feedback into our ESG initiatives. We believe that strong board leadership is key to promoting ESG awareness throughout our organization and inspiring others to take action on these critical issues.

Environment Policies

The Group understands the importance of environmental protection, recognises the potential environmental impacts associated with our operational activities, and strives to minimise our impacts. While we aim to generate revenue 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 environment impacts on the local environment 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 resource conservation 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 manage environmental impacts attributable to our operational activities to minimise these impacts where possible. Awareness programme on environmental protection is also promoted internally throughout our operations. We encourage our clients to work together with us to continuously improve environmental protection.

Climate-related Issues

The Group recognises the increasing importance of climate topics to sustainable business operations and the Group has developed a set of internal policies to define the process for identifying material impacts of climate-related risks to the Group's business. The Group performs regular reviews of regulatory and sector trends to identify potential risk factors which have a material impact to the Group's operations. They include monitoring of new policies related to environmental performance, energy consumption, and carbon emissions. In addition, trends and strategies commonly adopted by our industry peers are also monitored to ensure that the Group remains alert of best practices when developing climate management strategies.

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 GHG reduction, the transition to cleaner electricity and more stringent environmental regulations is anticipated to lead to increased operating costs, including electricity prices. To mitigate this potential risk, we have developed strategies and targets to reduce our environmental footprint, which will be elaborated in the following sections of the report. The Group will remain alert on such issues and include any new observations in subsequent reports.

Use of Resources

As an environmental-friendly company, the Group is actively persuading 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 Year 2023. 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 25.5ºC, 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.

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

Water Conservation Policy

Although water consumption is not a significant for the Group's operations, and the Group did not encounter any difficulties in sourcing water supply, we encourage our staff to be cautious of water consumption during daily operations.

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 and consumes Towngas 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 514.8 kg of NOx, 0.76 kg of SOx, and 47.77 kg of particulate matter (0.8 kg, 0.01 kg and 0.06 kg respectively in 2022). Air emissions are calculated based on the quantity of fossil fuels consumed during the reporting period, using emission factors provided in Appendix 2: Reporting Guidance on Environmental KPIs in How to Prepare an ESG Report published by the Stock Exchange. The Group's air emissions have increased during the year 2023 due to usage of transportation fleet for corporate activities such as overseeing the construction process of the Group's new facilities.

Other than emissions discussed above, the Group has not been involved in any other combustion process, industrial or heavy transportation activities that could lead to other direct air emissions to the atmosphere.

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 originate 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.

The total Scope 1&2 greenhouse gas emissions associated with the Group's operations during the reporting period was estimated to be 787 tCO_2e. The significant reduction in carbon emissions was mainly attributed to changes in business operations at Sunrise Diagnostic Centre Limited during the 2023 year.

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 disclosure in the upcoming years and is in process of developing suitable methodologies.

During the reporting period, no violations were recorded with respect to relevant environmental laws and regulations.

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*.

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 accordance with safety procedures. It is also the duty of the committee to manage clinical waste that includes but is not limited to 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 pending disposal are stored in well-ventilated areas within the premise, used solely for the storage of clinical waste.

In regards to clinical waste disposal, the Group had hired clinical waste contractors to collect and dispose of clinical waste safely and legally. Upon review, the Group is not aware of any non-compliant activities in respect to our hazardous waste and its handling procedures.

The Group recognises its achievements for the past consecutive years and seeks to maintain the 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 were 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 1.2 tonnes.

Waste	**Annual Production**	
	2023	2022
Hazardous Waste	**128.4 tonnes**	105.7 tonnes
Non-Hazardous Waste	**423.3 tonnes**	10,141.2 tonnes
Wastewater	**11,556 m^3**	7,374 m^3

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 wastewater generated during this report period has increased due to increased activities associated with our construction in relation to the BNCT centres. The Group's generation of non-hazardous waste reduced significantly during the year 2023 due to completion of construction activities by one of our business units.

During the reporting period, the Group did not consume any packaging materials.

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 in 2021. The Board will review the progress made against the targets on an annual basis, in particular, across the core businesses in PRC and Hong Kong.

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

Due to the fluctuations in the scale of business operations and associated environmental performance in during recent years, the Group will consider re-baselining its environmental KPIs to allow for more consistent performance tracking.

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**	**2023**	2022
Energy Consumption			
Total Energy Consumption	GJ	**7,204**	103,633
Petrol Consumption	GJ (L)	**33 (956)**	24 (700)
Electricity Consumption	GJ (kWh)	**5,370 (1,491,709)**	103,609 (28,780,217)
Towngas Consumption	GJ	**0**	0
Total Consumption Intensity	GJ/1000 HKD revenue	**0.034**	0.056
Greenhouse Gas Emissions			
Total Greenhouse Gas (GHG) Emissions	t CO_2e	**843**	11,273
Scope 1 – Direct Emissions	t CO_2e	**131.5**	2.2
Carbon Dioxide (CO_2) Emissions	t	**123.9**	1.9
Methane (CH_4) Emissions	kg	**3.7**	0.2
Nitrous Oxide (N_2O) Emissions	kg	**24.3**	0.8
Scope 2 – Energy Indirect Emissions	t CO_2e	**647**	11,237
Scope 3 – Other Indirect Emissions	t CO_2e	**63.7**	33.7
Fresh Water Processing	t CO_2e	**10.1**	6.5
Paper Waste Disposed at Landfills	t CO_2e	**5.6**	11.6
Employee Business Travel	t CO_2e	**48.0**	15.6
Total Greenhouse Gas (GHG) Emissions Intensity	t CO_2e/1000 HKD revenue	**0.00398**	0.00609
Air Emissions			
Nitrogen Oxides (NOx) Emissions	kg	**514.8**	0.8
Sulphur Oxides (SOx) Emissions	kg	**0.76**	0.01
Particulate Matter Emissions	kg	**47.8**	0.06
Waste Management			
Total Hazardous Waste Produced	t	**128.4**	105.7
Total Non-Hazardous Waste Produced	t	**423.3**	10,137.2
Total Hazardous Waste Intensity	kg/1000 HKD revenue	**0.606**	0.0571
Total Non-Hazardous Waste Intensity	kg/1000 HKD revenue	**2.00**	5.4750
Total Wastewater Generation	m^3	**11,556**	7,374
Use of Resources			
Total Water Consumption	m^3	**11,556**	7,374
Total Water Consumption Intensity	m^3/1000 HKD revenue	**0.054**	0.004
Packaging Materials			
Plastics	t	**1.32**	1.54
Paper boxes	t	**0.16**	0.23
Total	t	**1.48**	1.77

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 guiding 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 renumeration and benefits schemes to its staff to retain and to procure best talents to match with our long-term organizational growth.

Specific recruitment processes are adopted by the Group businesses to ensure the recruitment of staff members with appropriate qualifications and skills.

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 in order to attract, retain and promote talents.

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. Holding in temporary storages are limited to 2 days maximum, with the storage designed to protect against leakages, and from extreme temperatures/humidity.

In 2023, 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.

Health and Safety KPIs	For each of the years ended 31 December 2021, 2022 and 2023	
Types	Number	Rate%
Work-related fatalities	0	0
Lost days due to work injury	0	0

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.

Collaboration with external education institutes is also set up 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.

During the reporting period, the Group provided various training opportunities for its employees covering key topics relevant to the Group's operations, including:

- Orientation and Onboarding
- Skills Development
- Leadership and Soft Skills
- Safety and Compliance
- Upskilling and Reskilling

The Group's training statistics for 2023 is presented in the table below:

	By Gender		By Category		
	Male	Female	Senior Management	Middle Management Staff	Other Staff
% Employees Trained	53%	36%	45%	54%	39%
Average Training Hours	5.1	6.3	2.1	10.5	5.3

Newly-recruited employees of the Group are provided with orientation training to equip them with essential knowledge, 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, such as medical examination schemes, voluntary provident fund scheme and other allowances.

Being an equal employment opportunity employer, the Group hires 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 would 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, and protection against unfair or unreasonable dismissal. The Group also instituted an eight-hour working day and five-day working week system.

Labour Standards

The Group does not tolerate any forced and child labour in its operations, and strictly abides with laws and regulations relating to labour employment and contracts. The Group's employment policy clearly stipulates that applicants 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.

Employee Demographics

In this reporting period, the Group has 162 full-time employees and 13 part-time employees. During the reporting period, the overall turnover rate for full-time employees across the Group was 29%. A breakdown of our employee demographics is presented in the following tables.

Employment Type	No. of Staff	Staff Turnover Rate (%)
Full Time	162	28%
Part-time	13	60%

Region	Gender	No. of Staff	Staff Turnover Rate (%)
The PRC	Male	24	9%
	Female	16	6%
Hong Kong	Male	50	53%
	Female	85	23%

Gender	No. of Staff	Staff Turnover Rate (%)
Male	74	41%
Female	101	20%

Age Group	No. of Staff	Staff Turnover Rate (%)
Under 30	34	57%
31 to 50	89	22%
Over 50	52	19%

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 and responsive to our requests, 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 is 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.

Risk Management in Supply Chain

The Group has implemented comprehensive supply chain policies to identify, assess, and manage environmental and social risks associated with our operations. These policies ensure we operate as a responsible business to environment and society.

Key aspects of our supply chain policies include:

- Supplier Selection: We conduct thorough due diligence on potential suppliers, to evaluate their environmental and social performance, and ensuring they adhere to the Group's organization's sustainability standards and values.

- Risk Assessment: Regularly evaluating environmental and social risks in our supply chain, including factors such as waste management, carbon emissions, labor practices, and human rights, allows us to proactively address potential issues.

- Performance Review: We carry out routine review of our suppliers to ensure compliance with our supplier policies and standards, and to identify areas of improvements.

- Continuous Improvement: Our policies are regularly reviewed and updated to address the continuously evolving requirements and to incorporate best practices.

Sustainable Procurement Policy

To demonstrate our commitment to achieve carbon reduction across our supply chain, we encourage the procurement of products with better environmental performance. Where feasible, we prioritize the selection products and services associated with lower environmental impact, such as higher energy efficiency, reduced waste generation and lower carbon emissions.

Our staff are also encouraged to maintain up-to-date knowledge on latest industry trends to help ensure procurement processes adequately consider the varying levels of environmental performances in the supply chain.

Supplier Distribution

The geographic distribution of the Group's suppliers is presented in the table below:

Region	Supplier Count
Hong Kong	102
Mainland China	55
Japan	5
United States	3
Australia	1
Germany	1

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.

In addition, our diagnostic centre business has been accepted by the Hong Kong Accreditation Service as a HOKLAS Accredited Laboratory of Category S, and meeting the requirements of ISO 15189:2012.

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. In case any of the Group's products/services is 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.

Product Responsibility KPIs	Quantity	Rate (%)
Total products sold or shipped subject to recalls for safety and health reasons	0	0
Number of products and service related complaints received	0	0

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, patients' reports shall not be released to any external party, including the examinee's family members.

Intellectual Property Rights

Intellectual property rights are crucial for 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 2023 Year, the Group complied with relevant laws and regulations such as the Trade Descriptions Ordinance (Chapter 262 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 2023 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. Policies have also been developed by the Group's businesses to provide guidance on measures to be adopted by employees against bribery and corruption.

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, including but not limited to malpractices in the workplace and financial crimes, through official channels. Reports are directly escalated to the head of the department or Administration & Human Resources Department, to evaluate the report, and reported incidents are thoroughly investigated, pass to the Audit Committee make recommendations to board of directors depending on severity, once possible criminal offense, it will further to Audit committee and seek for legal advice with necessary discipline actions carried out if any misconducts are identified. Striving to ensure the effectiveness of the whistle-blowing procedures and protect the whistle-blowers from any form of retaliation or repercussions, the Whistleblowing Policy contains confidentiality provisions.

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 to all of its employees.

During 2023, the Group was unaware of any action that non-compliance with laws and regulations relating to corruption, bribery, extortion, fraud and money laundering. This includes, but not limited to the Prevention of Bribery Ordinance (Cap.201). Also, the Group was not involved in any legal cases regarding corruption during the reporting period.

Anti-corruption KPIs	Quantity	Rate (%)
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period	0	0

Community

Community Investment

The Group is committed to supporting the public by means of social participation and contribution in order to better understand the needs of the communities in which the Company operates in and to take into consideration its activities on the communities' interests. The Group encourages employees' active participation in serving the local community, and we take the lead in making donations to various charity organisations.

During 2023, the Group donate a total of HK$105,000 to various charity events, including the HKAN Chinese Opera Fundraising Show, HKCMA Annual Scientific Frontiers in Clinical Practice 2023, and Raffle Ticket Charity Sales for the Society for the Prevention of Cruelty of Animals (HK).

The Group will continue its efforts in community services, encourage employees' participation in volunteering activities, and dedicate resources for further contributions in the future.

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 2023 ("**2023 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 are including but 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 Competition Ordinance (Chapter 619 of the Laws of Hong Kong); (ii) Employment Ordinance (Chapter 57 of the Laws of Hong Kong) in Hong Kong; (iii) Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) in Hong Kong; (iv) Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong); (v) 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 to such regulations may adversely affect the Group's reputation, operations and financial performance. In order to mitigating the risk of non-compliance of 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 (i) provision of medical laboratory testing services and health check services in Hong Kong; (ii) provision of tumor immune cell therapy and health management services in the PRC; (iii) sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; and (iv) provision of insurance brokerage services.

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results of the Group for the 2023 Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 87 to 88. 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 89 and note 31a to the consolidated financial statements of this report respectively.

The Board does not recommend the payment of a dividend for 2023 Year (year ended 31 December 2022 ("**2022 Year**"): HK$0.01 per share).

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the 2023 Year is set out in note 10 to the consolidated financial statements.

CHARITABLE DONATIONS

During the 2023 Year, the Group made charitable donations amounting to approximately HK$105,000 (2022 Year: HK$Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the 2023 Year, the percentages of turnover and purchases attributable to the Group's major customers and suppliers are set out below:

Turnover	
The largest customer	31.23%
Five largest customers in aggregate	50.03%
Purchases	
The largest supplier	18.53%
Five largest suppliers in aggregate	70.84%

For the 2023 Year, the percentage of the Group's revenue from provision of medical laboratory testing services and health check services attributable to the Group's largest customer was approximately 31.23% (2022: aggregate revenue from provision of medical laboratory testing services and health check services and sales and distribution of health related and pharmaceutical products 59.79%), while the percentage of the Group's revenue from provision of medical laboratory testing services and health check services attributable to the five largest customers was approximately 50.03% (2022: aggregate revenue from provision of medical laboratory testing services and health check services and sales and distribution of health related and pharmaceutical products approximately 95.53%).

For the 2023 Year, the percentage of the Group's purchases from the largest supplier was approximately 18.53% (2022: approximately 37.40%), while the percentage of the Group's purchases from the five largest suppliers accounted for approximately 70.84% (2022: approximately 66.43%).

