百信集团
PASHUN GROUP

Pa Shun International Holdings Limited
百信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 574

2023
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Yuan Hongbing
(appointed on 28 March 2023)
Professor Xiao Kai *(Chairman)*
(retired on 22 February 2024)
Mr. Feng Junzheng *(Chief Executive Officer)*
(retired on 22 February 2024)
Mr. Shen Shun (resigned on 26 October 2023)

NON-EXECUTIVE DIRECTORS
Mr. Zhang Tong (retired on 22 February 2024)
Mr. Chen Yunwei (retired on 22 February 2024)
Mr. Zhang Xiongfeng
(resigned on 16 March 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Li Yan (appointed on 10 March 2023)
Mr. Khor Khie Liem Alex
(appointed on 10 March 2023)
Mr. Cao Lei (retired on 22 February 2024)
Mr. Ding Qing (resigned on 10 March 2023)
Ms. Luo Ke (resigned on 10 March 2023)

AUTHORISED REPRESENTATIVES
Mr. Yuan Hongbing
(appointed on 30 October 2023)
Ms. Li Yan (appointed on 22 February 2024)
Mr. Shen Shun
(resigned on 26 October 2023)
Professor Xiao Kai (retired on 22 February 2024)

COMPANY SECRETARY
Ms. Lam Yuen Ling Eva
(appointed on 1 October 2023)
Mr. So Wing Chun
(resigned on 1 October 2023)

AUDIT COMMITTEE
Ms. Li Yan *(Chairman)*
(appointed on 10 March 2023)
Mr. Khor Khie Liem Alex
(appointed on 10 March 2023)
Mr. Cao Lei (retired on 22 February 2024)
Ms. Luo Ke (resigned on 10 March 2023)
Mr. Ding Qing (resigned on 10 March 2023)

REMUNERATION COMMITTEE
Ms. Li Yan *(Chairman)*
(appointed on 10 March 2023)
Mr. Khor Khie Liem Alex
(appointed on 10 March 2023)
Mr. Cao Lei (retired on 22 February 2024)
Ms. Luo Ke (resigned on 10 March 2023)
Mr. Ding Qing (resigned on 10 March 2023)

NOMINATION COMMITTEE
Mr. Khor Khie Liem Alex *(Chairman)*
(appointed on 28 March 2023)
Ms. Li Yan (appointed on 10 March 2023)
Mr. Chen Yunwei
(appointed on 28 March 2023 and
retired on 22 February 2024)
Professor Xiao Kai
(resigned on 28 March 2023)
Mr. Cao Lei (resigned on 28 March 2023)
Ms. Luo Ke (resigned on 10 March 2023)

CORPORATE GOVERNANCE COMMITTEE
Ms. Li Yan (appointed on 10 March 2023)
Mr. Khor Khie Liem Alex
(appointed on 10 March 2023)
Mr. Cao Lei (retired on 22 February 2024)
Ms. Luo Ke (resigned on 10 March 2023)
Mr. Ding Qing (resigned on 10 March 2023)

REGISTERED OFFICE
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suites 2601–2603, 26/F
Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 608–616, Building 28
Longfor North Paradise Walk 2
229 Wufuqiao East Road
Jinniu District
Chengdu, Sichuan Province
PRC

AUDITORS

CCTH CPA Limited
Certified Public Accountants
Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road, Kwai Chung
New Territories, Hong Kong

STOCK CODE

00574

COMPANY'S WEBSITE

www.pashun.com.cn

PRINCIPAL BANK

Bank of Communications Co., Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

FINANCIAL SUMMARY

	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Revenue	845,448	474,835	85,913	71,784	**129,430**
Profit/(loss) before tax	(190,482)	(425,761)	(323,417)	(43,159)	**3,408**
Income tax expense	(2,917)	6,572	(6,984)	(220)	**(1,058)**
Profit/(loss) for the year	(193,399)	(419,189)	(330,401)	(43,379)	**2,350**
Profit/(loss) per share (RMB cent(s))					
Basic	(13.38)	(28.37)	(22.40)	(2.94)	**0.16**
Diluted	N/A	N/A	N/A	N/A	**0.16**
Assets and liabilities					
Non-current assets	331,995	305,093	115,468	94,869	**82,295**
Current assets	593,871	198,092	51,756	41,216	**124,271**
Current liabilities	(153,974)	(200,259)	(200,582)	(227,219)	**(247,744)**
Net current assets/(liabilities)	439,897	(2,167)	(148,826)	(186,003)	**(123,473)**
Total assets less current liabilities	771,892	302,926	(33,358)	(91,134)	**(41,178)**
Non-current liabilities	(88,310)	(24,944)	(25,144)	(24,386)	**(74,921)**
Net assets/(liabilities)	683,582	277,982	(58,502)	(115,520)	**(116,099)**
Capital and reserves					
Share capital	1,216	1,216	1,216	1,216	**1,216**
Reserves	696,267	276,760	(59,718)	(116,736)	**(117,315)**
Non-controlling interests	(13,901)	–	–	–	**–**
Total equity	683,582	277,982	(58,502)	(115,520)	**(116,099)**

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the PRC during the year ended 31 December 2023.

REVENUE

For the year ended 31 December 2023, the Group recorded a total revenue of RMB129.4 million, representing an increase of approximately 80.3% from RMB71.8 million for 2022. Such increase was primarily due to the factors that (i) the economy and the general market sentiment gradually improved as the novel coronavirus (COVID-19) epidemic ("Epidemic") has been under control in early 2023; and (ii) the Group has secured the distribution rights of 10 new pharmaceutical products during the year ended 31 December 2023.

COST OF SALES, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's cost of sales increased by approximately 71.0% from RMB58.5 million for the year ended 31 December 2022 to RMB100.0 million for the year ended 31 December 2023. Such increase of cost of sales was generally in line with the increase in revenue during the year.

The Group's gross profit increased by approximately 121.3% from RMB13.3 million for the year ended 31 December 2022 to RMB29.4 million for the year ended 31 December 2023. The Group's gross profit margin increased from 18.5% for the year ended 31 December 2022 to 22.7% for the year ended 31 December 2023. Such change is primarily attributable to the shift of focus of its pharmaceutical distribution business from wholesaler customers to hospital customers where the Group could sell at higher margin.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses increased by approximately 19.8% from RMB6.0 million for the year ended 31 December 2022 to RMB7.2 million for the year ended 31 December 2023. The increase was attributable to the increase in the revenue of the Group and more selling activities and promotions could be done during the year ended 31 December 2023 after the Epidemic became under control in early 2023.

GENERAL AND ADMINISTRATIVE EXPENSES

The Group's general and administrative expenses increased by approximately 83.9% from RMB12.8 million for the year ended 31 December 2022 to RMB23.6 million for the year ended 31 December 2023. The increase was due to the increase in business volume of the Group during the year ended 31 December 2023 and legal and professional fees incurred for handling debt restructuring and the trading resumption of the Company.

OTHER INCOME

Other income increased to RMB2.8 million for the year ended 31 December 2023 (2022: RMB0.5 million) mainly due to the short-term lease income of RMB1.4 million and waiver of corporate bond payables of RMB0.9 million upon settlement of certain corporate bonds with discounted principal amount during the year ended 31 December 2023, while no such rental income and waiver were recorded in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER GAINS/(LOSSES), NET

Other gains/(losses), net changed from other net losses of RMB27.6 million for the year ended 31 December 2022 to other net gains of RMB15.0 million for the year ended 31 December 2023, which are mainly due to the following reasons:

(i) impairment on property development project of RMB17.0 million during the year ended 31 December 2022. There was no progress for the property development project during the year ended 31 December 2022 up to the date of this report. During the year ended 31 December 2022, the management of the Group conducted impairment assessment of value on the land by an independent firm of professional valuers with recognised qualifications and experiences, B.I. Appraisals Limited, based on market-based approach methodology for the land and impairment loss amounted to RMB17.0 million, was recognised on profit or loss during the year ended 31 December 2022. Further impairment of RMB9 million was recorded for the year ended 31 December 2023 due to property market downturn in 2023; and

(ii) reversal of impairment loss on trade receivables, other receivables and prepayments and deposits with total amount of RMB46.7 million, due to the settlement by debtors during the year ended 31 December 2023 that were impaired in previous years.

FINANCE COSTS

Finance costs slightly increased to RMB12.9 million for the year ended 31 December 2023 (2022: RMB10.6 million). Finance costs of the Group mainly comprises interests accrued on the corporate bonds payables and bank and other borrowings of the Group. The increase in finance costs was due to the increase in other borrowings during the year ended 31 December 2023.

PROFIT/(LOSS) FOR THE YEAR

As a result of the foregoing, the Group's profit for the year ended 31 December 2023 was approximately RMB2.4 million as compared to a loss of RMB43.4 million for the year ended 31 December 2022.

QUALIFIED OPINION

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2023 includes paragraphs regarding disclaimer of opinion as set out on pages 51 and 52 of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT'S RESPONSE TO QUALIFIED OPINION

The Group had a property development project with the carrying amount of approximately RMB57,000,000 and RMB74,000,000 as at 31 December 2022 and 31 December 2021 respectively (after netting off the aggregate impairment losses recognized amounted to RMB128,797,000 and RMB111,797,000 respectively as at those dates). Impairment losses on the property development project amounted to approximately RMB17,000,000 and RMB111,797,000 were recognised in profit and loss of the Group in respect of the current year ended 31 December 2022 and the prior year ended 31 December 2021 respectively and were included in other net losses. As detailed in CCTH's auditor's report dated 1 November 2023 with disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2021, CCTH was unable to obtain sufficient appropriate audit evidence to satisfy itself whether the amount of the impairment loss on the property development project were properly recognised on the consolidated financial statements for the prior year ended 31 December 2021. In addition, CCTH was unable to obtain sufficient appropriate audit evidence to satisfy itself whether the amount of the impairment losses on the property development project were properly recognised in the consolidated financial statements for the year ended 31 December 2022. Any adjustments, if required, to be made against the amount of impairment losses recognised might have a significant impact on the loss of the Group for the current year ended 31 December 2022 and the prior year ended 31 December 2021, and the carrying amounts of the property development project as at those dates. CCTH's opinion on the Group's consolidated financial statements in respect of this matter is also modified because of the possible effect of the matter on the comparability of the current year's figures and the corresponding figures for the prior year ended 31 December 2021.

In previous years before the year ended 31 December 2020, the basis of valuation of the property development project was discounted cash flow of the property project based on the market value of the property project assuming that it would be completed ("Completion Basis"). However, since the Group had going concern problems in light of the Re-Re Amended Petition as at the accounting cut off date, there was possibility that the property development project would be enforced and disposed of in the current status of under construction. As a result, CCTH is of the opinion that using Completion Basis to valuate the property development project is not suitable as at 31 December 2021 and 2022. Since the Group has going concern problem, another way to valuate the property project is market approach in current status. However, there is no proper comparables of such properties under construction in the nearby area and thus the valuation of the property development project cannot be ascertained as at 31 December 2021 and 2022.

For the year ended 31 December 2023, the valuation of property project was performed without going concern problem and the carrying amounts of property development projects as at 31 December 2023 can be ascertained.

The opinion was modified solely due to the opening carrying amounts of property development project as at 31 December 2022, the management of the Company considered the qualified opinion concerning the property development project will not recur, and there is no material actual or potential impact on the issuers' financial position as at 31 December 2023. The audit committee of the Company concur with the views as stated above.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

With the Epidemic becoming under control and relaxation of restriction measures in 2023, business and economic activities in the PRC have gradually returned to normal. Accordingly, the Company expects that the market demand would recover as compared to the relatively low figures in 2022. The management of the Group will focus its efforts on improving the production and distribution capabilities to seize the business opportunities arising from the market recovery.

In addition, in order to optimize the capital structure and resolve the liquidity pressure faced by the Group, the Company will endeavour to formulate feasible proposals with a view to implement the debt restructuring of the Company.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents of RMB16.5 million as at 31 December 2023 as compared to RMB1.9 million as at 31 December 2022.

The Group recorded net current liabilities of RMB123.5 million and RMB186.0 million as at 31 December 2023 and 31 December 2022 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 0.50 as at 31 December 2023, as compared with 0.18 as at 31 December 2022.

As at 31 December 2023, the total amount of bank borrowings was RMB7.2 million, as compared to RMB4.5 million as at 31 December 2022. As at 31 December 2023, the total amount of other borrowings was RMB75.3 million (2022: RMB21.3 million).

As at 31 December 2023, the total number of issued ordinary shares of the Company ("Shares") was 1,474,992,908 Shares (2022: 1,474,992,908 Shares). In 2018, the Company has granted to certain eligible persons share options ("Options") to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. As at 31 December 2023, 100,000,000 Options remained outstanding. Please refer to the announcement of the Company dated 7 September 2018 for details of the grant of the Options. No Options were granted during the years ended 31 December 2022 and 2023.

During the period between 2016 and 2018, the Company issued unsecured corporate bonds with aggregate principal amount of HK$113.9 million to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 2 to 7.5 years. As at 31 December 2023, 18 corporate bonds with aggregate principal amount of HK$52.7 million matured and the Company has outstanding unpaid principal amount of HK$33.1 million of matured corporate bonds as at 31 December 2023.

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group's long-term development. There were no changes in the Group's approach to capital management during the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

A petition (the "2022 Petition") was filed on 30 May 2022 by Mr. Wu Yuehua (the "2022 Petitioner") against the Company in the High Court for an order that the Company be wound up by the High Court. The 2022 Petition was filed against the Company for the Company's failure to settle the principal sum and interest payment with total sum of HK$2,390,000 in respect of the bond issued to the 2022 Petitioner by the Company. On 6 March 2023, the 2022 Petition filed by the 2022 Petitioner was struck out and the supporting creditor, Opera Enterprise Limited ("Opera") was granted leave to substitute the 2022 Petitioner. An amended petition ("Amended Petition") was filed by Opera against the Company for the Company's failure to settle the principal sum and interest payment with total amount of HK$842,706.75 in respect of the bond issued to Opera by the Company. Further, on 24 July 2023, the Amended Petition was struck out and the supporting creditor, Zhu Shunyun ("Substituting Petitioner"), was granted leave to substitute the 2022 Petitioner. A re-re-amended petition ("Re-Re-Amended Petition") was filed by the Substituting Petitioner against the Company for the Company's failure to settle the principal sum and interest payment with total amount of HK$2,573,424.66 in respect of the bond issued and held by the Substituting Petitioner by the Company. The Substituting Petitioner of the Re-Re Amended Petition has signed a consent summons on 9 November 2023, pursuant to which the petitioner has agreed the Re-Re Amended Petition be dismissed. Order has been pronounced by the High Court of Hong Kong on 20 November 2023 that the Re-Re-Amended Petition be dismissed.

Please refer to the announcements of the Company dated 31 May 2022, 10 August 2022, 28 September 2022, 16 January 2023, 6 March 2023, 24 April 2023, 15 May 2023, 28 June 2023, 25 July 2023 and 22 November 2023 for details.

As at 31 December 2023, except as disclosed above, the Group did not have any significant contingent liabilities.

POSSIBLE TRANSACTION WHICH MAY OR MAY NOT INVOLVE CHANGE OF CONTROLLING SHAREHOLDER OF THE COMPANY

As disclosed in the Company's announcement dated 30 September 2019, the Company has been informed by Praise Treasure Limited ("PTL"), a controlling shareholder of the Company that 753,040,000 Shares (the "2019 Charged Shares") were pledged by PTL in favour of Winwin International Strategic Investment Funds SPC (acting for and on behalf of Win Win Stable No.1 Fund SP) to secure certain indebtedness of PTL. On 27 September 2019, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited ("2019 Receivers") were appointed as joint and several receivers and managers over the 2019 Charged Shares. The 2019 Charged Shares represent approximately 51.05% of the issued share capital of the Company as at the date of this report.

Any proposed change of the ownership of the 2019 Charged Shares may or may not involve a change of the controlling shareholder of the Company (the "Possible Transaction"). On 11 January 2022, the Company received a letter from the 2019 Receivers that the 2019 Receivers have been released from their appointment and ceased to act as joint and several receivers and managers over the 2019 Charged Shares with effect from 10 January 2022. Accordingly, the Possible Transaction will not proceed. Details of the Possible Transaction are set out in the Company's announcements dated 30 September 2019, 3 October 2019, 1 November, 2019, 2 December 2019, 2 January 2020, 3 February 2020, 3 March 2020, 19 March 2020, 3 April 2020, 4 May 2020, 4 June 2020, 6 July 2020, 6 August 2020, 7 September 2020, 7 October 2020, 9 November 2020, 9 December 2020, 11 January 2021, 11 February 2021, 11 March 2021, 12 April 2021, 12 May 2021, 15 June 2021, 15 July 2021, 16 August 2021, 16 September 2021, 18 October 2021, 18 November 2021, 20 December 2021 and 11 January 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISKS

The functional currency of the Group is Renminbi while a portion of the funds raised by the Group from its initial public offering and issue of corporate and convertible bonds is still in the form of bank deposits denominated in Hong Kong dollars. Therefore, it may be subject to the risks of exchange rate fluctuations between Renminbi and Hong Kong dollars. Apart from the above, most of the assets and transactions of the Group are denominated in Renminbi, and the Group mainly settles its operating expenses in the PRC with income generated from operations in Renminbi. Therefore, the Group is not exposed to any significant foreign exchange risks.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2023, the Group did not make any significant investments, acquisitions or disposals that was required to be disclosed under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

HUMAN RESOURCES

As at 31 December 2023, the Group had a total of 90 (31 December 2022: 92) staff, primarily in the PRC. The total staff cost was RMB8.2 million (2022: RMB8.6 million) for the year ended 31 December 2023.

The Group believes that human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees. In addition to providing dynamic career opportunities and cultivating a favorable working environment, the Group constantly invests in training across diverse operational functions and offers competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing its corporate development needs.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix C1 to the Listing Rules which was effective during the year as its own code of corporate governance. Save as disclosed below, during the year ended 31 December 2023, the Company has complied with the code provisions set out in the CG Code.

Under the code provision C.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Upon the expiry of previous directors and officers liability insurance on 18 June 2021, the Company did not arrange any new insurance cover in respect of potential legal actions against its Directors until 6 December 2023. The management of the Group believe that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual lawsuits against the Directors is remote. From 7 December 2023 to the date of this report, the Company has maintained insurance cover for its directors.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors.

Pursuant to Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Pursuant to Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee shall consist of not less than three members.