As far as the Directors are aware, neither the Directors nor their respective close associates (as defined in the GEM Listing Rules) 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 or suppliers of the Group.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the 2023 Year are set out in note 30 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) Convertible bonds

On 20 December 2022, the Company entered into a subscription agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for the convertible bonds in the aggregate principal amount of US$10,000,000 (equivalent to approximately HK$77,800,000). Based on the initial conversion price of HK$1.45 per conversion share at the exchange rate of HK$7.85 to US$1.00, a maximum number of 54,137,931 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full, which represent approximately 5.62% of the existing issued share capital of the Company and approximately 5.32% of the issued share capital of the Company as enlarged by the issue of the conversion shares. The existing convertible bonds were surrendered and cancelled upon completion. The completion of the subscription took place on 30 December 2022. Details were disclosed in the announcements of the Company dated 20 October 2022 and 30 December 2022.

(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 2023 Year, 5,000,000 share options was granted on 6 January 2023.

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 2023 Year, the trustee purchased a total number of 5,295,000 shares on the market at a total consideration of approximately HK$4,185,000. 582,000 shares were awarded by the Company under the share award scheme on 15 September 2023.

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 2023 Year are set out in the consolidated statement of changes in equity on page 90 and in note 31(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

For the 2023 Year, the Company's reserves available for distribution to shareholders of the Company are set out in note 31(b) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the 2023 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

Details of the Group's events after the reporting period are set out in note 46 to the consolidated financial statements.

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 178 to 179 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 2023 year; (ii) particulars of important events affecting the Group that have occurred since the end of the 2023 Year; (iii) key financial and business performance indicators; (iv) discussion on the Group's likely future business development; and (v) principal risks and uncertainties faced by the Group are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 6 to 17 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 36 to 56 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, 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 2023 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 2023 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 36 to 56 of this annual report.

DIRECTORS' REPORT

DIRECTORS

The Directors during the 2023 Year and up to the date of this report were:

Executive Directors

Mr. Liu Xiaolin *(Chairman)*
Mr. He Xun
Mr. Huang Song

Non-Executive Directors

Ms. Chui Hoi Yan *(re-designated on 30 June 2023)*

Independent Non-executive Directors

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

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 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. He Xun, Mr. Huang Song and Dr. Ho Ivan Chun Kit 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 18 to 20 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 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 2023 Year.

CONTRACTS BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

No contract of significance, whether for provision of services or otherwise, between the Company of any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries subsisted at any time during the 2023 Year.

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 2023 Year.

COMPETING INTERESTS

None of the Directors, the controlling shareholder of the Company nor their respective 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 2023 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 as an incentive to Directors and eligible participants. Details of the scheme are set out in note 40 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the Directors and senior management of the Company for the 2023 Year by bands is as follows:

Emoluments bands	Number of individuals
HK$Nil to HK$1,000,000	0
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	0
HK$2,500,001 to HK$3,000,000	0
HK$3,000,001 to HK$3,500,000	0
HK$5,000,001 to HK$5,500,000	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 2023, 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%
	Beneficial owner	967,000	0.10%
		530,467,546	55.07%

Notes:

(a) As at 31 December 2023, 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%
	Genius Lead	Interest of a controlled corporation	1	100%

(iii) Long position in share options granted

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. He Xun	Beneficial owner	2 September 2020	2 September 2022 to 1 September 2024	HK$2.00	3,220,000	0.33%
Ms. Chui Hoi Yam	Beneficial owner	6 January 2023	6 January 2023 to 5 January 2027	HK$1.45	5,000,000	0.52%
Total					8,220,000	0.85%

Note:

(a) As at 31 December 2023, 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" for details of the share options granted to the Directors.

Save as disclosed above, as at 31 December 2023, 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 2023, 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	54,137,931	5.62%
	Person having a security interest in shares	187,903,805	19.51%
Guoyuan International Holdings Limited *(Note c)*	Interest of a controlled corporation	242,041,736	25.13%
Guoyuan Securities Co., Ltd. *(Note c)*	Interest of a controlled corporation	242,041,736	25.13%
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 2023, 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 held by Guoyuan Securities Investment (Hong Kong) Limited. 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 interested.

(d) Richlane Ventures Limited is wholly-owned by Mr. Ko. 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 2023, 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 of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

(1) Purpose of the Share Option Scheme and Participants

Pursuant to an ordinary resolution passed by the shareholders of the Company on 29 May 2014, the Company adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants (including employee participants, related entities participants and service providers as defined under Rule 23.03A(1) of the GEM Listing Rules) who contribute to the success the Group's operation. The principal terms of the Share Option Scheme were set out below and in note 40(a) to the consolidated financial statements.

Details of movements in the Company's share options during the 2023 Year are set out as follows:

			Number of shares over which options are exercisable						
Category/ Name of Grantees	Date of grant	Exercise price per share *(HK$)*	Balance as at 1 January 2023	Granted during the 2023 Year	Exercised during the 2023 Year	Lapsed during the 2023 Year	Cancelled during the 2023 Year	Balance as at 31 December 2023	Exercise period, vesting period, closing price immediately before the date of grant
Directors									
Mr. Liu	20 August 2019	1.68	320,000	–	–	320,000	–	–	*Note 1*
Mr. He Xun	2 September 2020	2.00	6,440,000	–	–	3,220,000	–	3,220,000	*Note 2*
Ms. Chui Hoi Yam	6 January 2023	1.45	–	5,000,000	–	–	–	5,000,000	*Note 4*
Sub-total			**6,760,000**	**5,000,000**	**–**	**3,540,000**	**–**	**8,220,000**	
Related Entities Participants									
Mr. Wu Ting Yuk Anthony	20 August 2019	1.68	3,240,000	–	–	3,240,000	–	–	*Note 1*
Service Providers									
Consultant									
Dr. Zhai Pu	26 November 2020	2.00 to 2.20	3,335,000	–	–	1,665,000	–	1,670,000	*Note 3*
Sub-total			**6,575,000**	**–**	**–**	**4,905,000**	**–**	**1,670,000**	
Employees	20 August 2019	1.68	1,180,000	–	–	1,180,000	–	–	*Note 1*
Sub-total			**1,180,000**	**–**	**–**	**1,180,000**	**–**	**–**	
Total			**14,515,000**	**5,000,000**	**–**	**9,625,000**	**–**	**9,890,000**	

Notes:

1. 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. 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 granted were vested from 20 August 2019 to 19 August 2020 and exercisable from 20 August 2020 to 19 August 2021; (ii) a maximum of another one-third of the shares in respect of which the share options granted were vested from 20 August 2019 to 19 August 2021 and exercisable from 20 August 2021 to 19 August 2022; and (iii) a maximum of the remaining one-third of the shares in respect of which the share options granted were vested from 20 August 2019 to 19 August 2022 and exercisable from 20 August 2022 to 19 August 2023.

2. 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. The share options are exercisable to subscribe for (i) 3,220,000 shares from 2 September 2022 to 1 September 2023 for share options vested from 2 September 2020 to 1 September 2022; and (ii) 3,220,000 shares from 2 September 2023 to 1 September 2024 for share options vested from 2 September 2020 to 1 September 2023.

3. 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. The share options are exercisable to subscribe for (i) 1,665,000 shares from 26 November 2022 to 25 November 2023 at exercise price of HK$2.10 for share options vested from 26 November 2020 to 25 November 2022; and (ii) 1,670,000 shares from 26 November 2023 to 25 November 2024 at exercise price of HK$2.20 for share options vested on from 26 November 2020 to 25 November 2023.

4. 5,000,000 share options were granted to Ms. Chui Hoi Yam on 6 January 2023. There is no performance target and no claw back mechanism in respect of the share options granted to Ms. Chui Hoi Yam. The closing price of the shares on the date of grant was HK$1.10 per share and the average closing price for the five business days immediately preceding the date of grant was HK$1.13 per share. The closing price of the shares immediately before the date of grant was HK$1.13.

   The share options are valid for a period of four years commencing from the date of grant until the end of the end of the respective exercisable periods, among which (i) 33.33% (1,665,000 share options) will vest from 6 January 2023 to 5 January 2024 and become exercisable from 6 January 2024 to 5 January 2025; (ii) 33.33% (1,665,000 share options) will vest from 6 January 2023 to 5 January 2025 and become exercisable from 6 January 2025 to 5 January 2026; and (iii) 33.34% (1,670,000 share options) will vest from 6 January 2023 to 5 January 2026 and become exercisable from 6 January 2026 to 5 January 2027.

5. No service provider sublimit was set under the Share Option Scheme.

6. One of the five highest paid individuals was Ms. Chui Hoi Yam, a non-executive director of the Company, whose interests in 5,000,000 share options granted on 6 January 2023 had been disclosed separately under "Directors" in the table above and not aggregated to one of the five highest paid individual other than directors during the 2023 Year.

   Other than Ms. Chui Hoi Yam, no individual among the five highest paid individuals was granted share options during the 2023 Year.

During the 2023 Year, no share options granted under the Share Option Scheme have been exercised.

(2) Total Number of Shares Available for Issue

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 31 December 2023, share options to subscribe for up to a total of 9,890,000 Shares were granted. Hence, as at 31 December 2023 and the date of this report, share options to subscribe for up to 87,090,615 (2022: 87,205,615) Shares may be further granted under the Share Option Scheme, representing 9.04% (2022: 9.05%) of the issued shares of the Company, were available for issue under the Share Option Scheme.

(3) Maximum Entitlement of Participants

The total number of shares of the Company issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other Share Option Scheme of the Group (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

(4) Exercise and Vesting Period

The period within which the share options may be exercised by the grantee in respect of the share options granted under the Share Option Scheme and the vesting period of such share options, subject to all applicable laws and the GEM Listing Rules, will be set out in the offer letter issued by the Company to the eligible participants.

(5) Acceptance

The offer letter may be accepted by an eligible participant within such time as may be specified in the offer letter (which shall not be later than 21 days from the offer date) and the share option in respect of the number of shares of the Company in respect of which the offer was so accepted will be deemed to have been granted on the offer date. A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

(6) Basis of Determining the Exercise Price

The exercise price for shares of the Company on the exercise of share options under the Share Option Scheme as determined by the Board, subject to any adjustments made pursuant to the applicable laws and the GEM Listing Rules, shall be no less than the highest of: (i) the closing price of the shares of the Company as stated on the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the shares of the Company as stated on the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

(7) Remaining Life of the Scheme

The Share Option Scheme of the Company, which was adopted on 29 May 2014, shall remain in force for a period of 10 years commencing on the date of its adoption. The remaining life of the Share Option Scheme will expire on 28 May 2024.

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 are, 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

(1) Purpose of the Share Award Scheme and Participants

The Company operates the Share Award Scheme for the purpose of providing incentives and rewards to eligible participants (including employee participants, related entities participants and service providers as defined under GEM Listing Rule 23.03A(1)) who contribute to the success the Group's operation. The principal terms of the Share Award Scheme are set out below and in note 40(b) to the consolidated financial statements.

During the 2023 Year, the trustee purchased a total number of 5,295,000 shares on the market at a total consideration of approximately HK$4,185,000, details of the monthly breakdown of such purchases of shares made during the 2023 Year is included in the paragraph headed "Purchase, Sale or Redemption of Listed Securities".

Details of all movements in the Company's award shares under the Share Award Scheme during the 2023 Year are set out as follows:

			Number of unvested award shares					
Category/ Name of Grantees	**Date of grant**	**Vesting date**	**Balance as at 1 January 2023**	**Granted during the 2023 Year**	**Vested during the 2023 Year**	**Lapsed during the 2023 Year**	**Cancelled during the 2023 Year**	**Balance as at 31 December 2023**
Directors								
Mr. Liu	15 September 2023	15 September 2023	–	292,000	(292,000)	–	–	–
Employees	15 September 2023	15 September 2023	–	290,000	(290,000)	–	–	–
Total			**–**	**582,000**	**(582,000)**	**–**	**–**	**–**

Notes:

1. The award shares were granted at nil consideration. The closing price of the shares immediately before the date of grant was HK$0.64 per share. The fair value of the award shares granted on 15 September 2023 was HK$0.61 per share, which was determined based on the market price of the shares as at the date of grant. The weighted average closing price of the shares immediately before the date of vesting on 15 September 2023 was HK$0.64 per share.

2. One of the five highest paid individuals was Mr. Liu, the chairman and an executive director of the Company, whose interests in the awarded shares had been disclosed separately under "Directors" in the table above and not aggregated to one of the five highest paid individual other than directors during the 2023 Year.

   Other than Mr. Liu, there is only one individual among the five highest paid individuals who was granted the award shares or held unvested award shares during the 2023 Year.

3. There is no performance target attached to the award shares.

4. There is no clawback mechanism attached to the award shares.

5. There are no participants with awarded shares granted in excess of the individual limit and no grants to related entity and suppliers of good and services.

6. The vesting period of the awarded shares refers to the period from the date of grant until the date of vesting, as determined from time to time by the Board.

(2) Total Number of Shares Available for Issue

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.

Since the date of adoption and up to 31 December 2023, 582,000 shares were awarded by the Company under the Share Award Scheme. As at 31 December 2023 and the date of this report, 95,741,115 share may be further granted under the Share Award Scheme, representing 9.94% of the issued shares of the Company, were available for grant under the Share Award Scheme.

(3) Maximum Entitlement of Participants

The maximum entitlement of each participant under the Share Award Scheme shall not exceed 1% of the total number of issued shares of the Company as at 18 August 2021, the adoption date of the Share Award Scheme.

(4) Vesting and Conditions

The Board may from time to time while the Share Award Scheme is in force and subject to all applicable laws and the GEM Listing Rules, determine such vesting criteria and conditions or periods for the awards to be vested. All of such vesting criteria and conditions (if any) and periods (including the vesting date) shall be set out in the relevant award letter issued to each selected participant. As at 31 December, 2023, there is no unvested award share.

(5) Basis of Determining the Purchase Price

The Board may at any time during the term of the Share Award Scheme direct and procure the trustee to receive existing shares of the Company from any shareholder of the Company or purchase existing shares of the Company (either on-market or off-market) at such range of purchase price as the Board may direct or authorise, subject to compliance with the applicable laws and the GEM Listing Rules.

(6) Remaining life of the Scheme

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date, the remaining life of the Share Award Scheme will expire on 17 August 2031.

OTHER INFORMATION ABOUT SHARE SCHEMES

The total number of shares of the Company that may be issued in respect of the share options and share awards granted under the Share Option Scheme and the Share Award Scheme of the Company during the 2023 Year is 9,890,000. The dilutive effect of such share options and share awards is 1.02%, being the number of shares of the Company may be issued divided by the weighted average number of shares of the Company for the same period.

Under the Share Option Scheme and Share Award Scheme, save as disclosed in this report, there are no:

(i) participants with options and awards granted that is in excess of the 1% individual limit;

(ii) options and awards granted and to be granted to any related entity participant or service provider in any 12-month period exceeding 0.1% of the relevant class of shares in issue; and

(iii) options or awards that are granted to other employee participants, related entity participants and service providers, that are required to be disclosed pursuant to Rule 23.07 of the GEM Listing Rule.

Saved for the Share Option Scheme and the Share Award Scheme, neither the Company nor its subsidiaries had any other Share Option Scheme or Share Award Scheme during the year ended 31 December 2023.