Pursuant to Rule 3.27A of the Listing Rules, an issuer must establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent non-executive directors. Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee shall consist of not less than three members.

During the annual general meeting of the Company held on 22 February 2024, (i) Professor Xiao Kai retired as an executive Director and also ceased to be the chairman of the Board; (ii) Mr. Feng Junzheng retired as an executive Director; (iii) Mr. Zhang Tong retired as a non-executive Director; (iv) Mr. Chen Yunwei retired as a non-executive Director and also ceased to be a member of the Nomination Committee; and (v) Mr. Cao Lei retired as an independent non-executive Director and also ceased to be the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Corporate Governance Committee. Ms. Li Yan was appointed as the chairman of the Remuneration Committee with effect from 22 February 2024.

Following the retirement of the aforesaid Directors, the Company had only two independent non-executive Directors, only two members in each of the Audit Committee, the Nomination Committee and the Remuneration Committee. This falls below the minimum number of independent non-executive directors under Rule 3.10(1) of the Listing Rules, the minimum number of members of audit committee requirement under Rule 3.21 of the Listing Rules and the minimum number of members of the Remuneration Committee and the Nomination Committee under the respective terms of reference. The Company is identifying suitable candidate(s) to fill the above vacancies. Further announcement will be made by the Company when the relevant appointment is made.

CORPORATE GOVERNANCE REPORT

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on important matters such as review and approval of annual and interim results, significant transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for formulating, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the corporate governance report to ensure compliance with the applicable Listing Rules.

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expenses upon their request. The Board considered that the above mechanisms, which are reviewed by the Board on an annual basis, have been implemented and was effective to ensure that independent views and input are available to the Board during the year ended 31 December 2023.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding in other companies or organisations. These interests are updated on an annual basis and when necessary.

None of the members of the Board is related to each other.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Each newly appointed Director is given necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant laws and regulations.

All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Briefings and updates on the latest development in the Listing Rules and other applicable legal and regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices. The participations by each of the Directors in the continuous professional development are recorded.

During the year ended 31 December 2023, the Company arranged seminars for Directors from time to time on changes in the Listing Rules and other applicable regulations.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 December 2023, Professor Xiao Kai was the chairman of the Company and Mr. Feng Junzheng has been the chief executive officer of the Company. Following the retirement of Professor Xiao Kai and Mr. Feng Junzheng as executive Directors at the annual general meeting of the Company held on 22 February 2024, the Company did not have a chairman nor a chief executive officer.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective views and opinions to the Board and give adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all of the independent non-executive Directors are independent.

ATTENDANCE RECORDS OF DIRECTORS

Details of Directors' attendance at the annual general meeting ("AGM"), Board and board committee meetings in the year 2023 are set out in the following table.

	Number of meetings attended/held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	CG Committee	AGM
Executive Directors						
Professor Xiao Kai	13/13	–	–	1/1	–	–
Mr. Feng Junzheng	11/13	–	–	–	–	–
Mr. Shen Shun (resigned on 26 October 2023)	6/9	–	–	–	–	–
Mr. Yuan Hongbing (appointed on 28 March 2023)	7/7	–	–	–	–	–
Non-executive Directors						
Mr. Zhang Xiongfeng (resigned on 16 March 2023)	2/3	–	–	–	–	–
Mr. Zhang Tong	7/13	–	–	–	–	–
Mr. Chen Yunwei	11/13	–	–	2/2	–	–
Independent non-executive Directors						
Mr. Cao Lei	11/13	2/2	1/1	1/1	1/1	–
Ms. Li Yan (appointed on 10 March 2023)	10/10	2/2	1/1	2/2	1/1	–
Mr. Khor Khie Liem Alex (appointed on 10 March 2023)	10/10	2/2	1/1	2/2	1/1	–
Mr. Ding Qing (resigned on 10 March 2023)	1/1	–	–	–	–	–
Ms. Luo Ke (resigned on 10 March 2023)	1/1	–	–	–	–	–

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board is supported by four committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the CG Committee. Each Board committee has its defined and written terms of reference approved by the Board setting out its duties, powers and functions. Their terms of reference are available on the Company's website.

All Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The members of the Audit Committee during the year ended 31 December 2023 and up to the date of this report are as follows:

Ms. Li Yan (appointed on 10 March 2023)
Mr. Khor Khie Liem Alex (appointed on 10 March 2023)
Ms. Luo Ke (resigned on 10 March 2023)
Mr. Ding Qing (resigned on 10 March 2023)
Mr. Cao Lei (retired on 22 February 2024)

Ms. Luo Ke was the chairman of the Audit Committee between 29 October 2021 and 10 March 2023. Ms. Li Yan has been the chairman of the Audit Committee with effect from 10 March 2023.

The primary functions of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by the Board. These include reviewing the interim and annual results and reports of the Company.

During the year ended 31 December 2023, the Audit Committee held two meetings and reviewed the audited consolidated financial statements of the Group for the years ended 31 December 2022 and 2021, and the effectiveness of the internal control system of the Group, including the report prepared by the external consultant covering investment management policy and compliance with the Listing Rules.

Remuneration Committee

The members of the Remuneration Committee during the year ended 31 December 2023 and up to the date of this report are as follows:

Ms. Li Yan (appointed on 10 March 2023)
Mr. Khor Khie Liem Alex (appointed on 10 March 2023)
Ms. Luo Ke (resigned on 10 March 2023)
Mr. Ding Qing (resigned on 10 March 2023)
Mr. Cao Lei (retired on 22 February 2024)

Mr. Cao Lei has been appointed as the chairman of the Remuneration Committee with effect from 29 October 2021 and retired on 22 February 2024. Ms. Li Yan was appointed as chairman of the Remuneration Committee since then.

CORPORATE GOVERNANCE REPORT

The primary functions of the Remuneration Committee are to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objects and, adopting the approach under Code provision E.1.2(c)(ii), make recommendations to the Board on the remuneration package of individual executive Director and senior management, the remuneration of non-executive Directors and on the establishment of a formal and transparent process for developing such remuneration policy. No executive Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees to be paid to members of the Board, prevailing market rates and other factors such as each Director's workload, performance, responsibilities, job complexity and the Group's performance are taken into account. The Remuneration Committee is also responsible for reviewing the share schemes of the Company.

During the year ended 31 December 2023, the Remuneration Committee held one meeting and reviewed the remuneration policy and structure and the existing terms of remuneration relating to the Directors and senior management of the Company and the terms of the share option scheme of the Company.

The remuneration of the members of the senior management of the Group by bands for the year ended 31 December 2023 is set out below:

Remuneration bands	**Number of persons**
Nil to HK$1,000,000	2

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 11 and 12 to the consolidated financial statements.

Nomination Committee

The members of the Nomination Committee during the year ended 31 December 2023 and up to the date of this report are as follows:

Mr. Khor Khie Liem Alex (appointed on 28 March 2023)
Ms. Li Yan (appointed on 10 March 2023)
Mr. Chen Yunwei (appointed on 28 March 2023)
Professor Xiao Kai (resigned on 28 March 2023)
Mr. Cao Lei (resigned on 28 March 2023)
Ms. Luo Ke (resigned on 10 March 2023)

Professor Xiao Kai was the chairman of the Nomination Committee between 29 October 2021 and 28 March 2023. Then, Mr. Khor Khie Liem Alex has been the chairman of the Nomination Committee with effect from 28 March 2023.

CORPORATE GOVERNANCE REPORT

The primary functions of the Nomination Committee are to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible for considering and making recommendations to the Board suitably qualified persons to become a member of the Board, monitor the succession planning for Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementation of the Board Diversity Policy and to monitor the progress on achieving these objectives.

During the year ended 31 December 2023, the Nomination Committee held three meetings and reviewed the structure, size and composition of the Board, and assessed Board Diversity Policy, nomination policy and independence of the independent non-executive Directors.

Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of directors of the Company to the Nomination Committee. Notwithstanding the aforesaid, the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on various criteria to determine whether such candidate is qualified for directorship. Those criteria include but not limited to, character and integrity, professional qualifications, skills, knowledge and experiences, potential contributions the candidate can bring to the Board, willingness and ability to devote adequate time to discharge duties as a member of the Board, and such other perspectives that are appropriate to the Company's business and succession plan. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

CG Committee

The members of the CG Committee during the year ended 31 December 2023 and up to the date of this report are as follows:

Ms. Li Yan (appointed on 10 March 2023)
Mr. Khor Khie Liem Alex (appointed on 10 March 2023)
Ms. Luo Ke (resigned on 10 March 2023)
Mr. Ding Qing (resigned on 10 March 2023)
Mr. Cao Lei (retired on 22 February 2024)

Mr. Cao Lei has been appointed as the chairman of the CG Committee with effect from 29 October 2021 and retired on 22 February 2024. The CG Committee did not have a chairman since then.

The primary functions of the CG Committee include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG code and disclosure in the corporate governance report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, the CG Committee held one meeting to review, among others, the Company's policies and practices on corporate governance, continuous professional development of the Directors and senior management of the Group, the policies and practices on compliance with legal and regulatory requirement and Company's compliance with the CG code.

BOARD PROCEEDINGS

Regular Board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Any Director may propose to the chairman or the company secretary of the Company to include matters in the agenda for regular board meetings.

During the year ended 31 December 2023, the Board held thirteen Board meetings and no annual general meeting was held by the Company.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and abstain from voting in favour of the relevant board resolutions as appropriate.

Minutes of meetings of the Board and Board committees are kept by the company secretary of the Company with sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of the minutes are sent to all Directors for their comments and records respectively within a reasonable time after the Board meeting is held.

During the year ended 31 December 2023, all Directors had access to the advice and services of the company secretary of the Company with a view to ensuring the Board procedures are followed.

MEETING WITH INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2023, the chairman of the Company had one meeting with the independent non-executive Directors without the presence of other Directors or senior management to review and discuss, among other things, any issue which is of special concern of the independent non-executive Directors and confirmed that the independent non-executive Directors can express their views in Board meetings without restrictions.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Mr. Yuan Hongbing has entered into a service contract with the Company for a term of three years commencing from 28 March 2023. Each of Ms. Li Yan and Mr. Khor Khie Liem Alex has entered into a letter of appointment with the Company for a term of three years commencing 10 March 2023.

Each of Professor Xiao Kai and Mr. Feng Junzheng has entered into a service contract, and each of Mr. Zhang Tong, Mr. Chen Yunwei, Ms. Luo Ke, Mr. Cao Lei and Mr. Ding Qing has entered into a letter of appointment with the Company for a term of three years commencing from 29 October 2021. The aforesaid Directors have retired as Directors on 22 February 2024. All Directors are subject to retirement and re-election at annual general meeting of the Company in accordance with the Company's articles of association.

CORPORATE GOVERNANCE REPORT

In accordance with the Company's articles of association, a person may be elected as a Director either by the Shareholders in general meeting or appointed by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following annual general meeting, and are eligible for re-election by the Shareholders. In addition, all Directors are required to retire by rotation at least once every three years and are subject to re-election by the Shareholders at the annual general meetings.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy"). The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The Company considers that it has complied with the Board Diversity Policy. As at 31 December 2023, the Board comprised seven Directors, six of which were male Directors and one of which was female Director, with different age, educational background and professional experience. The Board and the Nomination Committee will review the Board Diversity Policy to ensure its effectiveness.

At the Group's senior management and entire workforce levels, approximately 50% and 63% of them are female respectively. The Board considered it has achieved gender balance at all levels, and shall strive to maintain not less than 10% of the personnels with different gender across all three levels (i.e. the Board, senior management and entire workforce level) through nomination, recruitment and promotion processes.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions ("Model Code"). Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code for the year ended 31 December 2023.

Senior management who, because of their offices in the Group, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Lam Yuen Ling Eva ("Ms. Lam"), has been appointed as the company secretary of the Company with effect from 1 October 2023. Ms. Lam has over 30 years of experience in company secretarial services and commercial solutions. She is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients. Ms. Lam obtained a Higher Certificate in Company Secretaryship and Administration from the Hong Kong Polytechnic University and was awarded a degree of Master of Science in Corporate Governance and Directorship by the Hong Kong Baptist University. Ms. Lam is a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute, and was awarded the qualification of Chartered Governance Professional. She is also a Life Associate Member of The Hong Kong Independent Non-Executive Director Association. Ms. Lam is currently the company secretary or joint company secretary of several companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. The primary contact person of the Company with the Company Secretary is Mr. Yuan Hongbing, an executive Director.

Mr. So Wing Chun has been appointed as the company secretary of the Company with effect from 13 December 2021 and resigned on 1 October 2023. Mr. So is a manager of BMI Listed Corporate Services Limited, a corporate secretarial service provider in Hong Kong, and is responsible for provision of full range corporate secretarial and compliance services to listed and private companies.

Mr. So obtained a Bachelor of Business Administration (Upper Second Class Honours) from Hong Kong Shue Yan University. He has been an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute since November 2019.

During the year ended 31 December 2023, the company secretary of the Company complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROLS

Financial Reporting

The Board acknowledges its responsibility to prepare the Company's accounts which give a true and fair view of the Group's state of affairs, results and cash flows for the year ended 31 December 2023 and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates.

The responsibilities of CCTH CPA Limited ("CCTH CPA"), the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2023 includes paragraphs regarding qualified opinion and material uncertainly related to going concern as set out on pages 48 and 49 of this annual report.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

The Board acknowledges that it is the responsibility of the Board for establishing and maintaining appropriate and effective risk management and internal control systems. Also, the Board has overall responsibilities for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness on an annual basis. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In March and April 2019, the Company entered into 2 sale and purchase agreements (the "Sale and Purchase Agreements") with Mr. Yu Kin Wai and Mr. Chu Hin Ming Alfonso (the "Vendors") to acquire the entire issued share capitals of Bisan Parkwell Consultants Limited and Parkwell Services Consultants Limited (the "Acquisitions"). The aforesaid companies held 49% legal and beneficial interest in the issued share capitals of two property companies in Malaysia (the "Property Companies"), which in turn held the interest in an aggregate of 68 units in the building called "The Apple" located in Melaka, Malaysia (the "Properties"). The consideration was satisfied by way of issue and allotment of an aggregate of 117,118,818 consideration shares at the issue price of HK$0.55 per share, which have been issued to the Vendors in March and April 2019. For details, please refer to the announcement of the Company dated 19 March 2019 and 12 April 2019. In May 2022, the Board was informed by the Vendors that the Sale and Purchase Agreements have been terminated by the developers, to the effect that the Property Companies will cease to have any interest in the Properties. The Board did not have the supporting documents or information in relation to the termination. In view of the uncertainty in relation to the termination, the audit process for the financial statements for the year ended 31 December 2021 could not be completed by 13 May 2022. As a result, trading in the Shares on the Stock Exchange has been suspended since 12 May 2022. Consequently, the audit process for the financial statements for the year ended 31 December 2022 could also not be completed within the stipulated deadline required under the Listing Rules.

The Company had engaged Deloitte & Touche Financial Advisory Services Limited (Guangzhou Branch) (the "Forensic Accountant") as the Company's forensic accountant to conduct an independent forensic investigation into the incident. The key findings of the Forensic Accountant includes: (i) the Acquisitions were proposed by Mr. Chen Yenfei and other Directors were not involved in the liaison with the counterparties of the transaction; (ii) after the resignation of Mr. Chen Yenfei, there was no management who was responsible for liaising with the Vendors on the progress of the Acquisitions, the Properties and the payment of purchase price of the Properties. The Company was only informed by the Vendors in early 2022 that payment of the purchase price of the Properties was not made in a timely manner; (iii) since the share price of the Company continued to fall and trading volume remained low, the proceeds from the disposal of the consideration shares were insufficient to support the payment of the balance of the purchase prices of the Properties; (iv) according to the parent company of the developer, the main reason why the property transactions were terminated was that the Vendors failed to pay the purchase prices of the Properties in a timely manner in accordance with the property agreements despite repeated requests and indulgence granted by the developers. For more details of the key findings of the Forensic Accountant, please refer to the announcement of the Company dated 26 October 2023. The independent investigation committee of the Company and the Board have reviewed the forensic investigation report and consider that the contents and findings of the report reasonable and acceptable.

CORPORATE GOVERNANCE REPORT

The Company has also engaged SHINEWING Risk Services Limited ("SHINEWING") to conduct an internal control review. The internal control review covers the period from 1 January 2022 to 31 August 2023. SHINEWING identified 15 internal control deficiencies. The Group has taken remedial actions and SHINEWING has performed follow up reviews on the enhanced internal control measure adopted by the Group. Having considered the aforesaid, the Board and the audit committee of the Company are of the view that (i) the major internal control deficiencies have been remedied and the associated risks have been controlled at a reasonable level, and (ii) the rectification actions and improvement measures implemented by the Company are sufficient to address the key findings of the internal control review.

Policy and procedures have also been established for investment management, including but not limited to analysis and approval procedures for investment and declaration of interest.

For more details, please refer to the announcements of the Company dated 26 October 2023 and 6 November 2023. The annual results announcement of the Company for the year ended 31 December 2022 was published on 2 November 2023 and trading in the Shares have been resumed on 6 December 2023.

During the Reporting Period, the Board had outsourced its internal audit function to an independent internal audit firm (the "Internal Auditor"). The Internal Auditor reports directly to the Audit Committee once a year on all internal audit matters. The Audit Committee reviewed the internal audit report and would monitor the implementation of the improvements required on internal control weaknesses identified.

Even though the Group does not maintain an internal audit function, the Board has overall responsibility for the risk management and internal control systems and for reviewing its effectiveness. The Audit Committee and the Board would review the risk management and internal control systems once annually. Based on the review of the Group's internal control systems by the Internal Auditor, the Directors were satisfied that effective and adequate internal control measures as appropriate to the Group for the year ended 31 December 2023 were implemented properly and that no significant areas of weaknesses were identified.

Policies and procedures for releasing information to external parties had been established and are in place, which covers the handling and dissemination of inside information, with an aim to provide accurate, complete and timely information to all stakeholders of the Group. These policies and procedures define the class and form of the information to be disclosed, the procedures for dissemination and disclosure of information, and communication with investors, financial analysts and media. They also include the policies for communication with shareholders, and the information management for subsidiaries and associated companies of the Company.

The Company's vision is to become the leading pharmaceutical company by leveraging on its solid foundation in the PRC and has formulated a set of values and strategy guiding its operation. The vision has been considered with significance when developing the Group's internal policies and making day-to-day business decisions so that the Group would not take undue risks to make short-term gains at the expense of such long-term objectives.