The remuneration committee of the Company has reviewed and approved the material matters relating to the grant of options and share awards, including the list of grantee, the number of options and share awards to be granted, and the announcements in relation to the grant of options and share awards.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2023 Year or at the end of the 2023 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 three Directors on 20 August 2019, 2 September 2020 and 6 January 2023. 292,000 shares of the Company were awarded to one Director under the Share Award Scheme on 15 September 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the 2023 Year, except that the trustee of the Share Award Scheme (the "**Trustee**"), pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 5,295,000 shares of the Company at a total consideration of approximately HK$4,185,000, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities. All the shares of the Company purchased by the Trustee are held by the Trustee on trust for the purpose of the Share Award Scheme.

Particulars of the shares purchased by the Trustee on the Stock Exchange during the 2023 Year are as follows:

Month	Number of shares purchased by the Trustee	Purchase price per share Highest (HK$)	Lowest (HK$)	Approximate total consideration (before expenses) (HK$'000)
June	1,975,000	1.00	0.93	1,934
August	1,050,000	0.70	0.59	676
September	2,270,000	0.79	0.58	1,575
	5,295,000			4,185

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the disposal of a joint venture and the acquisition of subsidiaries of Shanghai Longyao as disclosed in the section headed "BUSINESS REVIEW" in "MANAGEMENT DISCUSSION AND ANALYSIS", the Group did not have any other material acquisition or disposal of subsidiaries, associates and joint ventures for the 2023 Year.

RELATED PARTY AND CONNECTED TRANSACTIONS

During the 2023 Year, the Group has entered into the following transactions, 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, particulars of which were previously disclosed in the announcement of the Company dated 18 January 2023. 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.

Renewal of master supply agreement with BGI

On 18 January 2023, SDCL and BGI entered into a master supply agreement in respect of the supply of equipment, consumables and kits of COVID-19 test. The agreement commenced from the date of master supply agreement until its expiry on 31 December 2023. 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. The annual cap for continuing connected transaction between the signing parties is HK$120,000,000 for the year ended 31 December 2023 with explicit specification that supply of COVID-19 rapid antigen test kits would be covered. Details were disclosed in the announcement of the Company dated 18 January 2023. The amount of purchase materials by SDCL to BGI for the Year 2023 is approximately HK$10,501,000.

For Year 2023, the independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the master supply agreement has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and the terms thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

DIRECTORS' REPORT

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.

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 2023 Year.

Save as disclosed above, none of the related party transactions constituted a connected transaction or continuing connected transaction (as defined in the GEM Listing Rules) that was required to be disclosed. All the connected transactions or continuing connected transactions had complied with the disclosure requirements of the GEM Listing Rules.

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 21 to 35 of this report.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes in operation for the 2023 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.

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

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares of the Company. Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the shares of the Company.

It is emphasized that none of the Company or its directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares of the Company.

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.

Directors liability insurance is in place for the directors of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the directors. The relevant provisions in the Company's bye-laws and the Directors' liability insurance were in force during the financial year ended 31 December 2023 and as of the date of this report for the benefit of one or more persons who were the Directors or then Directors of the Company or of the associated company 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 2023 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 2024

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 87 to 177 which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 Hong Kong 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 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 2023, the Group's provision of medical laboratory testing services and health check services segment has intangible assets of approximately HK$13,374,000 (2022: 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: – Understanding and evaluating the key controls over management's impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, susceptibility to management bias of fraud; – Evaluating the outcome of prior period impairment assessment to assess the effectiveness of management's estimation process; – 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 external 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;

RSM

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.	– 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; – utilising our external 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.

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 and health management services segment* Refer to notes 19, 20, 21 and 22 to the consolidated financial statements. At 31 December 2023, the Group's provision of tumor immune cell therapy and health management services segment has goodwill and intangible assets of approximately HK$99,690,000 (2022: HK$102,592,000) and HK$42,946,000 (2022: HK$52,615,000) 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: – Understanding and evaluating the key controls over management's impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, susceptibility to management bias of fraud; – Evaluating the outcome of prior period impairment assessment to assess the effectiveness of management's estimation process; – 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 external valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards;

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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.	– 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; – utilising our external 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.

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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 2023, the Group's provision of insurance brokerage services has goodwill and intangible assets of approximately HK$7,491,000 (2022: HK$7,491,000) and HK$1,324,000 (2022: 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: – Understanding and evaluating the key controls over management's impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, susceptibility to management bias of fraud; – Evaluating the outcome of prior period impairment assessment to assess the effectiveness of management's estimation process; – 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 external 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;

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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.	– 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; – utilising our external 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.

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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 and Audit Committee 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee 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 judgment and maintain professional skepticism throughout the audit. We also:

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- 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 Ms. Leung Wan Yi Winnie.

RSM Hong Kong
Certified Public Accountants
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
Gross Proceeds	*8*	**211,985**	1,851,601
Revenue	*8*	**211,985**	1,851,532
Cost of sales		**(177,661)**	(750,575)
Gross profit		**34,324**	1,100,957
Net gain on financial assets at fair value through profit or loss ("**FVTPL**")		**–**	2,707
Other income, gains/(losses)	*9*	**(3,989)**	4,639
Allowance for impairment loss on financial assets, net	*6(c)*	**(5,057)**	(1,714)
Selling and distribution expenses		**(14,610)**	(13,726)
Administrative expenses		**(138,342)**	(241,156)
(Loss)/profit from operations		**(127,674)**	851,707
Finance costs	*11*	**(5,311)**	(3,495)
Gain on fair value change of contingent consideration	*37*	**–**	23,658
Loss on extension and redemption of convertible bonds	*33*	**–**	(3,707)
Gain/(loss) on fair value change of derivative financial instrument	*33*	**18,336**	(1,137)
Share of loss of a joint venture		**(7,678)**	(4,180)
Impairment loss on goodwill		**–**	(1,716)
Impairment loss on property, plant and equipment		**(16,186)**	–
Impairment loss on right-of-use assets		**(3,484)**	–
Loss on disposal of a joint venture		**(2)**	–
(Loss)/gain on deregistration/disposal of subsidiaries	*41(a)(b)(c)*	**(26)**	1,696
(Loss)/profit before tax		**(142,025)**	862,826
Income tax credit/(expense)	*12*	**1,319**	(157,258)
(Loss)/profit for the year	*13*	**(140,706)**	705,568
(Loss)/profit for the year attributable to:			
Owners of the Company		**(95,447)**	258,087
Non-controlling interests		**(45,259)**	447,481
		(140,706)	705,568

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
(Loss)/profit for the year		**(140,706)**	705,568
Other comprehensive loss after tax:			
Item that will not be reclassified to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income ("**FVTOCI**")	25	**(26,022)**	(38,028)
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(7,525)**	(12,550)
Release of exchange difference upon disposal of associates		**–**	(740)
		(7,525)	(13,290)
Other comprehensive loss for the year, net of tax		**(33,547)**	(51,318)
Total comprehensive (loss)/income for the year		**(174,253)**	654,250
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(128,538)**	211,489
Non-controlling interests		**(45,715)**	442,761
		(174,253)	654,250
(Loss)/earnings per share	18		
Basic and diluted (cents)		**(9.9)**	26.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	19	**100,535**	96,073
Right-of-use assets	20	**23,680**	32,782
Goodwill	21	**107,181**	110,083
Intangible assets	22	**57,644**	67,313
Investment in a joint venture	24	**–**	16,220
Financial assets at FVTOCI	25	**56,920**	82,942
Prepayment	27	**55,236**	51,765
Pledged bank deposits	29	**–**	128,556
		401,196	585,734
Current assets			
Inventories	26	**9,274**	18,725
Trade and other receivables	27	**39,636**	765,547
Loan and interest receivables	28	**–**	7,632
Tax recoverable		**5,360**	83
Pledged bank deposits	29	**134,809**	–
Bank and cash balances	29	**72,087**	92,770
Total current assets		**261,166**	884,757
TOTAL ASSETS		**662,362**	1,470,491
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	30	**96,323**	96,323
Other reserves	32	**366,431**	506,352
		462,754	602,675
Non-controlling interests		**27,972**	223,845
Total equity		**490,726**	826,520
LIABILITIES			
Non-current liabilities			
Convertible bonds	33	**–**	55,796
Derivative financial liabilities		**–**	22,252
Lease liabilities	34	**5,727**	9,367
Deferred tax liabilities	35	**6,442**	7,892
		12,169	95,307
Current liabilities			
Trade and other payables	36	**57,152**	290,045
Convertible bonds	33	**53,877**	–
Derivative financial liabilities		**3,916**	–
Lease liabilities	34	**9,829**	10,980
Contingent consideration	37	**–**	–
Borrowings	38	**30,963**	5,641
Current tax liabilities		**3,730**	241,998
Total current liabilities		**159,467**	548,664
TOTAL EQUITY AND LIABILITIES		**662,362**	1,470,491

Approved by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Liu Xiaolin
Director

He Xun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share-based payments reserve HK$'000 *(note 32b(i))*	Special reserve HK$'000 *(note 32b(ii))*	Shares held under Share Award Scheme HK$'000	Other reserves HK$'000 *(Note 32b(iii))*	Financial assets at FVTOCI reserve HK$'000 *(Note 32b(iv))*	Foreign currency translation reserve HK$'000 *(Note 32b(v))*	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	96,323	490,692	16,451	212,948	–	6,482	42,910	4,725	(475,133)	395,398	70,497	465,895
Total comprehensive income for the year	–	–	–	–	–	–	(34,163)	(12,435)	258,087	211,489	442,761	654,250
Release of financial assets at FVTOCI upon disposal	–	–	–	–	–	–	2,520	–	(2,520)	–	–	–
Purchase of shares under share award scheme *(note 40(b))*	–	–	–	–	(2,985)	–	–	–	–	(2,985)	–	(2,985)
Share-based payments *(note 40(a))*	–	–	2,015	–	–	–	–	–	–	2,015	–	2,015
Lapse of share options *(note 40(a))*	–	–	(9,657)	–	–	–	–	–	9,657	–	–	–
Changes in ownership interests in subsidiaries without loss of control	–	–	–	–	–	6	(3,245)	–	(3)	(3,242)	2,191	(1,051)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	8,396	8,396
Dividend paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	(300,000)	(300,000)
Change in equity for the year	–	–	(7,642)	–	(2,985)	6	(34,888)	(12,435)	265,221	207,277	153,348	360,625
At 31 December 2022	96,323	490,692	8,809	212,948	(2,985)	6,488	8,022	(7,710)	(209,912)	602,675	223,845	826,520
At 1 January 2023	**96,323**	**490,692**	**8,809**	**212,948**	**(2,985)**	**6,488**	**8,022**	**(7,710)**	**(209,912)**	**602,675**	**223,845**	**826,520**
Total comprehensive loss for the year	–	–	–	–	–	–	**(26,022)**	**(7,069)**	**(95,447)**	**(128,538)**	**(45,715)**	**(174,253)**
Transfer upon deregistration of a subsidiary *(note 41(c))*	–	–	–	–	–	–	–	–	–	–	**(13)**	**(13)**
Purchase of shares under Share Award Scheme *(note 40(b))*	–	–	–	–	**(4,185)**	–	–	–	–	**(4,185)**	–	**(4,185)**
Share granted under Share Award Scheme	–	–	–	–	**548**	–	–	–	–	**548**	–	**548**
Share-based payments *(note 40(a))*	–	–	**1,886**	–	–	–	–	–	–	**1,886**	–	**1,886**
Lapse of share options *(note 40(a))*	–	–	**(4,193)**	–	–	–	–	–	**4,193**	–	–	–
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	**5,855**	**5,855**
Dividend paid *(note 17)*	–	–	–	–	–	–	–	–	**(9,632)**	**(9,632)**	–	**(9,632)**
Dividend paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	**(156,000)**	**(156,000)**
Changes in equity for the year	–	–	**(2,307)**	–	**(3,637)**	–	**(26,022)**	**(7,069)**	**(100,886)**	**(139,921)**	**(195,873)**	**(335,794)**
At 31 December 2023	**96,323**	**490,692**	**6,502**	**212,948**	**(6,622)**	**6,488**	**(18,000)**	**(14,779)**	**(310,798)**	**462,754**	**27,972**	**490,726**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(142,025)**	862,826
Adjustments for:			
Finance costs	*11*	**5,311**	3,495
Interest income	*9*	**(3,742)**	(153)
Dividend income	*9*	**(23)**	–
Loss/(gain) on deregistration/disposal of subsidiaries	*41(a)(b)(c)*	**26**	(1,696)
Loss on disposal of a joint venture		**2**	–
Depreciation of property, plant and equipment	*19*	**36,448**	47,034
Depreciation of right-of-use assets	*20*	**10,884**	10,678
Loss on extension and redemption of convertible bond	*33*	**–**	3,707
Gain on fair value change of contingent consideration	*37*	**–**	(23,658)
(Gain)/loss on fair value change of derivative financial instrument	*33*	**(18,336)**	1,137
Amortisation of intangible assets	*22*	**8,248**	8,689
Gain on disposal of property, plant and equipment	*9*	**(322)**	(1,082)
Equity-settled share-based payments	*40(a)*	**1,886**	2,015
Fair value gain on financial assets at FVTPL		**–**	(2,707)
Write-down of inventories		**11,671**	–
Allowance for impairment loss on financial assets, net	*6(c)*	**5,057**	1,714
Impairment loss on property, plant and equipment		**16,186**	–
Impairment loss on right-of-use assets		**3,484**	–
Written off on property, plant and equipment	*9*	**1,521**	4
Gain on termination of leases		**(71)**	–
Impairment loss on goodwill	*21*	**–**	1,716
Share of loss in a joint venture		**7,678**	4,180
Operating cash flows before working capital changes		**(56,117)**	917,899
Increase in inventories		**(2,220)**	(13,987)
Decrease/(increase) in trade and other receivables		**728,446**	(664,230)
Decrease in loan and interest receivables		**1,440**	7,806
(Decrease)/increase in trade and other payables		**(232,893)**	237,102
Cash generated from operations		**438,656**	484,590
Income taxes paid		**(243,463)**	(1,842)
Net cash generated from operating activities		**195,193**	482,748

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash (outflow)/inflow on deregistration/disposal subsidiaries	*41(a)(b)(c)*	**(39)**	5,374
Net cash inflow on disposal of a joint venture		**7,140**	–
Interest received		**3,742**	153
Dividend income		**23**	–
Proceeds from disposal of property, plant and equipment		**372**	33
Proceeds from disposal of financial assets at FVTPL		**–**	69
Purchases of property, plant and equipment	*19*	**(59,413)**	(56,404)
Prepayment of property, plant and equipment purchase		**(3,471)**	(51,765)
Purchase of land use rights	*20*	**–**	(13,346)
Placement of restricted bank deposits		**(6,253)**	(128,556)
Investment in a joint venture		**–**	(11,869)
Dividend paid	*17*	**(9,632)**	–
Net cash used in investing activities		**(67,531)**	(256,311)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**–**	(8,151)
Borrowings raised		**31,053**	4,075
Repayment of lease liabilities		**(11,196)**	(10,533)
Capital injection from non-controlling shareholders of a subsidiary		**–**	490
Proceeds on issue of convertible bonds		**–**	38,975
Repurchase of shares under Share Award Scheme		**(3,637)**	(2,985)
Interest paid		**(6,387)**	(3,830)
Dividend paid to non-controlling shareholders of a subsidiary		**(156,000)**	(300,000)
Net cash used in financing activities		**(146,167)**	(281,959)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(18,505)**	(55,522)
Effect of foreign exchange rate changes		**(2,178)**	(2,262)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**92,770**	150,554
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**72,087**	92,770
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	*29*	**72,087**	92,770

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 medical laboratory testing services and health check services in Hong Kong; (ii) provision of tumor immune cell therapy and health management services in the People's Republic of China (the "**PRC**"); (iii) sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; and (iv) provision of insurance brokerage services.