CORPORATE GOVERNANCE REPORT

Establishment of Independent Investigation Committee

On 12 August 2022, the Company received a resumption guidance letter (the "Resumption Guidance"), pursuant to which the Stock Exchange requires the Company to, inter alia, (i) conduct an appropriate independent forensic investigation (the "Investigation") into two acquisitions (the "Acquisitions") (including the two side agreements), the termination thereof and the other related matters raised by the Company auditors, announce the findings and take appropriate remedial actions and (ii) conduct an independent internal control review (the "Internal Control Review") and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules.

As disclosed in the announcement of the Company dated 12 May 2023, a report on the Internal Control Review and the report on the Investigation were completed. On 17 August 2023, the Board has resolved to establish an independent investigation committee (the "Committee"), initially comprising three independent non-executive Directors at the material time, namely Mr. Cao Lei, Ms. Li Yan and Mr. Khor Khie Liem Alex, for the purpose of, among other things, conducting a comprehensive forensic investigation (the "Forensic Investigation") into the Acquisitions; reporting and making recommendations to the Board on appropriate actions to be taken.

As disclosed in the announcement of the Company dated 26 October 2023, the Committee and the Board have reviewed the forensic investigation report (the "Forensic Investigation Report") and adopted the findings of the Forensic Investigation. The Board was of the view that the issues identified in the Forensic Investigation Report do not affect the business operation of the Group, and that with the proposed internal control measures, the Company would be able to monitor and control the risks of investments in the future.

For details of the matters relating to the Acquisitions, the Investigation, the Internal Control Review, the Forensic Investigation and the Committee, please refer to the announcements of the Company dated 12 May 2023, 29 May 2023, 11 August 2023, 17 August 2023 and 26 October 2023.

EXTERNAL AUDITORS

CCTH CPA was appointed as the external auditors of the Company on 11 January 2017. The independence of the external auditors is recognised and reviewed by the Board and the Audit Committee on an annual basis. For the year ended 31 December 2023, the fees paid and payable to CCTH CPA and PRC statutory auditors in respect of their audit services provided to the Group were RMB1.6 million and the fees paid to CCTH CPA in respect of non-audit service assignment (agreed-upon procedures regarding interim financial information for the six months ended 30 June 2023) amounted to RMB150,000.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year under review.

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Chen Yenfei and Praise Treasure Limited are the controlling shareholders (within the meaning of the Listing Rules) of the Company (the "Controlling Shareholders"). To protect the Group from any potential competition with the Controlling Shareholders, the Controlling Shareholders have executed the Deed of Non-competition (the "Deed of Non-competition") in favor of the Company on 26 May 2015.

CORPORATE GOVERNANCE REPORT

The Company has adopted the following measures to manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the non-compete undertaking:

(a) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by the Controlling Shareholders under the Deed of Non-competition;

(b) the Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(c) the Company will disclose the decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking of the Controlling Shareholders under the Deed of Non-competition in the annual reports of the Company; and

(d) the Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition and disclose the same in the annual reports of the Company.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders. Each of the Controlling Shareholders has confirmed in writing to the Company that he/it has complied with the Deed of Non-competition for the year ended 31 December 2023. Based on such written confirmation from the Controlling Shareholders and other appropriate queries made by the independent non-executive Directors, the independent non-executive Directors considered that the Controlling Shareholders have complied with all the undertakings under the Deed of Non-competition for the year ended 31 December 2023.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, through its corporate governance measures, provide all the Shareholders an equal opportunity to exercise their rights in an informed manner and allow the Shareholders to engage actively with the Company. Under the Company's articles of association, the Shareholder communication policy and other relevant internal procedures of the Company, the Shareholders enjoy, among others, the following rights:

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through annual general meetings and other general meetings where the Shareholders can meet and exchange views with the Board, and to exercise their right to vote at meetings. Prior notices of meetings with sufficient notice period in compliance with the articles of association of the Company and the Listing Rules and circulars containing details on the proposed resolutions will be sent to the Shareholders before the meeting. At the general meetings, separate resolutions are proposed on each material matter, including the election/re-election of each individual Directors. No general meeting was held during the year ended 31 December 2023.

CORPORATE GOVERNANCE REPORT

(ii) Enquiries and proposals to the Board

The Company encourages Shareholders to attend general meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and/or Board committees at the general meetings or providing written proposals for the attention of the Board at the principal place of business of the Company in Hong Kong (currently situated at Suites 2601–2603, 26/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

(iii) Convening extraordinary general meeting

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, an aggregate of not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the company secretary of the Company and deposited at the principal place of business of the Company in Hong Kong (currently situated at Suites 2601–2603, 26/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong) for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures as set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of annual general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules are sent to Shareholders at least 21 clear days prior to the meeting. Poll voting has been adopted for decision-making at general meetings to ensure that each share is entitled to one vote. Details of the poll voting procedures are set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results are posted on the Company's website on the day of the annual general meeting.

(iv) Procedures for proposing a person for election as a Director

Pursuant to the article 85 of the articles of association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office (as defined therein) provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

CORPORATE GOVERNANCE REPORT

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served on the Board, namely (i) his/her notice of intention to propose a resolution at the general meeting; and (ii) a notice signed by the nominated candidate of the candidate's willingness to be appointed as a Director together with (A) that candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information, as set out in the below paragraph headed "Required information of the candidate(s) nominated by Shareholders", and (B) the candidate's written consent to the publication of his/her personal data.

Required information of the candidate(s) nominated by Shareholders
In order to enable the Shareholders to make an informed decision on their election of Directors, the abovementioned notice of intention to propose a resolution by a Shareholder should be accompanied by the following information of the nominated candidate(s):

(a) full name and age;

(b) positions held with the Company and its subsidiaries (if any);

(c) experience including (i) other directorships held in public companies of which the securities are listed on any securities market in Hong Kong and overseas in the past three years, and (ii) other major appointments and professional qualifications;

(d) current employment and such other information (which may include business experience and academic qualifications) of which Shareholders should be aware of, pertaining to the ability or integrity of the candidate;

(e) length or proposed length of service with the Company;

(f) relationships with any Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company, or an appropriate negative statement;

(g) interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), or an appropriate negative statement;

(h) a declaration made by the nominated candidate in respect of the information required to be disclosed pursuant to Rule 13.51(2)(h) to (w) of the Listing Rules, or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements nor there are any other matters relating to that nominated candidate's standing for election as a Director that should be brought to Shareholders' attention; and

(i) contact details.

The Shareholder proposing the candidate will be required to read out aloud the proposed resolution at the general meeting.

Having considered the above communication measures and channels, the Company considers the Shareholders communication policy is effective and sufficient during the year ended 31 December 2023.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

There was no change in the Memorandum and Articles of the Company for the year ended 31 December 2023.

On 22 February 2024, the Company has adopted the second amended and restated memorandum and articles of association of the Company by way of special resolution at the annual general meeting in order to conform to the core shareholder protection standards set out in Appendix A1 of the Listing Rules and the applicable laws of the Cayman Islands. For further details, please refer to the announcement and the circular of the Company dated 22 January 2024.

The Memorandum and Articles of the Company are available on the websites of the Stock Exchange and the Company.

POLICY ON PAYMENT OF DIVIDENDS

The Company has adopted a policy on payment of dividends (the "Dividend Policy"), which sets out the procedure on declaring and recommending dividend payment of the Company.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

(i) results of operations;

(ii) cash flows;

(iii) financial condition;

(iv) statutory and regulatory restrictions on the payment of dividends by the Company;

(v) future prospects; and

(vi) other factors that the Board may consider relevant.

Holders of the Shares will be entitled to receive such dividends on a pro rata basis according to the amounts paid up or credited as paid up on the Shares. Dividends may be paid only out of the Company's distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations.

Declaration and payment of dividends by the Company are also subject to the articles of association of the Company and the laws of the Cayman Islands.

There can be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Dividend Policy will continue to be reviewed from time to time by the Board.

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management as at the date of this report are as follows:

EXECUTIVE DIRECTOR

Yuan Hongbing (袁紅兵), aged 46, was appointed as an executive Director with effect from 28 March 2023. Mr. Yuan has over 20 years of work experiences in investment industry. He is skilled in capital management, mergers and acquisitions as well as investment banking. Mr. Yuan is the founder and the chairman of the board of directors of Yuanchuang Capital, which is principally engaged in venture investment, investment in mergers and acquisitions and reorganization, industrial investment and fund management. Mr. Yuan has been an executive director and the chief executive officer of Jintai Energy Holdings Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 2728), since 31 May 2019 and 27 September 2019 respectively. Mr. Yuan was an executive director of China Clean Energy Technology Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 2379), from 3 October 2022 to 17 March 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Yan (李燕), aged 47, graduated from the Wuhan Institute of Chemical Technology (武漢化工學院) (currently known as Wuhan Institute of Technology (武漢工程大學)) in July 2000 with a bachelor's degree in accounting. Ms. Li has been a Chinese Certified Public Accountant since 2002 and a Certified Financial Manager since 2014. She started to work in auditing in 2000 and worked in a well-known domestic accounting firm. Ms. Li has been engaged in accounting and financial management since 2008. She has been appointed as the chief financial officer of a number of listed companies, and led or participated in a number of investment, financing and merger and acquisition projects, and participated in a number of corporate restructuring and initial public offering projects of these companies.

Khor Khie Liem Alex (許麒麟) (formerly known as Mr. Khor Kee Lin), aged 56, has accumulated more than 20 years of working experiences in the fields of finance, capital market, financial reporting and financial compliance services. Mr. Khor has been the founding director of KBS Capital Partners (Singapore) Pte. Ltd. ("KBS Capital") since July 2004, which principally provides accounting, tax, company secretarial compliance services, and corporate advisory services, including initial public offering facilitation, merger and acquisition services and project financing services. Mr. Khor has completed various initial public offering, merger and acquisition and project fund-raising transactions for KBS Capital's clients from Singapore, Malaysia and China.

Mr. Khor has been appointed as an independent non-executive director of Sanai Health Industry Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1889) with effect from February 2021; and an independent non-executive director of Xinming China Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2699) with effect from August 2021. With effect from 1 November 2023, Mr. Khor Khie Liem Alex was appointed as an independent director of Davis Commodities Limited, a company listed on NASDAQ CM.

Prior to founding KBS Capital, Mr. Khor was the group financial controller of CFM Holdings Limited between 2002 and 2004, the group financial controller of TEE International Limited between 2000 and 2002, and the regional financial controller of Showpla Asia Limited between 1997 and 2000, all of which are listed on Singapore Exchange Limited.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Khor was admitted as an associate and a fellow member of the Association of Chartered Certified Accountants in 1999 and 2002, respectively. He obtained a Master of Business Administration from University of Leicester, United Kingdom in 2004. He is a Chartered Accountant of both the Institute of Singapore Chartered Accountants and the Malaysian Institute of Accountants.

SENIOR MANAGEMENT

Li Xiaoduo (李小多), aged 56, is a manager in charge of the manufacturing operation of the Group. Mr. Li joined the Group in 1998 and is mainly responsible for the production and quality control of the Group. Mr. Li has over 18 years of experiences in the pharmaceutical industry. Mr. Li was appointed as the deputy general manager of Wuhan Baixin Holdings Group Limited (武漢百信控股集團有限公司) since March 1998 in charge of manufacturing operation. Prior to joining the Group, he was the workshop supervisor and chief of biotech of Chengdu Di Kang Pharmaceuticals Limited (成都迪康製藥公司) from February 1996 to February 1998. He also worked for Chongqing Oriental Pharmaceutical Co., Limited (重慶東方藥業股份有限公司) from July 1994 to February 1996, responsible for developing new products. Mr. Li graduated from Chengdu College of Traditional Chinese Medicine (成都中醫學院) in July 1994, majoring in traditional Chinese medicine.

Tang Zaixiu (唐再秀), aged 45, is the head of accounting department of the Group. She is mainly responsible for daily accounting. Ms. Tang has over 15 years of experiences in accounting. She has worked as the cashier, accountant, financial supervisor and financial manager of Chengdu Kexun since 1999. Ms. Tang graduated from Chongqing Technology and Business University (重慶工商大學) on 30 June 2007, majoring in accounting.

REPORT OF DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2023.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2023 and further discussion and analysis, including an indication of the likely future developments in the Group's business are set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this report of Directors.

CORPORATE INFORMATION

The Company was incorporated on 3 May 2011 as a limited liability company under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Act"). The Shares were listed on the Stock Exchange on 19 June 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group primarily operates two business segments in China, namely (1) pharmaceutical distribution; and (2) pharmaceutical manufacturing. The analysis of the revenue of the principal activities of the Group during the year ended 31 December 2023 is set out in note 6 to the consolidated financial statements in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss on page 56 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities for the last five financial years are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

REPORT OF DIRECTORS

RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including business risks, operational risks and financial risks. The Group's key risk exposures are summarised as follows:

Compliance risks

(i) Qualitative factors

There are potential and inherent risks in the process of production, packaging, promotion, providing guidance services and selling pharmaceutical or health products by all the subsidiaries of the Group in the Company, self-operating or franchising entities, such as unsafe or defective products outflow to the market.

If the products cause injury or death due to qualitative factors and issues, the Company may face compensation and need to recall products. The PRC government may also order to cease the operation of the department which made the mistakes. Both the compensation and recall would severely affect the business, financial position and reputation of the Company.

The Company mitigates the risks by:

(1) assessing as to whether it is necessary to purchase insurance to reduce potential economic losses caused by quality issues;
(2) strictly selecting suppliers and obtaining pharmaceutical approval for products purchased;
(3) regularly assessing the services provided by suppliers;
(4) conducting safety inspection on the quality of each batch of products (including self-produced products and purchased products), and maintaining records of receipt and delivery of goods, records of batch production and relevant records of production;
(5) consulting quality control consultants for quality and safety standards; and
(6) regularly monitoring the market conditions of the industry, in order to ensure that no quality issues exists in the suppliers' and the Company's products for sale and materials purchased for production.

REPORT OF DIRECTORS

Strategic risks

(i) Acquisition risks

The Company may successfully expand its business by acquisition. One of the strategies of the Company is to continue to seek for acquisition and alliance. However, acquisition involves various risks and uncertainties that may affect the Company, including:

(1) failure to identify a suitable acquisition target;
(2) failure to complete acquisition on reasonable commercial terms and at reasonable acquisition cost;
(3) failure to timely obtain the required approvals from government, consents from third parties and land use rights;
(4) potential, unforeseeable or hidden financial obligation and legal liability of the acquisition target of the Company;
(5) failure to achieve synergy, expected goals or benefits generated from acquisition; or requiring to generate enough turnover to recover acquisition cost; and
(6) earnings per share or profit margin possibly being diluted due to the decline in profitability of the business acquired.

The Company mitigates the risks by:

(1) carrying out detailed background investigation on the acquisition target and analysis on its effect on the existing business structure;
(2) carrying out detailed due diligence and feasibility analysis on the acquisition target (including expected earnings, cost of capital, business and legal terms and performance of obligations, and so forth);
(3) carrying out supervision and review on the execution of acquisition target; and
(4) establishing investment project team specializing in the supervision and management on the preliminary work, execution and follow-up work of each acquisition target.

REPORT OF DIRECTORS

Operational risks

(i) Risk of non-compliance with safety standards

In recent years, the PRC government has been enhancing its supervision on the quality and safety standards of the pharmaceutical industry. If the Company fails to meet the quality and safety standards stipulated by the PRC government, the Company shall be fined and be required to invest fund immediately to make corresponding improvements in order to meet the existing standards. Thus, the Company's liquidity, profitability, expansion plans and other operational strategies may be affected. If the Company's products cause injury or death due to failure to meet standards stipulated by the PRC government, the Company shall be fined, prosecuted, or even be confronted with suspension crisis, which would severely affect the reputation of the Company.

The Company mitigates the risks by:

(1) setting quality and safety standards in compliance with the standards stipulated by the PRC government;
(2) consulting with quality control consultants for quality and safety standards;
(3) keeping an eye on changes in the market and regulations of the pharmaceutical industry in the PRC, formulating response plans for changes, and if necessary, consulting with lawyers or quality control consultants for response plans; and
(4) continuously updating and using compliance lists to ensure relevant personnel to carry out business and operation in compliance with the compliance lists.

(ii) Risk related to bidding for pharmaceuticals distribution

The Company operates agricultural distribution and selling business which primarily sells pharmaceuticals to hospitals and medical institutions in rural areas, provided that the Company can obtain the authority for pharmaceuticals supply from provincial or municipal governments through public bidding.

If the Company is unsuccessful in the bidding or fails in the bidding due to failure to timely response to changes in bidding procedures and policies, the Company will lose the authority to sell to provincial hospitals and other medical institutions, which will cause negative impacts on the agricultural distribution and selling business and market share of the Company. This will bring material and adverse impacts on the business operation, sustainable operation and cash flows of the Company.

REPORT OF DIRECTORS

The Company shall constantly strive to strengthen and develop its various competitive strength and advantage. For this purpose, it takes measures such as the following:

(1) maintaining good communications and relationships with government departments and various medical institutions;
(2) continuously monitoring and updating information on bidding for pharmaceuticals distribution; and
(3) taking measures in response to unsuccessful bids, including changing sales strategies to allocate resources to explore other new sales channels (such as implementing online sales) and strengthening distribution and sales and expanding franchise network, etc.

(iii) Impacts caused by natural disasters

The Company's main production facilities are all located in Chengdu and Sichuan Province. If these production facilities in the same place are damaged due to attack by natural disasters such as flood, fire, or earthquake, the Company may be required to spend a lot of money and time for repairs. Meanwhile, if there is no alternative production equipment, it may cause insufficient production quantity or production interruption, and failure to meet customer demand, which may cause a decrease in the revenue of the Company.

The Company mitigates the risk by:

(1) purchasing insurance to ensure the Company can get compensation and restore productivity as soon as possible; and
(2) engaging professionals to carry out annual review on the safety of factory.

Financial risks

The Group is also subject to the following financial risks:

(i) Foreign currency exchange risk
(ii) Interest rate risk
(iii) Credit risk
(iv) Liquidity risk
(v) Price risk

The above risks and uncertainties are not exhaustive and there may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

REPORT OF DIRECTORS

CHARGES OF ASSETS

There was no charges over the Group's assets during the year ended 31 December 2023 and 2022.

GEARING RATIO

The Group's gearing ratio is calculated by net debts divided by total equity. The Group's net debts include bank borrowings, corporate bonds and other borrowings, less cash and cash equivalents. As at 31 December 2023, the Group's gearing ratio was -128.7% (2022: -92.1%).