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).

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 new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has 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.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 4 to the consolidated financial statements.

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

(a) Application of new and revised HKFRSs – *Continued*

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The application has had no material impact on the Group's financial positions and performance and on the disclosures set out in these consolidated financial statements.

(b) Revised HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("**HK Int 5 (Revised)**")	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

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 material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(a) Consolidation – *Continued*

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.

(b) Separate financial statements

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). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

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

(c) 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, with limited exceptions, 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 the cash-generating units ("**CGU**") 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. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(d) 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. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(e) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint 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.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture 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 joint venture'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 a joint venture 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 a joint venture'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 a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture 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 a joint venture that results in a loss of joint 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 joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(f) 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$**"), which is the Company's presentation and functional currency. Other than those subsidiaries established in the People's Republic of China ("**PRC**") whose functional currency of the principal operating subsidiaries of the Group is Renminbi ("**RMB**"), the functional currency of other subsidiaries is HK$. 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. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(g) 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.

(h) 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.

(i) 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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(h) Leases – *Continued*

(i) The Group as lessee – Continued

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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. terms, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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.

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. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(h) Leases – *Continued*

(i) 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.

(ii) 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.

(iii) Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of HKFRS 9.

(i) Other 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. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(i) Other 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.

(j) 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.

(k) Recognition and derecognition of financial instruments

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

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. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(l) 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.

(m) 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.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

4. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(n) 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**").

(o) 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.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

(q) 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.

(r) 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.

(s) 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. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(t) 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.

(u) 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.

Dividend income is recognised when the shareholders' rights to receive payment are established.

4. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(v) 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.

(w) 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. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(w) 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.

(x) 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.

(y) 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. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(z) 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 temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences 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 and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

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. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and a deferred tax liability for all taxable temporary differences.

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, or to realise the asset and settle the liability simultaneously.

4. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(aa) 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.

(ab) Impairment financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade and other receivables, loan and interest receivables, pledged bank deposits and bank and cash balances. 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. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(ab) 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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(ab) Impairment of financial assets – *Continued*

***Significant increase in credit risk** – Continued*

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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION – *Continued*

(ab) Impairment of financial assets – *Continued*

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.

(ac) 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.

(ad) 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

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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) Joint control assessment

Although SDCL has subscribed 51% equity interest and participation share of 51% to the profits/(loss) and assets/(liabilities) of Hong Kong Medical Test Centre Limited ("**HKMTCL**"), it is treated as a joint venture because the decision about the relevant business activities and operation activities of HKMTCL require unanimous board approval from the directors of HKMTCL appointed by the Group and those appointed by Sure Metro Limited ("**SML**"), pursuant to the joint venture agreement dated 11 March 2022 and supplemental agreement dated 20 May 2022. The directors of the Company considered the investments in HKMTCL as a joint venture accordingly.

(c) 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.

(d) 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.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Critical judgements in applying accounting policies – *Continued*

(e) 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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation and 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) 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 judgment 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 amounts.

Further, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to recovery 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 2023 were approximately HK$100,535,000 (2022: HK$96,073,000) and approximately HK$23,680,000 (2022: HK$32,782,000) respectively.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty – *Continued*

(b) 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 recovery 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$107,181,000 (2022: HK$110,083,000). No provision of impairment loss was recognised during the year (2022: HK$1,716,000). 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$57,644,000 (2022: HK$67,313,000). No provision of impairment loss was recognised during the year (2022: Nil). Details of the impairment loss calculation are provided in note 22 to the consolidated financial statements.

(c) Impairment of trade receivables and loan and interest receivables

The Group uses practical expedient in estimating ECL on trade receivables using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to the recovery on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged volatility or disruptions in energy, financial, foreign currency or commodity markets could led to increased credit default rates. The information about the ECL and the Group's trade receivables are disclosed in note 6(c).

As at 31 December 2023, the carrying amount of trade receivables and loan and interest receivables is approximately HK$19,764,000 and HK$Nil respectively (net of allowance for impairment loss of HK$3,409,000 and HK$10,316,000 respectively) (2022: approximately HK$751,899,000 and HK$7,632,000 respectively (net of allowance for impairment loss of HK$4,544,000 and HK$4,124,000 respectively)).

(d) 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. No allowance for slow-moving inventories has been provided for the year ended 31 December 2023 (2022: Nil).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty – *Continued*

(e) Fair value of derivative component

As disclosed in note 33 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 component as at 31 December 2023 was HK$3,916,000 (2022: HK$22,252,000).

(f) 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 2023.

The financial assets at FVTOCI as at 31 December 2023 was approximately HK$56,920,000 (2022: HK$82,942,000).

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.

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in 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 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 (2022: 5% higher/lower):

- Total comprehensive income for the year ended 31 December 2023 would increase/decrease by approximately HK$236,000 (2022: HK$684,000). This is mainly due to the changes in fair value of financial assets at FVTOCI.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(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 has concentration of credit risk as 24% (2022: 69%) and 70% (2022: 98%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively to provide disclosures of other types of significant credit risk concentration. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

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 2023 and 2022:

		2023	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	**HK$'000**	**HK$'000**
Current (not past due)	**0.1%**	**11,121**	**11**
1 to 30 days past due	**0.5%**	**834**	**4**
31 to 60 days past due	**0.5%**	**1,112**	**6**
61 to 90 days past due	**0.5%**	**2,148**	**11**
More than 90 days past due	**7.7%-100%**	**7,958**	**3,377**
		23,173	**3,409**

		2022	
	Expected loss rate	Gross carrying amount	Loss allowance
	%	HK$'000	HK$'000
Current (not past due)	0.1%	549,951	696
1 to 30 days past due	0.8%	201,729	1,664
31 to 60 days past due	0.8%	206	2
61 to 90 days past due	0.8%	415	4
More than 90 days past due	11.7% – 100%	4,142	2,178
		756,443	4,544

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:

	2023 **HK$'000**	2022 HK$'000
At 1 January	**4,544**	1,093
(Reversal)/allowance of impairment losses recognised for the year, net	**(1,135)**	3,895
Amounts written off during the year	**–**	(354)
Disposal of subsidiaries	**–**	(90)
At 31 December	**3,409**	4,544

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.

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.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Loan and interest receivables – *Continued*

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.

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.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Loan and interest receivables – *Continued*

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 2022	6,305
Reversal of impairment losses recognised for the year	(2,181)
At 31 December 2022 and 1 January 2023	4,124
Impairment losses recognised for the year	**6,192**
At 31 December 2023	**10,316**

(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 2023					
Trade and other payables	**56,720**	**–**	**–**	**56,720**	**56,720**
Borrowings	**30,963**	**–**	**–**	**30,963**	**30,963**
Convertible bonds	**85,156**	**–**	**–**	**85,156**	**53,877**
Lease liabilities	**10,390**	**5,474**	**395**	**16,259**	**15,556**
	183,229	**5,474**	**395**	**189,098**	**157,116**
At 31 December 2022					
Trade and other payables	289,668	–	–	289,668	289,668
Borrowings	5,641	–	–	5,641	5,641
Convertible bonds	6,314	85,156	–	91,470	55,796
Lease liabilities	11,766	7,145	2,562	21,473	20,347
	313,389	92,301	2,562	408,252	371,452

6. FINANCIAL RISK MANAGEMENT – *Continued*

(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, bank and other borrowings, and bank deposit.

At 31 December 2023, if interest rates had been 100 basis points higher/lower with all other variables held constant, consolidated (loss)/profit after tax for the year would have been approximately HK$1,309,000 (2022: HK$1,577,000) 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, and bank and other borrowings.

(f) Categories of financial instruments at 31 December

	2023 **HK$'000**	2022 HK$'000
Financial assets:		
Financial assets at amortised cost	**240,703**	989,755
Financial assets at FVTOCI:		
– Equity instrument	**56,920**	82,942
Financial liabilities:		
Derivative financial liabilities	**3,916**	22,252
Financial liabilities at amortised cost	**157,116**	371,452

(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.

(a) Disclosures of level in fair value hierarchy at 31 December 2022 and 2023:

Description	Fair value measurements using: Level 1		Fair value measurements using: Level 3	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI:				
Unlisted equity securities	**–**	–	**52,204**	69,270
Listed securities in Hong Kong	**4,716**	13,672	**–**	–
Total	**4,716**	13,672	**52,204**	69,270
Financial liabilities				
Derivatives	**–**	–	**3,916**	22,252

7. FAIR VALUE MEASUREMENTS – *Continued*

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Held for trading securities HK$'000	Financial assets at FVTOCI HK$'000	Derivative financial assets/ (liabilities) HK$'000	Contingent consideration HK$'000
At 1 January 2022	1,759	122,021	1,527	(23,658)
Disposal	(68)	–	–	–
Disposal of subsidiaries	(4,398)	–	–	–
Transfer securities to a non-controlling shareholder of a subsidiary	–	(1,051)	–	–
Extension of convertible bonds	–	–	1,290	–
Redemption of convertible bonds	–	–	(1,680)	–
Fair value loss recognised in other comprehensive income	–	(38,028)	–	–
Transfer out of level 3	–	(13,672)	–	–
Fair value gain/(loss) recognised in profit or loss	2,707	–	(1,137)	23,658
Derivative component upon issuance of 2022 Convertible Bonds	–	–	(22,252)	–
At 31 December 2022 and 1 January 2023	**–**	**69,270**	**(22,252)**	**–**
Fair value loss recognised in other comprehensive income	**–**	**(17,066)**	**–**	**–**
Fair value gain recognised in profit or loss	**–**	**–**	**18,336**	**–**
At 31 December 2023	**–**	**52,204**	**(3,916)**	**–**

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2023 and 2022:

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.

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 2023 and 2022: – *Continued*

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							
					Effect on fair value for increase of inputs	Fair value	
			Range			2023 HK$'000	2022 HK$'000
Description	Valuation technique	Unobservable inputs	2023	2022		Assets/(Liabilities)	
Private equity investments classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	15%-16%	16%	Increase	52,204	69,270
		Growth rate	2.5%-3%	3%	Increase		
		Discount for lack of marketability	23.6%	20%	Decrease		
Derivative: option component of convertible bonds	Binomial option pricing model	Expected volatility	68%	78%	Increase	(3,916)	(22,252)
		Discount rate	5.5%	5.1%	Increase		

8. REVENUE

Disaggregation of revenue from contracts with customers by major products or services line for the year is as follows:

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of medical laboratory testing services and health check services	192,910	1,619,568
Sale and distribution of health related and pharmaceutical products	881	217,179
Provision of insurance brokerage services	18,163	6,933
Money lending business	–	35
Provision of logistic services	31	7,817
	211,985	1,851,532
Gross proceeds from trading of securities *(note)*	–	69
Gross proceeds	211,985	1,851,601

Note: The gross proceeds from trading of securities were recorded in "net gain on financial assets at fair value through profit or loss" after setting off the relevant cost.

8. REVENUE – *Continued*

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	Provision of medical laboratory testing services and health check services		Sale and distribution of health related and pharmaceutical products		Provision of insurance brokerage services		Money lending business		Provision of logistic services		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Primary geographical markets												
– Hong Kong	**192,897**	1,619,568	**881**	216,978	**18,163**	6,933	**–**	35	**31**	7,817	**211,972**	1,851,331
– The PRC except Hong Kong	**13**	–	**–**	201	**–**	–	**–**	–	**–**	–	**13**	201
Segment revenue	**192,910**	1,619,568	**881**	217,179	**18,163**	6,933	**–**	35	**31**	7,817	**211,985**	1,851,532
Timing of revenue recognition												
Products and services transferred at a point in time	**192,910**	1,619,568	**881**	217,179	**18,163**	6,933	**–**	35	**–**	–	**211,954**	1,843,715
Products and services transferred over time	**–**	–	**–**	–	**–**	–	**–**	–	**31**	7,817	**31**	7,817
Total	**192,910**	1,619,568	**881**	217,179	**18,163**	6,933	**–**	35	**31**	7,817	**211,985**	1,851,532

9. OTHER INCOME, GAINS/(LOSSES)

	2023 HK$'000	2022 HK$'000
Interest income	**3,742**	153
Dividend income	**23**	–
Government grants *(note)*	**64**	3,361
Gain on disposal of property, plant and equipment	**322**	1,082
Loss on written-off property, plant and equipment	**(1,521)**	(4)
Net foreign exchange loss	**(7,255)**	(869)
COVID-19 related rent concessions	**–**	195
Others	**636**	721
	(3,989)	4,639

Note:

During the year ended 31 December 2023, the Group recognised government grants of HK$64,000 (2022: HK$3,361,000) in respect of COVID-19 related subsidies, of which none (2022: HK$3,228,000) related to the Employment Support Scheme provided by the Hong Kong government.