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY AND COMPLIANCE WITH LAWS AND REGULATIONS

As a responsible corporation, the Group is committed to maintain the highest environmental and social standards to ensure sustainable development of its business.

The Group is subject to the following major PRC laws and regulations:

(i) Business operation

- Administrative Measures for the Registration of Pharmaceuticals 《藥品註冊管理辦法》
- Administrative Measures for Pharmaceutical Supply Permit《藥品經營許可證管理辦法》
- Good Supply Practice Rules for Pharmaceuticals《藥品經營質量管理規範》
- Measures for the Certification of Good Supply Practice of Pharmaceutical Operations《藥品經營質量管理規範認證管理辦法》
- Good Manufacturing Practices (2010 Revision)《藥品生產質量管理規範(2010年修訂)》

(ii) Environmental and social standards

- the Environmental Protection Law of the PRC《中華人民共和國環境保護法》
- the Labor Law of the PRC《中華人民共和國勞動法》
- the Law of the PRC on the Prevention and Control of Water Pollution《中華人民共和國水污染防治法》
- the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste《中華人民共和國固體廢物污染環境防治法》
- the Law of the PRC on Safe Production《中華人民共和國安全生產法》
- the PRC Labor Contract Law《中華人民共和國勞動合同法》

During the year under review, the Group has complied with all relevant laws and regulations in relation to its business including production, health and safety, workplace conditions, employment and the environment that have a significant impact on the Group.

The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and other materials.

Further information about the Company's environmental policies and performance are disclosed in the environmental, social and governance report of the Company.

REPORT OF DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 59.8% of the total sales for the year ended 31 December 2023 and sales to the largest customer included therein amounted to approximately 22.3% of the total sales for the year. The credit terms granted to major customers are 30 to 180 days which are in line with those granted to other customers. Purchases from the Group's five largest suppliers accounted for approximately 73.2% of the total purchases for the year ended 31 December 2023 and purchases from the Group's largest supplier included therein amounted to approximately 43.3% of the total purchases for the year.

The Group has established a business relationship with its five largest customers and suppliers for more than five years. Management of the Company conducts review on customer and supplier composition on a regular basis to monitor whether there is over-reliance on certain counterparty.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Being people-oriented, the Group ensures all staff are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group maintains good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and stringent appraisal of its suppliers on an annual basis.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 15 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 33 to the consolidated financial statements in this annual report.

REPORT OF DIRECTORS

ISSUE OF CORPORATE BONDS

During the period between 2016 and 2018, the Company issued unsecured corporate bonds with aggregate principal amount of HK$113.9 million to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 2 to 7.5 years. As at 31 December 2023, 18 corporate bonds with aggregate principal amount of HK$52.7 million matured and the Company has outstanding unpaid principal amount of HK$33.1 million of matured corporate bonds as at 31 December 2023.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2023 are set out on page 60 in the consolidated statement of changes in equity of this annual report and in note 35 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's accumulated losses amounted to approximately RMB766.9 million and the Company's share premium amounted to approximately RMB691.9 million. By passing an ordinary resolution of the Company, dividends may be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act of the Cayman Islands. As at 31 December 2023, the Company's reserves available for distribution amounted to approximately RMB0 million (2022: RMB0 million).

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2023 are set out in note 26 to the consolidated financial statements in this annual report.

REPORT OF DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2023 and up to the date of this annual report were:

Executive Directors:
Mr. Yuan Hongbing (appointed on 28 March 2023)
Professor Xiao Kai *(Chairman)* (retired on 22 February 2024)
Mr. Feng Junzheng *(Chief Executive Officer)* (retired on 22 February 2024)
Mr. Shen Shun (resigned on 26 October 2023)

Non-executive Directors:
Mr. Zhang Tong (retired on 22 February 2024)
Mr. Chen Yunwei (retired on 22 February 2024)
Mr. Zhang Xiongfeng (resigned on 16 March 2023)

Independent non-executive Directors:
Ms. Li Yan (appointed on 10 March 2023)
Mr. Khor Khie Liem Alex (appointed on 10 March 2023)
Mr. Cao Lei (retired on 22 February 2024)
Mr. Ding Qing (resigned on 10 March 2023)
Ms. Luo Ke (resigned on 10 March 2023)

Each of the executive Directors has entered into a service contract, and each of the non-executive Directors, and independent non-executive Directors has entered into a letter of appointment, with the Company for a term of three years, subject to termination by (i) each of the executive Directors by not less than three month's notice in writing served on the other; and (ii) each of the non-executive Directors and the independent non-executive Directors by service of notice in writing to the Company at least 15 days in advance or by the Company at any time. All Directors are subject to retirement and re-election at the annual general meeting of the Company in accordance with the Company's articles of association. The details of the remuneration of each of the Directors are disclosed in note 11 to the consolidated financial statements in this annual report.

As at 31 December 2023 and up to the date of this annual report, no Director who will be proposed for re-election at the forthcoming annual general meeting of the Company has an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REPORT OF DIRECTORS

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 26 to 27 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No Director has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended 31 December 2023.

CONTRACTS OF SIGNIFICANCE ENTERED INTO BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS

There are not any contracts of significance entered into between the Group and the controlling shareholders (within the meaning of the Listing Rules) of the Company (or any of their subsidiaries) which subsisted at any time during the year ended 31 December 2023.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

Upon the expiry of previous directors and officers insurance on 18 June 2021, the Company did not arrange any new insurance cover in respect of legal actions against its Directors and senior management arising out of corporate activities up to 6 December 2023. On 7 December 2023, the Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the directors of the Company and its subsidiaries.

REPORT OF DIRECTORS

SHARE OPTION SCHEME

The Company adopted the share option scheme (the "Share Option Scheme") on 26 May 2015 for the purpose of rewarding certain Eligible Persons (as defined below) for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such Eligible Persons (as defined below) who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 26 May 2015.

Subject to the requirement of the Listing Rules, eligible participants of the Share Option Scheme include, (i) any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any director or proposed director (including an independent non-executive director) of the Company or any of its subsidiaries; (iii) any direct or indirect shareholder of the Company or any of its subsidiaries; (iv) any supplier, customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Company or any of its subsidiaries; (v) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Company or any of its subsidiaries and (vi) any associate of any of the persons referred to in paragraphs (i) to (v) above (the persons referred above are the "Eligible Persons").

In accordance with the resolution passed at the annual general meeting held in 28 June 2019 ("2019 AGM"), the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the date of the 2019 AGM, i.e. 147,499,290 Shares. During the year under review, no share options was granted under the Share Option Scheme. As at 31 December 2022, the total number of securities available for issue pursuant to the options granted under the Share Option Scheme was 100,000,000 Shares, representing in aggregate approximately 6.78% of the Company's issued share capital as at the date of this annual report. As at 1 January 2023 and 31 December 2023, the total number of Shares in respect of which options available for grant under the Share Option Scheme were 47,499,290 Shares, representing in aggregate approximately 3.22% of the Company's issued share capital as at the date of this annual report. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may grant options beyond the 10% limit to the Eligible Persons specifically identified by the Board.

The maximum number of Shares issued and to be issued upon the exercise of options granted under the Share Option Scheme (including exercised or outstanding options) to each grantee within any 12-month period, is limited to 1% of the Shares in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

REPORT OF DIRECTORS

SHARE OPTION SCHEME *(Continued)*

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 (within the meaning of the Listing Rules) or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the 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 Board shall not offer the grant of any option to any Eligible Person after inside information has come to its knowledge until it has announced the information pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements provided that no option may be granted during any period of delay in publishing a results announcement.

Subject to the requirement of the Listing Rules, the exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 28 days after the offer date.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

REPORT OF DIRECTORS

SHARE OPTION SCHEME *(Continued)*

The details of share options granted under the Share Option Scheme as at 31 December 2023 are set out as follows:

			Number of share options					
Name	**Date of grant**	**Vesting date**	**Outstanding as at 1 January 2023**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31 December 2023**
Mr. Chen Rongxin (a former executive Director)	7 September 2018	7 September 2018	10,000,000 *(Note 1)*	–	–	–	–	10,000,000
Mr. Zhang Xiongfeng (a non-executive Director)	7 September 2018	7 September 2018	10,000,000 *(Note 1)*	–	–	–	–	10,000,000
Employees in aggregate	7 September 2018	7 September 2018	10,000,000 *(Note 1)*	–	–	–	–	10,000,000
Other eligible participants in aggregate	7 September 2018	7 September 2018	70,000,000 *(Note 1)*	–	–	–	–	70,000,000
Total			100,000,000	–	–	–	–	100,000,000

Note:

1. The exercise price of these options is HK$0.67 and the exercise period is from 7 September 2018 to 25 May 2025, both dates inclusive. The closing price of the Shares immediately preceding the date of grant of these options was HK$0.70. The Company received HK$1.0 from each of the grantees of these options upon acceptance of the options granted.

The number of Shares that may be issued in respect of options granted under the Share Option Scheme represented approximately 6.78% of the weighted average number of Shares for the year ended 31 December 2023.

From 1 January 2023, the Company will rely on the transitional arrangements provided by the Stock Exchange for share schemes should it decide to grant any share options. The Company will amend the terms of the Share Option Scheme or consider to adopt a new share option scheme in compliance with the new Chapter 17 of the Listing Rules as and when appropriate.