10. SEGMENT INFORMATION

The Group has five operating segments as follows:

Medical and health related services	–	provision of medical laboratory testing services and health check services
Immunotherapy	–	provision of tumor immune cell therapy and health management services
Pharmaceutical products	–	sale and distribution of health related and pharmaceutical products
Securities	–	trading of securities
Insurance brokerage	–	insurance brokerage services
BNCT	–	provision of boron neutron capture therapy treatment 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, gain/(losses), unallocated administrative expenses, gain on fair value change of contingent consideration, loss on partial redemption of convertible bonds, gain/(loss) on fair value change of derivative financial instrument, (loss)/gain on deregistration/disposal of subsidiaries, share of loss of a joint venture, loss on disposal of joint venture, finance costs and income tax credit/(expense). Segment assets do not include the unallocated bank and cash balances, current and deferred tax assets, and financial assets at FVTOCI. 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.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

10. SEGMENT INFORMATION – *Continued*

Information about operating segment profit or loss, assets and liabilities:

	Medical and health related services HK$'000	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Securities HK$'000	Insurance brokerage HK$'000	BNCT HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2023								
Revenue from external customers	192,910	–	881	–	18,163	–	31	211,985
Intersegment revenue	164	–	1,692	–	–	–	3,709	5,565
Segment (loss)/profit	(55,468)	(42,167)	(1,328)	–	999	(6,985)	(6,030)	(110,979)
Other income, gain/(losses)								(3,989)
Finance costs								(5,311)
Gain on fair value change of derivative financial instruments								18,336
Share of loss of a joint venture								(7,678)
Loss on disposal of a joint venture								(2)
Loss on deregistration of subsidiaries								(26)
Unallocated corporate expenses								(32,376)
Loss before tax								(142,025)
Income tax credit								1,319
Loss for the year								(140,706)
As at 31 December 2023								
Segment assets	92,553	150,583	1,448	–	9,653	138,240	73	392,550
Unallocated corporate assets								269,812
Total assets								662,362
Segment liabilities	35,615	6,473	3,091	–	996	23,260	172	69,607
Unallocated corporate liabilities								102,029
Total liabilities								171,636

10. SEGMENT INFORMATION – *Continued*

Information about operating segment profit or loss, assets and liabilities: – *Continued*

	Medical and health related services HK$'000	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Securities HK$'000	Insurance brokerage HK$'000	BNCT HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2022								
Revenue from external customers	1,619,568	–	217,179	–	6,933	–	7,852	1,851,532
Intersegment revenue	2,843	–	64,032	–	–	–	5,669	72,544
Segment profit/(loss)	861,298	(40,008)	75,468	1,958	(3,258)	(2,779)	2,181	894,860
Other income, gain/(losses)								4,639
Finance costs								(3,495)
Gain on fair value change of contingent consideration								23,658
Loss on extension and redemption of convertible bonds								(3,707)
Loss on fair value change of derivative financial instrument								(1,137)
Share of loss of a joint venture								(4,180)
Gain on disposal of subsidiaries								1,696
Unallocated corporate expenses								(49,508)
Profit before tax								862,826
Income tax expense								(157,258)
Profit for the year								705,568
As at 31 December 2022								
Segment assets	891,833	163,934	417	–	9,172	70,858	6,816	1,143,030
Unallocated corporate assets								327,461
Total assets								1,470,491
Segment liabilities	518,987	8,397	3,740	–	422	196	2,578	534,320
Unallocated corporate liabilities								109,651
Total liabilities								643,971

10. SEGMENT INFORMATION – *Continued*

Other segment information

Other segment information for the year ended 31 December 2023:

	Medical and health related services HK$'000	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Securities HK$'000	Insurance brokerage HK$'000	BNCT HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	806	198	–	–	–	58,404	5	59,413
Amortisation of intangible assets	–	8,248	–	–	–	–	–	8,248
Depreciation of property, plant and equipment	34,998	1,387	5	–	–	–	58	36,448
Depreciation of right-of-use assets	5,689	1,019	303	–	121	252	3,500	10,884
(Reversal)/provision of allowance for impairment loss on financial assets, net	(1,135)	–	–	–	–	–	6,192	5,057
Impairment loss on property, plant and equipment	16,186	–	–	–	–	–	–	16,186
Impairment loss on right-of-use assets	3,484	–	–	–	–	–	–	3,484
Write-down of inventories	11,671	–	–	–	–	–	–	11,671

Other segment information for the year ended 31 December 2022:

	Medical and health related services HK$'000	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Securities HK$'000	Insurance brokerage HK$'000	BNCT HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	48,793	1,436	6	–	–	6,068	101	56,404
Amortisation of intangible assets	–	8,689	–	–	–	–	–	8,689
Depreciation of property, plant and equipment	45,555	1,181	2	3	36	–	257	47,034
Depreciation of right-of-use assets	7,060	35	201	–	236	155	2,991	10,678
Impairment loss recognised on goodwill	–	–	–	–	1,716	–	–	1,716
Provision/(reversal) of allowance for impairment loss on financial assets, net	3,895	–	–	–	–	–	(2,181)	1,714

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	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**211,972**	1,851,331	**66,984**	126,168
The PRC except Hong Kong	**13**	201	**277,292**	231,848
	211,985	1,851,532	**344,276**	358,016

Revenue from major customers:

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2023	2022
	HK$'000	HK$'000
Provision of medical and health related services segment		
Customer A	**66,194**	900,235
Customer B	**N/A***	524,324
Sale and distribution of health related and pharmaceutical products segment		
Customer A	**–**	206,858
Customer B	**–**	3,816
Provision of logistic services segment		
Customer B	**–**	7,782

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

11. FINANCE COSTS

	2023	2022
	HK$'000	HK$'000
Interest on lease liabilities	**843**	751
Interest on borrowings	**73**	–
Effective interest on convertible bonds	**4,395**	2,744
	5,311	3,495

12. INCOME TAX (CREDIT)/EXPENSE

Income tax has been recognised in profit or loss as follows:

	2023 HK$'000	2022 HK$'000
Current tax		
Hong Kong Profits Tax	223	158,353
(Over)/under-provision in prior years	(305)	208
	(82)	158,561
Deferred tax *(note 35)*	(1,237)	(1,303)
	(1,319)	157,258

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% (2022: 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% (2022: 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 (credit)/expense and the product of (loss)/profit before tax multiplied by the respective applicable tax rate is as follows:

	2023 HK$'000	2022 HK$'000
(Loss)/profit before tax	(142,025)	862,826
Tax at the respective applicable tax rates	(21,992)	150,772
Tax effect of share of results of a joint venture	1,267	690
Tax effect of income that is not taxable	(1,045)	(5,125)
Tax effect of expenses that are not deductible	4,391	1,382
Tax effect of temporary differences not recognised	4,645	1,693
Tax effect of tax losses not recognised	12,107	8,121
Tax effect of utilisation of tax losses not previously recognised	(378)	(288)
(Over)/under-provision in prior years	(305)	208
Tax concession	(9)	(195)
Income tax (credit)/expense	(1,319)	157,258

13. (LOSS)/PROFIT FOR THE YEAR

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

	2023 HK$'000	2022 HK$'000
Amortisation of intangible assets	8,248	8,689
Depreciation of property, plant and equipment	36,448	47,034
Depreciation of right-of-use assets	10,884	10,678
Gain on disposal of property, plant and equipment	(322)	(1,082)
Loss on written-off property, plant and equipment	1,521	4
(Gain)/loss on fair value change of derivative financial instruments	(18,336)	1,137
Operating lease charges		
– Office premises and warehouses	3,624	2,785
Staff costs including directors' remuneration		
– Salaries, bonuses and allowances	87,903	161,883
– Equity-settled share-based payments	1,708	1,581
– Retirement benefits scheme contributions	2,996	3,271
	92,607	166,735
Research and development cost	29,042	27,760
Auditor's remuneration		
– Audit services	1,200	1,200
– Non-audit services	45	2,150
	1,245	3,350
Cost of inventories sold	37,775	351,487
Write-down on inventories (included in cost of sales)	11,671	–
Allowance for impairment loss on financial assets, net	5,057	1,714
Impairment loss on property, plant and equipment	16,186	–
Impairment loss on right-of-use assets	3,484	–

14. EMPLOYEE BENEFITS EXPENSE

	2023 HK$'000	2022 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**87,903**	161,883
Equity-settled share-based payments	**1,708**	1,581
Retirement benefit scheme contributions *(note 16)*	**2,996**	3,271
	92,607	166,735

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2022: two) directors whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining three (2022: three) individual is set out below:

	2023 HK$'000	2022 HK$'000
Salaries and allowances	**4,440**	2,328
Discretionary bonuses	**–**	50,064
Equity-settled share-based payments	**–**	263
Retirement benefit scheme contributions	**54**	36
	4,494	52,691

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$28,500,001 to HK$29,000,000	**–**	–
HK$29,000,001 or above	**–**	1
	3	3

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 2023 and 2022. In addition, no emolument was paid by the Group to the any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2023, 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	3,000	1,714	–	275	18	5,007
Mr. He Xun	635	–	–	422	–	1,057
Mr. Huang Song	580	–	–	–	–	580
Ms. Chui Hoi Yam *(note i)*	–	–	–	–	–	–
Non-executive Directors						
Ms. Chui Hoi Yam *(note i)*	600	–	–	1,286	–	1,886
Independent Non-executive Directors						
Mr. Yan Guoxiang	240	–	–	–	–	240
Mr. Qian Hongji	240	–	–	–	–	240
Dr. Ho Ivan Chun Kit	240	–	–	–	–	240
	5,535	1,714	–	1,983	18	9,250

15. BENEFITS AND INTERESTS OF DIRECTORS – *Continued*

(a) Directors' emoluments – *Continued*

For the year ended 31 December 2022, 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	3,000	1,890	6,720	46	18	11,674
Mr. He Xun	683	–	–	1,030	–	1,713
Mr. Huang Song	998	–	–	–	–	998
Ms. Chui Hoi Yam *(note i)*	44	–	–	–	–	44
Non-executive Directors						
Mr. Wang Zheng *(note ii)*	223	–	–	29	–	252
Independent Non-executive Directors						
Mr. Yan Guoxiang	240	–	–	–	–	240
Mr. Qian Hongji	240	–	–	–	–	240
Dr. Ho Ivan Chun Kit	240	–	–	–	–	240
	5,668	1,890	6,720	1,105	18	15,401

Notes:

(i) Ms. Chui Hoi Yam was appointed as an executive director in the Board meeting on 5 December 2022 and re-designated from her position as executive director to non-executive director on 30 June 2023.

(ii) Mr. Wang Zheng resigned as a non-executive Director in the Board meeting on 5 December 2022.

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 2023 and 2022.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2022: Nil).

15. BENEFITS AND INTERESTS OF DIRECTORS – *Continued*

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

During the year ended 31 December 2023, the Company did not pay consideration to any third parties for making available directors' services (2022: Nil).

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

During the year ended 31 December 2023, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2022: Nil).

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

Except as disclosed in Note 45, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 2022 and 2023, 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 2023.

17. DIVIDENDS

	2023 HK$'000	2022 HK$'000
2022 final dividend of HK0.01 each per ordinary share	**9,632**	–

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2023.

18. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following:

	2023 HK$'000	2022 HK$'000
(Loss)/earnings		
(Loss)/earnings for the year for the purpose of calculating basic/diluted (loss)/earnings per share	**(95,447)**	258,087

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted (loss)/earnings per share	**963,231**	963,231

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted (loss)/earnings per share are the same.

The computation of the diluted (loss)/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 2023 and 2022.

The computation of the diluted (loss)/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 a decrease in loss per share for the year ended 31 December 2023 (increase in earnings per share for the year ended 31 December 2022).

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$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2022	12,155	15,211	907	7,461	147,490	–	183,224
Additions	4,792	–	350	4,415	40,779	6,068	56,404
Disposal of subsidiaries	–	–	–	(86)	–	–	(86)
Written off	(167)	–	–	(9)	(430)	–	(606)
Disposals	–	–	(156)	(39)	(17,033)	–	(17,228)
Exchange differences	(12)	–	(29)	(36)	(512)	(189)	(778)
At 31 December 2022 and 1 January 2023	**16,768**	**15,211**	**1,072**	**11,706**	**170,294**	**5,879**	**220,930**
Additions	**128**	**–**	**–**	**432**	**449**	**58,404**	**59,413**
Disposal of subsidiaries	**–**	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Written off	**(1,596)**	**–**	**–**	**(1,566)**	**(3,037)**	**–**	**(6,199)**
Disposals	**–**	**–**	**(615)**	**(104)**	**(1,111)**	**–**	**(1,830)**
Exchange differences	**(5)**	**–**	**(13)**	**(12)**	**(185)**	**(647)**	**(862)**
At 31 December 2023	**15,295**	**15,211**	**444**	**10,453**	**166,410**	**63,636**	**271,449**
Accumulated depreciation							
At 1 January 2022	9,917	2,752	642	6,007	69,196	–	88,514
Charge for the year	1,718	490	143	1,077	43,606	–	47,034
Disposal of subsidiaries	–	–	–	(78)	–	–	(78)
Written off	(167)	–	–	(5)	(430)	–	(602)
Disposals	–	–	(64)	(35)	(9,646)	–	(9,745)
Exchange differences	(6)	–	(10)	(15)	(235)	–	(266)
At 31 December 2022 and 1 January 2023	**11,462**	**3,242**	**711**	**6,951**	**102,491**	**–**	**124,857**
Charge for the year	**2,587**	**491**	**49**	**1,840**	**31,481**	**–**	**36,448**
Disposal of subsidiaries	**–**	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Written off	**(1,596)**	**–**	**–**	**(1,507)**	**(1,578)**	**–**	**(4,681)**
Disposals	**–**	**–**	**(615)**	**(71)**	**(1,091)**	**–**	**(1,777)**
Impairment loss	**2,623**	**–**	**–**	**–**	**13,563**	**–**	**16,186**
Exchange differences	**(3)**	**–**	**(3)**	**(6)**	**(104)**	**–**	**(116)**
At 31 December 2023	**15,073**	**3,733**	**142**	**7,204**	**144,762**	**–**	**170,914**
Carrying amount							
At 31 December 2023	**222**	**11,478**	**302**	**3,249**	**21,648**	**63,636**	**100,535**
At 31 December 2022	5,306	11,969	361	4,755	67,803	5,879	96,073

At 31 December 2023, the carrying amount of property, plant and equipment pledged as security for the Group's borrowings amounted to HK$13,366,000 (2022: Nil).

SDCL is engaging in provision of COVID 19 testing services. Due to the demand of COVID 19 testing have been decreasing significantly during the year ended 31 December 2023, the directors are in opinion there is an impairment indicator to its property, plant and equipment.

During the year, the Group assessed the recoverable amount was determined based on its fair value less cost of disposal and as a result an impairment loss was recognised amounting of HK$16,186,000 in respect of the leasehold improvement and plant and machinery (2022: HK$Nil).

20. RIGHT-OF-USE ASSETS

	Land use rights in the PRC HK$'000	Leased properties HK$'000	Total HK$'000
At 1 January 2022	–	10,784	10,784
Additions	13,346	19,821	33,167
Depreciation	(155)	(10,523)	(10,678)
Exchange differences	(411)	(80)	(491)
At 31 December 2022 and 1 January 2023	**12,780**	**20,002**	**32,782**
Additions	**–**	**6,550**	**6,550**
Depreciation	**(252)**	**(10,632)**	**(10,884)**
Termination of leases	**–**	**(868)**	**(868)**
Impairment loss	**–**	**(3,484)**	**(3,484)**
Exchange differences	**(360)**	**(56)**	**(416)**
At 31 December 2023	**12,168**	**11,512**	**23,680**

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$15,556,000 (2022: HK$20,347,000) are recognised with related right-of-use assets of HK$11,512,000 (2022: HK$20,002,000) as at 31 December 2023. 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.

	2023 HK$'000	2022 HK$'000
Depreciation expenses on right-of-use assets	**10,884**	10,678
Interest expense on lease liabilities (included in finance cost)	**843**	751
Expenses relating to short-term lease (included in cost of goods sold, selling and distribution expenses, and administrative expenses)	**3,624**	2,785

Details of total cash outflow for leases is set out in note 41(e).

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

	2023 HK$'000	2022 HK$'000
Cost		
At 1 January	**139,732**	149,008
Disposal of subsidiaries	**–**	(521)
Exchange differences	**(2,902)**	(8,755)
At 31 December	**136,830**	139,732
Accumulated impairment		
At 1 January	**29,649**	28,454
Disposal of subsidiaries	**–**	(521)
Impairment loss recognised for the year	**–**	1,716
At 31 December	**29,649**	29,649
Carrying amount		
At 31 December	**107,181**	110,083

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:

	2023 HK$'000	2022 HK$'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 Biotech Company Limited ("**Shanghai Longyao**") acquired in 2019 ("**CGU B**")	**99,690**	102,592
Provision of insurance brokerage services:		
– Fortstone International (Hong Kong) Limited ("**Fortstone**") acquired in 2019 ("**CGU C**")	**7,491**	7,491
	107,181	110,083

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.

21. GOODWILL – *Continued*

CGU A is engaging in provision of laboratory testing services and health check services. The valuation had used cash flows projection based on financial budgets approved by management which covered a 5-year period and incorporated therein. 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 18% (2022: 20%).

The key assumptions for the value in use 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 A.

As at 31 December 2023, the recoverable amount of the CGU A is determined based on value-in-use calculation. The recoverable amount of the CGU A is approximately HK$33,719,000 (2022: HK$48,730,000), which was above its carrying amount. A 1% underperformance against forecast sales growth rates would reduce the headroom in CGU A to nil but would not result in an impairment charge.

The Group prepares cash flow forecasts for CGU B engaging in provision of tumor immune cell therapy and health management service. 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 seven years with residual period using the growth rate of 3%. The rate used to discount the fair value less cost of disposal is 17.5% (2022: 17%), 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. The recoverable amount of the CGU B is approximately HK$198,733,000 (2022: HK$181,109,000). A 9.6% underperformance against forecast sales growth rates would reduce the headroom in CGU B to nil but would not result in an impairment charge.

For CGU C engaging in insurance brokage service, 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 19% (2022: 19%).

The key assumptions for the value in use 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 C.

As at 31 December 2023, the recoverable amount of the CGU C is determined based on value-in-use calculation. The recoverable amount of the CGU C is approximately HK$19,927,000 (2022: HK$16,596,000). A 9% underperformance against forecast sales growth rates would reduce the headroom in CGU C to nil but would not result in an impairment charge.

As the recoverable amount of CGU C was below its carrying amount, an impairment provision of HK$1,716,000 was made during the year ended 31 December 2022. A 3% and 5% underperformance against forecast sales growth rates would lead to an impairment to goodwill of HK$522,000 and HK$1,279,000 respectively.

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 2022	12,247	34,915	91,367	1,324	139,853
Exchange differences	–	–	(7,184)	–	(7,184)
At 31 December 2022 and 1 January 2023	**12,247**	**34,915**	**84,183**	**1,324**	**132,669**
Exchange differences	**–**	**–**	**(2,381)**	**–**	**(2,381)**
At 31 December 2023	**12,247**	**34,915**	**81,802**	**1,324**	**130,288**
Accumulated amortisation and impairment losses					
At 1 January 2022	12,247	21,541	25,126	–	58,914
Amortisation for the year	–	–	8,689	–	8,689
Exchange differences	–	–	(2,247)	–	(2,247)
At 31 December 2022 and 1 January 2023	**12,247**	**21,541**	**31,568**	**–**	**65,356**
Amortisation for the year	**–**	**–**	**8,248**	**–**	**8,248**
Exchange differences	**–**	**–**	**(960)**	**–**	**(960)**
At 31 December 2023	**12,247**	**21,541**	**38,856**	**–**	**72,644**
Carrying amount					
At 31 December 2023	**–**	**13,374**	**42,946**	**1,324**	**57,644**
At 31 December 2022	–	13,374	52,615	1,324	67,313

The average remaining amortisation period of the customer relationship and patents are 2 years (2022: 3 years) and 6 years (2022: 7 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 2023, 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. An impairment loss of goodwill amounted of approximately HK$1,716,000 was recognised for the year ended 31 December 2022, and no impairment loss was provided for intangible assets for the year ended 31 December 2023.

At 31 December 2023, two patents with aggregated carrying amount of HK$42,946,000 (2022: HK$Nil) were pledged as security for the Group's other borrowings.

23. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2023 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		Principal activities
				Direct	Indirect	
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	100%	–	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$3,000,000	–	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
Genezone Pharmaceutical Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	100%	Inactive
PHC Biomedicine Logistics Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	97%	Provision of logistic services

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 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
Premier MediCare Services Limited (formerly known as Precision Health Care Services Limited)	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$500,002	–	97%	Provision of health check services
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
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 RMB16,530,285	–	68.13%	Provision of tumor immune cell therapy and health management services
Shenzhen Genezone Biotech Services Company Limited*	The PRC, limited liability company	The PRC	Registered capital RMB20,000,000	–	100%	Provision of health management services
Pengbo (Hainan) Medical Technology Co., Ltd* (“**Pengbo (Hainan)**”)	The PRC, limited liability company	The PRC	Registered capital RMB150,000,000	–	100%	Provision of Boron Neutron Capture Therapy (“**BNCT**”)

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 English name of the subsidiary is used for identification purpose only. The official name of this entity is in Chinese.

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	
	2023	2022
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	**19,273**	89,435
Current assets	**63,564**	789,584
Non-current liabilities	**(1,379)**	(2,078)
Current liabilities	**(21,058)**	(506,113)
Net assets	**60,400**	370,828
Accumulated NCI	**36,240**	222,497
Year ended 31 December:		
Revenue	**141,655**	1,768,211
(Loss)/profit	**(50,428)**	767,429
Total comprehensive income	**(50,428)**	767,429
(Loss)/profit allocated to NCI	**(30,257)**	460,458
Dividends paid to NCI	**(156,000)**	(300,000)
Net cash generated from operating activities	**265,815**	520,224
Net cash generated from/(used in) investing activities	**9,936**	(57,879)
Net cash used in financing activities	**(262,012)**	(503,132)
Net increase/(decrease) in cash and cash equivalents	**13,739**	(40,787)

24. INVESTMENT IN A JOINT VENTURE

	2023 HK$'000	2022 HK$'000
Unlisted investments:		
Share of net assets	–	16,220

On 11 March 2022, SDCL entered a joint venture agreement with Sure Metro Limited ("**SML**"), a wholly-owned subsidiary of Town Health International Medical Group Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 3886). SDCL subscribed 51% of equity interest of Hong Kong Medical Test Centre Limited ("**HKMTC**") by cash of HK$11,869,000 and property, plant and equipment under prepaid maintenance program with total fair value equivalent to HK$8,535,000. The Group has the exercise of joint control as the relevant activities of the joint venture require the unanimous consent of both parties.

The joint venture is accounted for in the consolidation financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint venture. The following table shows information on the joint venture.

As loss was incurred by HKMTC and has carried net assets at the year ended 31 December 2022, the Directors are of the opinion that the joint venture is at the early stage of operation and continue to operate and execute business plan, hence no impairment indicated to the investment.

On 18 June 2023, the Group entered into an agreement with SML to dispose of its 51% equity interest in a joint venture, HKMTC, at a total cash consideration of HK$8,540,000, and resulted in a loss of approximately HK$2,000. The transaction was completed on 20 November 2023.

Name	**HKMTC**	
	2023	2022
Principal place of business/country of incorporation	**Hong Kong/Hong Kong**	
Principal activities	**Provision of laboratory testing services**	
% of ownership interests/voting rights held by the Group	–	51%/50%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	–	19,703
Current assets	–	19,468
Non-current liabilities	–	(1,582)
Current liabilities	–	(5,786)
Net assets	–	31,803
Group's share of net assets	–	16,220
Group's carrying amount of interest	–	16,220
Cash and cash equivalents included in current assets	–	18,382
Current financial liabilities (excluding trade and other payables and provision) included in current liabilities	–	5,681

24. INVESTMENT IN A JOINT VENTURE – *Continued*

	1 January 2023 to 20 November 2023 (date of disposal) HK$'000	Year ended 31 December 2022 HK$'000
Revenue	–	–
Loss from operation	(15,055)	(8,197)
Total comprehensive income	(15,055)	(8,197)
Group's share of loss	(7,678)	(4,180)

25. FINANCIAL ASSETS AT FVTOCI

	2023 HK$'000	2022 HK$'000
Unlisted equity securities at fair value		
As at 1 January	69,270	67,940
Fair value (loss)/gain	(17,066)	1,330
As at 31 December	52,204	69,270
Listed securities in Hong Kong		
As at 1 January	13,672	54,081
Disposal *(note)*	–	(1,051)
Fair value loss	(8,956)	(39,358)
As at 31 December	4,716	13,672
	56,920	82,942
Analysed as:		
Current assets	–	–
Non-current assets	56,920	82,942
	56,920	82,942

Equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Note: The Group transferred its listed securities to a non-controlling shareholder of a subsidiary as the consideration of acquiring the equity interests of a subsidiary from a non-controlling interest shareholder.

Financial assets at FVTOCI are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
HK$	4,716	13,672
US$	52,204	69,270
	56,920	82,942

26. INVENTORIES

	2023 HK$'000	2022 HK$'000
Finished goods	**9,274**	18,725

27. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**23,173**	756,443
Allowance for impairment loss	**(3,409)**	(4,544)
	19,764	751,899
Rental and other deposits	**3,231**	7,142
Other receivables	**10,798**	1,753
Prepayments	**61,065**	56,515
Cash held in securities trading accounts with stock brokers	**14**	3
	75,108	65,413
Total trade and other receivables	**94,872**	817,312
Analysed as:		
Current assets	**39,636**	765,547
Non-current assets	**55,236**	51,765
	94,872	817,312

At 31 December 2023, the carrying amount of other receivables pledged as security for the Group's other borrowings amounted to approximately HK$1,096,000 (equivalent to RMB1,000,000) (2022: Nil).

The Group generally allows an average credit period of 90 days (2022: 90 days) for its pharmaceutical products customers, laboratory testing and health check services customers and logistic service customers and 30 days (2022: 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:

	2023 HK$'000	2022 HK$'000
0 to 90 days	**11,110**	549,256
91 to 180 days	**4,072**	200,680
181 to 365 days	**4,492**	1,771
Over 365 days	**90**	192
	19,764	751,899

As at 31 December 2023, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK$3,409,000 (2022: HK$4,544,000).

27. TRADE AND OTHER RECEIVABLES – *Continued*

As of 31 December 2023, trade receivables of approximately HK$8,654,000 (2022: HK$202,643,000) were past due but not impaired. These related to a number of independent customers for whom there had no recent history of default. The aging analysis of these trade receivables past due but not impaired is as follows:

	2023 HK$'000	2022 HK$'000
Less than 90 days	**4,072**	200,680
91 to 275 days	**4,492**	1,771
Over 275 days	**90**	192
	8,654	202,643

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:

	2023 HK$'000	2022 HK$'000
Loan and interest receivables	**10,316**	11,756
Allowance for impairment loss	**(10,316)**	(4,124)
	–	7,632
Less: non-current portion	**–**	–
Current portion	**–**	7,632

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. PLEDGED BANK DEPOSTS/BANK AND CASH BALANCES

As at 31 December 2023, the Group had pledged bank deposits of approximately HK$134,809,000 (2022: HK$128,556,000).

The restricted bank deposits denominated in RMB approximately amounting to HK$Nil (2022: HK$4,400,000) represented deposits pledged to banks to secure any liquidated damage arisen from the construction or operation of the BNCT Centre in the Boao Pilot Zone from 25 May 2022 to 24 May 2024. The restricted bank deposits denominated in JPY amounting to approximately HK$134,809,000, equivalent to JPY2,490,024,000) (2022: HK$124,156,000, equivalent to JPY2,100,222,000) represented deposits pledged to a bank to secure issuance of an irrevocable letter of credit to the BNCT system supplier, Sumitomo Heavy Industries, Ltd ("**Sumitomo**").

As at 31 December 2023, the bank and cash balances of the Group denominated in RMB and USD amounted to approximately HK$3,115,000 (2022: HK$6,845,000) and HK$290,000 (2022: HK$39,287,000) respectively. 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.

30. SHARE CAPITAL

		2023		2022	
	Note	**Number of shares '000**	**HK$'000**	Number of shares '000	HK$'000
Authorised:					
At 31 December		**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:					
At 1 January and 31 December		**963,231**	**96,323**	963,231	96,323

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 lease liabilities, convertible bond and other borrowings. Total equity comprises all components of equity (i.e. share capital, non-controlling interest and other reserves).

The debt-to-adjusted capital ratios at 31 December 2023 and at 31 December 2022 were as follows:

	2023 HK$'000	2022 HK$'000
Total debt	**100,396**	81,784
Less: cash and cash equivalents	**(72,087)**	(92,770)
Net debt	**28,309**	(10,986)
Total equity	**490,726**	826,520
Debt-to-adjusted capital ratio	**5.77%**	N/A

The increase in debt-to-equity ratio during 2023 resulted primarily from increase of total debt due to the addition of borrowings and decrease of total equity arising from the loss for the year.

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.

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 2023, 35.01% (2022: 35.1%) 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 2023.

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2023 HK$'000	2022 HK$'000
Non-current assets		
Investments in subsidiaries	**1,361**	1,377
Property, plant and equipment	**–**	14
Right-of-use assets	**2,886**	1,377
	4,247	2,768
Current assets		
Prepayments and other receivables	**1,489**	2,228
Amount due from subsidiaries	**357,608**	533,896
Bank and cash balances	**23,110**	42,024
	382,207	578,148
Non-current liabilities		
Convertible bonds	**–**	55,796
Lease liabilities	**1,421**	22,252
	1,421	78,048
Current liabilities		
Accruals and other payables	**2,199**	13,088
Convertible bonds	**53,877**	–
Derivative financial liabilities	**3,916**	–
Bank borrowings	**20,000**	–
Amount due to subsidiaries	**31,569**	33,625
Lease liabilities	**1,614**	1,447
	113,175	48,160
Net current assets	**269,032**	529,988
NET ASSETS	**271,858**	454,708
Capital and reserves		
Share capital	**96,323**	96,323
Reserves	**175,535**	358,385
TOTAL EQUITY	**271,858**	454,708

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY – *Continued*

(b) Reserve movement of the Company

	Share premium HK$'000	Share-based payments reserve HK$'000	Special reserve HK$'000	Shares held under share awarded scheme HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022	490,692	16,451	212,948	–	(494,087)	226,004
Total comprehensive income for the year	–	–	–	–	133,351	133,351
Share-based payments	–	2,015	–	–	–	2,015
Lapse of share options	–	(9,657)	–	–	9,657	–
Shares purchased under Share Award Scheme	–	–	–	(2,985)	–	(2,985)
At 31 December 2022 and 1 January 2023	490,692	8,809	212,948	(2,985)	(351,079)	358,385
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(171,467)**	**(171,467)**
Share granted under Share Award Scheme	**–**	**–**	**–**	**548**	**–**	**548**
Share-based payments	**–**	**1,886**	**–**	**–**	**–**	**1,886**
Lapse of share options	**–**	**(4,193)**	**–**	**–**	**4,193**	**–**
Dividend paid	**–**	**–**	**–**	**–**	**(9,632)**	**(9,632)**
Shares purchased under Share Award Scheme	**–**	**–**	**–**	**(4,185)**	**–**	**(4,185)**
At 31 December 2023	**490,692**	**6,502**	**212,948**	**(6,622)**	**(527,985)**	**175,535**

As at 31 December 2023, the aggregate amount of reserves of the Company available for distribution to owners of the Company was approximately HK$175,535,000 (2022: HK$358,385,000). 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.

32. 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(w) to the consolidated financial statements.

(ii) Special reserve

Special reserve of approximately HK$212,948,000 (2022: 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.

(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(l) 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(f) to the consolidated financial statements.

33. CONVERTIBLE BONDS

On 11 May 2020, the Company issued convertible bonds ("**2020 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 were convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK$1.75 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2020 Convertible Bonds, if any) 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 would be allotted and issued upon exercise of the conversion rights attached to the 2020 Convertible Bonds in full assuming there is no adjustment to the conversion price. The 2020 Convertible Bonds carried interest at a rate of 8.5% per annum, which was 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 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 was two years from issue date. The 2020 Convertible Bonds were secured by 529,500,546 Shares of the Company held by Genius Lead Limited, the controlling shareholder of the Company, and were guaranteed by Mr. Liu Xiaolin, the chairman and executive Director of the Company, and Genius Lead Limited.

On 27 May 2021, the Company redeemed the 2020 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 the 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. Following the partial redemption of the 2020 Convertible Bonds, the bondholder executed a deed of partial release for the release of 264,750,273 Shares being half of the charged shares charged by Genius Lead Limited to the bondholder (the "**Partial Release**"). Upon the Partial Release, the number of Shares held by Genius Lead Limited remained subject to the share charge in favor of the bondholder was 264,750,273 Shares. The guarantees given by Mr. Liu Xiaolin and Genius Lead Limited remained in full force and effect to guarantee and secure the payment obligations of the Company in connection with the 2020 Convertible Bonds.

On 10 May 2022, the Company and the bondholder entered into an amendment agreement for the purpose of extending the maturity date of the outstanding 2020 Convertible Bonds for two years from 10 May 2022 to 10 May 2024. The proposed amendment has taken effect on 24 June 2022.

The modification of extending the maturity date to 10 May 2024 was considered to be a substantial modification of the 2020 Convertible Bonds and accordingly the original 2020 Convertible Bonds were derecognised and the revised 2020 Convertible Bonds were recognised. Loss on the extension of convertible bonds of HK$2,027,000 was recognised during the year ended 31 December 2022.

On 20 December 2022, the Company issued convertible bonds ("**2022 Convertible Bonds**") at the issue price of US$10,000,000 (equivalent to approximately HK$77,800,000) (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$1.45 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2022 Convertible Bonds, if any) and at the exchange rate of HK$7.85 to US$1.00, and on this basis a maximum number of 54,137,931 conversion shares of the Company will be allotted and issued upon exercise of the conversion rights attached to the 2022 Convertible Bonds in full assuming there is no adjustment to the conversion price. The 2022 Convertible Bonds carry interest at a rate of 8.25% per annum, which is payable half-yearly in arrears on 20 June and 20 December. The maturity date is two years from issue date.

33. CONVERTIBLE BONDS – *Continued*

The rate of exchange to be used for any particular date where US dollars are converted to HK dollars or vice versa shall be at the rate of US$1.00 to HK$7.85, provided that, if the average exchange of the Telegraphic Transfer Bank Buy and the Telegraphic Transfer Bank Sell as quoted on the website of the Hongkong 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 for any particular date shall be at the rate of US$1.00 to HK$7.85; and provided further that if the subscriber exercises its conversion right attached to the 2022 Convertible Bonds, the exchange rate for the purpose of conversion will be the rate of US$1.00 to HK$7.85, and that the Company shall pay the subscriber in cash at the time of conversion in an amount resulting from the difference between such rate and at the rate of US$1.00 to HK$7.85.

US$5,000,000 of the total subscription amount for the 2022 Convertible Bonds was satisfied by the bondholder by surrendering the 2020 Convertible Bonds with a total outstanding principal amount of US$5,000,000 to the Company upon which the 2020 Convertible Bonds were cancelled and the Company paid all accrued and unpaid interest on the 2020 Convertible Bonds, and the balance of the total subscription amount for the 2022 Convertible Bonds was satisfied by the bondholder paying US$4,965,000 (being the total subscription amount of the 2022 Convertible Bonds of US$10,000,000, minus US$5,000,000, and minus the costs to be borne by the Company) in cash to the Company. In addition, upon cancellation of the 2020 Convertible Bonds on 30 December 2022, the share charge over 264,750,273 shares held by Genius Lead Limited in favour of the bondholder and the guarantees given by Mr. Liu Xiaolin and Genius Lead Limited in respect of the Company's obligations under the 2020 Convertible Bonds were fully released and discharged.

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
Liability component at and 1 January 2022	38,651
Extension of 2020 Convertible Bonds	3,317
Redemption of 2020 Convertible Bonds	(41,619)
Issuance of 2022 Convertible Bonds	105,492
Deferred losses upon issuance	(26,992)
Transaction cost related to liability component	(466)
Derivative component	(22,252)
Interest expenses	2,744
Interest paid	(3,079)
Liability component at 31 December 2022 and 1 January 2023	**55,796**
Interest expenses	**4,395**
Interest paid	**(6,314)**
Liability component at 31 December 2023	**53,877**

33. CONVERTIBLE BONDS – *Continued*

	(Assets) HK$'000	Liabilities HK$'000	Total HK$'000
Derivative component at 1 January 2022	(3,562)	2,035	(1,527)
Extension and redemption of 2020 Convertible Bonds	(7,618)	8,008	390
Fair value loss/(gain) for the year	11,180	(10,043)	1,137
Derivative component upon issuance of 2022 Convertible Bonds	–	22,252	22,252
Derivative component at 31 December 2022 and 1 January 2023	**–**	**22,252**	**22,252**
Fair value gain for the year	**–**	**(18,336)**	**(18,336)**
Derivative component at 31 December 2023	**–**	**3,916**	**3,916**

The interest charged for the year is calculated by applying an effective interest rate of 5.46% (2022: 5.42%) to the liability component for the period since the issuance date of 30 December 2022 (2022: approximately 12 months).

As of the initial recognition of the 2022 Convertible Bonds, the directors of the Company, with the assistance of an external valuer, estimated that the fair value of the 2022 Convertible Bonds as at 31 December 2022 was HK$105,492,000 by using the discounting cash flow method and binomial option pricing model to measure the liabilities component and derivative component respectively. Since the fair value was not evidenced by a quoted price in an active market for the 2022 Convertible Bonds or based on a valuation technique that used only data from observation markets, the 2022 Convertible Bonds have been measured at its transaction price of HK$78,500,000 upon the initial recognition and the immediate loss of HK$26,992,000 has been deferred.

The directors of the Company estimated that the fair value of the liability component of the convertible bonds as at 31 December 2023 to be approximately HK$80,848,000 (2022: HK$83,240,000). This fair value has been estimated by discounting the future cash flows at the market interest rate and classified as level 3 fair value measurement.

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 measurement). The key assumptions adopted are as follows:

	31 December 2023	31 December 2022
Weighted average share price (HK$)	**0.77**	1.15
Weighted average exercise price (HK$)	**1.45**	1.45
Expected volatility	**67.64%**	77.82%
Expected life	**1**	2
Risk free rate	**3.97%**	4.02%
Expected dividend yield	**Nil**	Nil

34. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**10,390**	11,766	**9,829**	10,980
In the second to fifth years, inclusive	**5,869**	9,707	**5,727**	9,367
	16,259	21,473	**15,556**	20,347
Less: Future finance charges	**(703)**	(1,126)	**N/A**	N/A
Present value of lease obligations	**15,556**	20,347	**15,556**	20,347
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(9,829)**	(10,980)
Amount due for settlement after 12 months			**5,727**	9,367

The weighted average incremental borrowing rates applied to lease liabilities range from 4.75% to 15.7% (2022: 3.0% to 15.7%).

Minimum lease payments are denominated in HK$ and RMB, amount of approximately HK$15,407,000 (2022: HK$19,261,000) and HK$852,000 (2022: HK$2,212,000) respectively.

35. DEFERRED TAX

The following are the deferred tax liabilities recognised by the Group.

	Accelerated tax depreciation
	HK$'000
At 1 January 2022	9,936
Credit to profit or loss for the year *(note 12)*	(1,303)
Exchange differences	(741)
At 31 December 2022 and 1 January 2023	**7,892**
Credit to profit or loss for the year *(note 12)*	**(1,237)**
Exchange differences	**(213)**
At 31 December 2023	**6,442**

At the end of the reporting period, the Group has unused tax losses of approximately HK$238,361,000 (2022: HK$195,924,000) 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 2023, included in unrecognised tax losses are losses of approximately HK$36,703,000, HK$42,447,000, HK$5,283,000, HK$28,594,000, HK$15,014,000, HK$25,763,000, HK$5,343,000, HK$14,550,000, HK$15,575,000 and HK$5,450,000 that will expire in 2033, 2032, 2031, 2030, 2029, 2028, 2027, 2026, 2025 and 2024 respectively. Other tax losses may be carried forward indefinitely.

36. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**5,787**	206,441
Accruals	**23,100**	77,161
Receipt in advance	**432**	377
Other payables	**27,833**	6,066
	57,152	290,045

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

	2023 HK$'000	2022 HK$'000
0 to 90 days	**5,187**	143,915
91 to 180 days	**21**	27,234
181 to 365 days	**24**	35,292
Over 365 days	**555**	–
	5,787	206,441

The carrying amounts of the Group's trade payables are denominated in HK$ amount of approximately HK$5,787,000 (2022: HK$206,441,000).

37. CONTINGENT CONSIDERATION

	Shanghai Longyao HK$'000 *(Note a)*	**Fortstone** HK$'000 *(Note b)*	**Total** HK$'000
At 1 January 2022	22,086	1,572	23,658
Gain on fair value change	(22,086)	(1,572)	(23,658)
At 31 December 2022 and 1 January 2023	**–**	**–**	**–**
Gain on fair value change	**–**	**–**	**–**
At 31 December 2023	**–**	**–**	**–**
Classified as:			
Current liabilities			
– 2023	–	–	–
Current liabilities			
– 2022	–	–	–

As at 31 December 2022, the fair value of the contingent consideration liability was remeasured, and a gain of HK$23,658,000 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 2022.

37. CONTINGENT CONSIDERATION – *Continued*

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 (the "**Issue Price**") if the First Target Achievement is fulfilled. 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 at the Issue Price. 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 at the Issue Price.

The initial amount recognised was HK$34,149,000. 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 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 (the "**Actual Accumulated Profit**") being not less than HK$9,000,000. In the event that the Actual Accumulated Profit is a positive figure but less than HK$9,000,000 upon the third anniversary of the completion date, the Tranche Consideration shall be adjusted to the figure calculated according to the formula 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. The fair value was determined using management's best estimate and was within level 3 fair value measurement with reference to the valuation performed by an independent professional qualified valuer.

38. BORROWINGS

	2023 **HK$'000**	2022 HK$'000
Bank borrowings	**20,000**	–
Other borrowings	**10,963**	5,641
	30,963	5,641

The borrowings are repayable as follows:

	2023 **HK$'000**	2022 HK$'000
Within one year	**30,963**	5,641
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(30,963)**	(5,641)
Amount due for settlement after 12 months	**–**	–

38. BORROWINGS – *Continued*

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

			Total
	HK$	HK$	HK$
2023			
HK$	**20,000**	**–**	**20,000**
RMB	**–**	**10,963**	**10,963**
	20,000	**10,963**	**30,963**
2022			
RMB	–	–	5,641

The average interest rates at 31 December were as follows:

	2023	2022
Bank loans	**1.5% p.a. over HIBOR**	–
Other borrowings	**6%**	8.5%

Bank loans and other borrowings are arranged at floating rates (2022: fixed rates), thus exposing the Group to cash flow interest rate risk.

Bank borrowings of HK$20,000,000 (2022: Nil) are secured by a charge over the Group's property (note 19).

Other borrowing of HK$10,963,000 (2022: Nil) are secured by a charge over the Group's property (note 19), intangible assets (note 22) and other receivables (note 27).

At 31 December 2023, the Group had HK$5,000,000 (2022: Nil) of available undrawn borrowing facilities.

39. RETIREMENT BENEFIT OBLIGATIONS

Obligation to pay LSP under Hong Kong Employment Ordinance (Chapter 57)

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at HK$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme or ORSO plan (see Note 16), with an overall cap of $390,000 per employee. Currently, the group does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the Government gazetted the Amendment Ordinance, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. On the other hand, the accrued benefits derived from the Group's voluntary contributions made pre-, on or post-transition can continue to be used to offset pre– and post-transition LSP. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date and the years of service up to that date.

The Group has determined that the Amendment Ordinance primarily impacts the Group's LSP liability with respect to Hong Kong employees that participate in MPF Scheme. The Amendment Ordinance has no material impact on the Group's LSP liability with respect to employees that participate in the Group's ORSO plans.

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 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 is 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 2021	12 January 2021 to 11 January 2022	1.67	8,260,000
20 August 2019	20 August 2019 to 19 August 2021	20 August 2021 to 19 August 2022	1.68	3,740,000
20 August 2019	20 August 2019 to 19 August 2022	20 August 2022 to 19 August 2023	1.68	3,760,000
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
Employee:				
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
6 January 2023	6 January 2023 to 5 January 2027	6 January 2024 to 5 January 2027	1.45	5,000,000
				38,430,000

40. SHARE-BASED PAYMENTS – *Continued*

(a) Equity-settled share option scheme – *Continued*

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:

	2023		2022	
	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	**14,515,000**	**1.83**	33,430,000	1.83
Expired during the year	**(9,625,000)**	**1.86**	(18,375,000)	1.76
Granted during the year	**5,000,000**	**1.45**	–	N/A
Lapsed (other than expired) during the year	**–**	**N/A**	(540,000)	1.68
Outstanding at the end of the year	**9,890,000**		14,515,000	
Exercisable at the end of the year	**9,890,000**	**1.76**	14,515,000	1.83

The options outstanding at the end of the year have a weighted average remaining contractual life of 1.9 years (2022: 1.39 years) and the exercise prices range from HK$1.45 to HK$2.20 (2022: HK$1.68 to HK$2.20).

In 2023, options were granted on 6 January 2023. The estimated fair value of the options on this date is HK$2,231,000.

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	20 August 2019	2 September 2020	26 November 2020	6 January 2023
Weighted average share price (HK$)	1.67	1.68	1.53	1.43	1.1
Weighted average exercise price (HK$)	1.67	1.68	2.00	2.10	1.45
Expected volatility	84.72% – 92.79%	51.60% – 74.76%	38.77% – 60.78%	40.52% – 54.91%	65.42% – 77.83%
Expected life	4 years	4 years	4 years	4 years	4 years
Risk free rate	1.78% – 2.06%	1.59% – 1.79%	0.26% – 0.28%	0.12% – 0.24%	3.70% – 4.01%
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$1,886,000 for the year ended 31 December 2023 (2022: HK$2,015,000) 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 a trustee appointed (the "**Trustee**") to service the Share Award Scheme.

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.

40. SHARE-BASED PAYMENTS – *Continued*

(b) Share award scheme – *Continued*

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.

The fair value is measured at the grant date of shares and is recognised in equity in the share-based payments reserve.

During the year ended 31 December 2023, the Trustee purchased an aggregate of 5,295,000 (2022: 2,325,000) shares of the Company with consideration of approximately HK$4,185,000 (2022: HK$2,985,000) on the Stock Exchange for the purpose of the Share Award Scheme.

As at 31 December 2023, the Board has awarded 582,000 Shares to six participants (2022: Nil) with consideration of approximately HK$355,020 on 15 September 2023.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of Lustrous Pearl Group

On 4 April 2022, the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to disposal of the entire equity interest in Lustrous Pearl International Limited and its subsidiaries (collectively, the "**Lustrous Pearl Group**") at a cash consideration of HK$6,400,000. The completion of the disposal of Lustrous Pearl Group took place on the same date.

An analysis of the net assets of the Lustrous Pearl Group at the date on which the Group lost control (i.e. 4 April 2022), was as follows:

	HK$'000
Property, plant and equipment	8
Held for trading securities	4,398
Other receivables	720
Bank and cash balances	1,037
Other payables	(353)
Net assets disposed of	5,810
Gain on disposal of the Lustrous Pearl Group	590
Total consideration satisfied by cash	6,400
Net cash inflow arising on disposal:	
Cash consideration received	6,400
Cash and cash equivalents disposed of	(1,037)
	5,363

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(b) Disposal of Dynasty Well Group

On 31 May 2022, the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to disposal of the entire equity interest in Dynasty Well Limited and its subsidiaries (collectively, the "**Dynasty Well Group**") at a cash consideration of HK$50,000. The completion of the disposal of Dynasty Well Group took place on the same date.

An analysis of the net liabilities of the Dynasty Well Group at the date on which the Group lost control (i.e. 31 May 2022), was as follows:

	HK$'000
Other receivables	7
Bank and cash balances	39
Other payables	(362)
Net liabilities disposed of	(316)
Release of exchange difference	(740)
Gain on disposal of the Dynasty Well Group	1,106
Total consideration satisfied by cash	50
Net cash inflow arising on disposal:	
Cash consideration received	50
Cash and cash equivalents disposed of	(39)
	11

(c) Deregistration of a subsidiary

During the year ended 31 December 2023, 南京隆耀生物科技有限公司 ("**南京隆耀**"), an indirectly owned subsidiary of the Group was deregistered. In this regard, the Group fully lost control of this subsidiary of 68.13% interests.

Assets and liabilities of 南京隆耀 as the date of deregistration (i.e. 2 February 2023) are as follows:

	HK$'000
Property, plant and equipment	**1**
Bank and cash balances	**39**
Net assets disposed of	**40**
Release of translation reserve	**(1)**
Carrying amount of non-controlling interests disposed	**(13)**
Loss on deregistration of a subsidiary	**(26)**
Total consideration satisfied by cash	**–**
Net cash inflow arising on disposal:	
Cash consideration received	**–**
Cash and cash equivalents disposed of	**(39)**
	(39)

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(d) 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 2023 HK$'000	Entering into new bonds/ leases HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange difference HK$'000	Non-cash transaction HK$'000 *(note 43(f))*	31 December 2023 HK$'000
Convertible bonds *(note 33)*	**55,796**	**–**	**(6,314)**	**4,395**	**–**	**–**	**53,877**
Borrowings *(note 38)*	**5,641**	**–**	**30,980**	**73**	**124**	**(5,855)**	**30,963**
Lease liabilities *(note 34)*	**20,347**	**6,550**	**(11,196)**	**843**	**(49)**	**(939)**	**15,556**
	81,784	**6,550**	**13,470**	**5,311**	**75**	**(6,794)**	**100,396**

	1 January 2022 HK$'000	Entering into new bonds/ leases HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Derivative component HK$'000	Fair value change HK$'000	Exchange difference HK$'000	Non-cash transaction HK$'000 *(note 43(f))*	31 December 2022 HK$'000
Convertible bonds *(note 33)*	38,651	39,250	35,896	2,744	(22,252)	3,317	(191)	(41,619)	55,796
Borrowings *(note 38)*	17,387	–	(4,076)	–	–	–	(1,033)	(6,637)	5,641
Lease liabilities *(note 34)*	11,132	19,821	(11,284)	751	–	–	(73)	–	20,347
	67,170	59,071	20,536	3,495	(22,252)	3,317	(1,297)	(48,256)	81,784

(e) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2023 HK$'000	2022 HK$'000
Within operating cash flows	**4,467**	3,536
Within financing cash flows	**11,196**	11,284
	15,663	14,820

These amounts relate to the following:

	2023 HK$'000	2022 HK$'000
Lease rental paid	**15,663**	14,820
Payments for right-of-use assets	**–**	13,346
	15,663	28,166

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *Continued*

(f) Major non-cash transactions

During the year ended 31 December 2023, the borrowings with principal of RMB5,000,000 (equivalent to approximately HK$5,639,000) with accrued interest in a total of RMB191,425 (equivalent to HK$216,000) were settled by allotment and issue of shares of a subsidiary of the Company, which represents 0.64% equity share of the subsidiary.

Additions to right-of-use assets during the year of HK$6,550,000 (2022: HK$33,167,000) were financed by leases liabilities.

During the year ended 31 December 2022, the borrowings with principal of RMB5,700,000 (equivalent to approximately HK$6,637,000) with accrued interest in a total of RMB1,239,000 (equivalent to HK$1,269,000) were settled by allotment and issue of shares of a subsidiary of the Company, which represents 0.84% equity share of the subsidiary.

During the year ended 31 December 2022, the Group subscribed 51% of equity share of the joint venture (referred to note 25 to the consolidated financial statements by cash of HK$11,869,000 and property, plant and equipment with agreed consideration of approximately HK$8,535,000.

During the year ended 31 December 2022, US$5,000,000 (equivalent to fair value of 2022 Convertible Bonds approximately HK$41,620,000) of the total subscription amount from 2022 Convertible Bonds was satisfied by the bondholder by surrendering the 2020 Convertible Bonds Certificate to the Company.

42. CONTINGENT LIABILITIES

During the year ended 31 December 2023, an indirectly owned subsidiary of the Company, SDCL has been involved in arbitration proceedings in a potential claim relating to the breach of contract, the related maximum exposure of the claims is approximately HK$440,389,000.

As at 31 December 2023, the arbitration is still in progress and no final judgement has been issued. After considering the current status of the litigation and the opinion from the legal counsels, the Directors of the Company were of the view that no provision should be recognised for the arbitration claims as at 31 December 2023.

43. COMMITMENTS

Capital commitments authorised but not yet contracted for at the end of the reporting period are as follows:

	Note	2023 HK$'000	2022 HK$'000
Capital contribution to:			
BNCT equipment	*(a)*	**150,616**	148,875
BNCT centre construction	*(b)*	**57,679**	88,666
		208,295	237,541

(a) On 23 June 2022, the Company, Pengbo (Hainan) and Sumitomo entered into an agreement for the acquisition of BNCT equipment by Pengbo (Hainan) from Sumitomo at an initial price of JPY3,000,000,000 (equivalent to approximately HK$176,820,000). The down payment of JPY 900,000,000 (equivalent to approximately HK$51,765,000) has been made to Sumitomo which represents 30% of the contract price and the remaining contract price of JPY2,100,000,000 (equivalent to approximately HK$125,055,000) is expected to be settled in 2024 pursuant to the agreement.

On the same day, the Company, Pengbo (Hainan) and Sumitomo entered into an agreement pursuant to which Sumitomo agreed to provide to Pengbo (Hainan) technical advisory services for the installation and tuning of the BNCT equipment at a service fee of JPY400,000,000, (equivalent to approximately HK$23,820,000), which is expected to be settled by Pengbo (Hainan) in installments based on an agreed schedule for the installation and tuning of the BNCT equipment.

On 17 January 2023, the Company, Pengbo (Hainan) and Sumitomo entered into an agreement for the acquisition of BNCT parts by Pengbo (Hainan) from Sumitomo at an initial price of JPY436,000,000 (equivalent to approximately HK$24,680,000). The down payment of JPY87,200,000 (equivalent to approximately HK$4,936,000) has been made to Sumitomo which represents 20% of the contract price and the remaining contract price of JPY348,800,000 (equivalent to approximately HK$19,744,000) is expected to be settled in 2024 pursuant to the agreement.

(b) Pengbo (Hainan) commenced BNCT centre construction in November 2022 and entered into agreements pursuant to building design and construction and relative ancillary services with various contractors and suppliers approximately amounting to RMB83,237,000 (equivalent to approximately HK$94,006,000), out of which RMB42,265,000 (equivalent to approximately HK$48,619,000 (2022: RMB4,733,000 (equivalent to approximately HK$5,340,000)) has been made to suppliers and the remaining is expected to be settled in 2024 in accordance with the construction progress.

During the year ended 31 December 2023, Pengbo (Hainan) also entered into agreements pursuant to building design and construction and relative ancillary services with various contractors and suppliers approximately RMB14,137,000 (equivalent to HK$15,626,000), out of which RMB3,017,000 (equivalent to HK$3,334,000) has been made to suppliers and the remaining is expected to be settled in 2024 and 2025 in accordance with the construction progress.

44. OPERATING LEASE ARRANGEMENTS

The Group as lessee regularly entered into short-term leases for its office, staff quarter and car park. As at 31 December 2023, 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$79,000 (2022: HK$1,192,000).

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:

	2023 **HK$'000**	2022 HK$'000
Referral and cooperation service income generated from a non-controlling shareholder of a subsidiary	**–**	524,324
Logistic service income generated from a non-controlling shareholder of a subsidiary	**–**	7,782
Service fee charged by a non-controlling shareholder of a subsidiary	**54**	19,733
Purchase of equipment, consumables, and kits for performing COVID-19 nucleic acid testing from a non-controlling shareholder of a subsidiary	**10,501**	248,068
Consulting income generated from a non-controlling shareholder of a subsidiary	**–**	500
Maintenance fee charged by a non-controlling shareholder of a subsidiary	**–**	2,456
Sales of kits for performing COVID-19 nucleic acid testing from a non-controlling shareholder of a subsidiary	**–**	3,816
Purchase of kits for performing lung and colon cancel testing from a non-controlling shareholder of a subsidiary	**159**	70
Purchase of kits and subcontract service for performing lung and colon cancer testing from related parties of a non-controlling shareholder of a subsidiary	**135**	205
License fee income from a joint venture	**–**	37
Sales of products to a joint venture	**–**	64
Maintenance fee charged by a related party under common ultimate control of a non-controlling shareholder of a subsidiary	**338**	967
Purchase of equipment from a related party under common ultimate control of a non-controlling shareholder of a subsidiary	**–**	4,000
Transfer listed securities at FVTOCI to a non-controlling shareholder of a subsidiary	**–**	1,051

45. RELATED PARTY TRANSACTIONS – *Continued*

(b) The remuneration of directors and other members of key management during the year was as follows:

	2023 **HK$'000**	2022 HK$'000
Short-term benefits	**7,249**	63,163
Equity-settled share-based payments	**1,983**	1,367
Retirement benefits scheme contributions	**18**	18
	9,250	64,548

(c) Two subsidiaries have guaranteed bank loans made to the Group totaling HK$20,000,000 at 31 December 2023 (2022: HK$Nil).

(d) The Company granted 5,000,000 share options to a director during the year which are exercisable from 6 January 2024 to 5 January 2027 at an exercise price of HK$1.45 each.

46. EVENTS AFTER THE REPORTING PERIOD

(a) On 24 January 2024 and 7 February 2024, investor has injected capital aggregate amounting RMB48,000,000 into Shanghai Longyao Biotech Company Limited pursuant to the content of result announcement dated 8 December 2023.

(b) On 25 March 2024, the Company has entered into a placing agreement with a placing agent in respect of issuance of a convertible bond at the issue price of HK$88,000,000. The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK$0.55 per conversion share, a maximum number of 160,000,000 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% per annum, which is payable half-yearly. Details were disclosed in the announcements of the Company dated 25 March 2024 and 27 March 2024.

FIVE YEAR FINANCIAL SUMMARY

Results

	For the ended 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Turnover	59,214	655,792	623,761	1,851,532	**211,985**
Cost of sales	(36,841)	(316,710)	(265,741)	(750,575)	**(177,661)**
Gross profit	22,373	339,082	358,020	1,100,957	**34,324**
Net loss/(gain) on financial assets at fair value through profit or loss	(1,252)	(47)	489	2,707	**–**
Other income, gains/(losses)	(959)	5,817	225	4,639	**(3,989)**
Allowance for impairment loss on financial assets, net	(2,996)	(1,145)	(251)	(1,714)	**(5,057)**
Selling and distribution expenses	(12,379)	(11,848)	(11,724)	(13,726)	**(14,610)**
Administrative expenses	(94,111)	(132,489)	(157,081)	(241,156)	**(138,342)**
(Loss)/profit from operations	(89,324)	199,370	189,678	851,707	**(127,674)**
Finance costs	(1,692)	(6,498)	(6,543)	(3,495)	**(5,311)**
(Loss)/gain on disposal/deregistration of subsidiaries	(316)	(1,948)	–	1,696	**(26)**
Loss on disposal of a joint venture	–	–	–	–	**(2)**
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	23,658	**–**
Loss on extension and redemption of convertible bonds	–	–	(2,687)	(3,707)	**–**
Gain/(loss) on fair value change of derivative financial instrument	–	6,384	(1,921)	(1,137)	**18,336**
Share of loss of associates	(1,390)	–	–	–	**–**
Share of loss of a joint venture	–	–	–	(4,180)	**(7,678)**
Impairment loss on goodwill	(264)	–	–	(1,716)	**–**
Impairment loss on intangible assets	(28,838)	–	–	–	**–**
Impairment loss on property, plant and equipment	–	–	–	–	**(16,186)**
Impairment loss on right-of-use assets	–	–	–	–	**(3,484)**
Impairment loss on investments in associates	(3,903)	–	–	–	**–**
(Loss)/profit before tax	(109,593)	202,802	180,668	862,826	**(142,025)**
Income tax (expense)/credit	2,110	(35,179)	(48,096)	(157,258)	**1,319**
(Loss)/profit for the year	(107,483)	167,623	132,572	705,568	**(140,706)**
(Loss)/profit for the year attributable to:					
Owners of the Company	(98,845)	30,170	19,385	258,087	**(95,447)**
Non-controlling interests	(8,638)	137,453	113,187	447,481	**(45,259)**
(Loss)/profit for the year	(107,483)	167,623	132,572	705,568	**(140,706)**

FIVE YEAR FINANCIAL SUMMARY

Assets and liabilities

	As at 31 December				
	2019	2020	2021	2022	**2023**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	416,584	904,121	706,782	1,470,491	**662,362**
Total liabilities	(103,221)	(392,016)	(240,887)	(643,971)	**(171,636)**
Total equity	313,363	512,105	465,895	826,520	**490,726**
Non-controlling interests	(24,171)	(168,774)	(70,497)	(223,845)	**(27,972)**
Equity attributable to owners of the Company	289,192	343,331	395,398	602,675	**462,754**