Save and except the Share Option Scheme, the Company did not have any other share scheme during the year ended 31 December 2023.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

REPORT OF DIRECTORS

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence.

The Company has adopted the Share Option Scheme, of which share options may be granted to Eligible Persons. Details of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" in this report of Directors and note 34 to the consolidated financial statements in this annual report.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 11 and 12 to the consolidated financial statements in this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the year ended 31 December 2023.

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

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register required to 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 Model Code contained in Appendix 10 to the Listing Rules were as follows:

Long positions in the Shares

Name of Director	**Capacity/ nature of interest**	**Number of Shares held**	**Approximate percentage of shareholding** *(Note 1)*
Mr. Shen Shun (resigned on 26 October 2023)	Beneficial owner	3,500,000	0.24%
Mr. Zhang Xiongfeng (resigned on 16 March 2023)	Beneficial owner	34,814,000	2.36%

Note:

1. The total number of Shares in issue as at 31 December 2023 (i.e. 1,474,992,908 Shares) has been used for the calculation of the approximate percentage of interest.

REPORT OF DIRECTORS

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

Long position in the underlying Shares

Name of Director	Capacity/ nature of interest	Number of Shares held	Approximate percentage of shareholding *(Note 1)*
Mr. Zhang Xiongfeng (resigned on 16 March 2023) *(Note 2)*	Beneficial owner	10,000,000 *(Note 2)*	0.68%

Notes:

1. The total number of Shares in issue as at 31 December 2023 (i.e. 1,474,992,908 Shares) has been used for the calculation of the approximate percentage of interest.

2. These are 10,000,000 Shares to be issued upon exercise of the unlisted physically settled share options granted to Mr. Zhang Xiongfeng on 7 September 2018 pursuant to the Share Option Scheme and which can be exercised by Mr. Zhang Xiongfeng between 7 September 2018 and 25 May 2025 at the subscription price of HK$0.67 per Share.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, during the year under review, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

REPORT OF DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the directors and chief executive of the Company) had interests or short positions in any of the Shares or underlying Shares which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

(i) Substantial shareholder's long position in the Shares

Name of Shareholder	Capacity/ nature of interest	Number of Shares held	Approximate percentage of issued share capital *(Note 1)*
Praise Treasure Limited	Beneficial owner	753,040,000	51.05%
Mr. Chen Yenfei	Interest of a controlled corporation	753,040,000	51.05%
	Beneficial owner	13,560,000	0.92%
		766,600,000	51.97%

(ii) Other persons' long positions in the Shares

Name of Shareholder	Capacity/ nature of interest	Number of Shares held	Approximate percentage of issued share capital *(Note 1)*
Win Win Stable No. 3 Fund SP	Person having a security interest in shares	753,040,000	51.05%
Zhongtai Innovation Capital Management Limited	Investment manager	753,040,000	51.05%
Osman Mohammed Arab *(Note 2)*	Agent	753,040,000	51.05%
Lai Wing Lun *(Note 2)*	Agent	753,040,000	51.05%

Notes:

1. The total number of Shares in issue as at 31 December 2023 (i.e. 1,474,912,908 Shares) has been used for the calculation of the approximate percentage of interest.

REPORT OF DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

(ii) Other persons' long positions in the Shares *(Continued)*

Notes: (Continued)

2. 753,040,000 Shares (the "Charged Shares") were pledged by Praise Treasure Limited in favour of an original chargee whose rights have been assigned to Win Win International Strategic Investment Funds SPC (for the account and on behalf of Win Win Stable No.3 Fund SP), and on 27 July 2022, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited were appointed as joint and several receivers and managers over the Charged Shares. The Charged Shares represent approximately 51.05% of the issued share capital of the Company as at the date of this annual report.

Save as disclosed above, as at 31 December 2023, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in any of the Shares or underlying Shares which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to the existing shareholders.

COMPETING BUSINESS

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the year ended 31 December 2023. Each of Mr. Chen Yenfei and Praise Treasure Limited (the controlling shareholders (within the meaning of the Listing Rules) of the Company) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company on 26 May 2015. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2023.

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2023 is contained in note 40 to the consolidated financial statements in this annual report. The transactions summarised in such note do not fall under the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

REPORT OF DIRECTORS

CHARITABLE DONATIONS

There was no charitable donations made by the Group during the year ended 31 December 2023 (2022: Nil).

AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management and auditor of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the annual financial statements for the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 10 to 25 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, there was a sufficient prescribed public float of the issued share of the Company required under the Listing Rules.

POSSIBLE TRANSACTION PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE

As disclosed in the Company's announcement dated 3 August 2022, the Board has been informed of the appointment of joint and several receivers and managers of the ordinary shares of HK$0.001 each in the Shares held by PTL, a controlling shareholder of the Company.

As informed by PTL, 753,040,000 Shares (the "Charged Shares") were pledged by PTL in favour of the original chargee whose rights have been assigned to Win Win International Strategic Investment Funds SPC for the account and on behalf of Win Win Stable No. 3 Fund SP (the "Chargee") to secure certain indebtedness of PTL, and on 27 July 2022, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited (the "Receivers") were appointed as joint and several receivers and managers over the Charged Shares, which represented approximately 51.05% of the issued share capital of the Company. For the purpose of the Code on Takeovers and Mergers (the "Takeovers Code"), the offer period commenced on 3 August 2022.

As announced by the Company on 8 March 2023, the Board has been advised by PTL that PTL was still in negotiations with the Chargee regarding settlement of the outstanding indebtedness owed by PTL to the Chargee. After making appropriate enquiries with the Receivers, the Receivers informed the Board that they have not identified a potential purchaser for the Charged Shares. As such, the Company considered that a bona fide offer was not imminent. The offer period under Rule 26.1 of the Takeovers Code was closed on 8 March 2023.

Please refer to the announcements of the Company dated 3 August 2022, 5 September 2022, 5 October 2022, 7 November 2022, 7 December 2022, 9 January 2023, 9 February 2023 and 8 March 2023 for details.

REPORT OF DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

Restructuring and Scheme of Arrangement

Since 2020, various winding-up petitions were presented against the Company. As at the date of this report, the Re-Re-Amended Petition remains subsisting. The Re-Re-Amended Petition was filed by the Substituting Petitioner against the Company for the Company's failure to settle the principal sum and interest payment with total amount of HK$2,573,424.66 in respect of the bond issued to the 2022 Petitioner by the Company. The Substituting Petitioner of the Re-Re Amended Petition has signed a consent summons on 9 November 2023, pursuant to which the petitioner has agreed the Re-Re Amended Petition be dismissed. Order has been pronounced by the High Court of Hong Kong on 20 November 2023 that the Re-Re-Amended Petition be dismissed.

In or around early June 2023, in view of the winding-up petitions, the Company contemplates a restructuring of its overall indebtedness position in order to address the liquidity issue faced by the Company.

On 20 July 2023, the Company, through its legal advisors, made an ex parte application to the High Court to apply for leave to convene the Scheme Meeting for the purpose of considering and, if thought fit, approving the Scheme of Arrangement and related directions.

The Scheme Meeting was held on 18 October 2023. During the Scheme Meeting, over 50% in number of, and representing not less than 75% in value of the claims of, the creditors present and voting in person or by proxy at the Scheme Meeting, have voted in favour of the Scheme of Arrangement. The High Court of Hong Kong sanctioned the Scheme of Arrangement on 1 November 2023. The Scheme of Arrangement was effective on 12 March 2024.

For details and progress of the restructuring and the Scheme of Arrangement, please refer to the announcements of the Company dated 25 July 2023, 11 August 2023, 8 September 2023, 15 September 2023, 25 September 2023, 18 October 2023 and 1 November 2023.

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

On 22 February 2024, the Company has adopted the second amended and restated memorandum and articles of association of the Company by way of special resolution at the annual general meeting in order to conform to the core shareholder protection standards set out in Appendix A1 of the Listing Rules and the applicable laws of the Cayman Islands. For further details, please refer to the announcement and the circular of the Company dated 22 January 2024.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company has changed its principal place of business in Hong Kong to Suites 2601–2603, 26/F, Shui On Centre, 6 – 8 Harbour Road, Wanchai, Hong Kong with effect from 19 February 2024.

REPORT OF DIRECTORS

UPDATE ON THE DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors during the year ended 31 December 2023 are set out below:

Mr. Khor Khie Liem Alex was appointed as an independent director of Davis Commodities Limited, a company listed on NASDAQ CM with effect from 1 November 2023.

Mr. Shen Shun resigned as an executive Director with effect from 26 October 2023.

Mr. Zhang Xiongfeng resigned as a non-executive Director with effect from 16 March 2023.

Mr. Ding Qing resigned as an independent non-executive Director and ceased to be a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee with effect from 10 March 2023.

Ms. Luo Ke resigned as an independent non-executive Director and ceased to be a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee with effect from 10 March 2023.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by CCTH CPA Limited.

CCTH CPA Limited shall retire and being eligible, offer themselves for re-appointment, and a resolution to this effect shall be proposed at the forthcoming AGM.

On behalf of the Board
Pa Shun International Holdings Limited
Yuan Hongbing
Executive Director

Hong Kong, 28 March 2024

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF
PA SHUN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Pa Shun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 146, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit and loss, 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 and other explanatory information.

In our opinion, except for the effects on the matter as described in the "Basis for Qualified Opinion" section of our report, 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Property development project

As disclosed in note 19 to the consolidated financial statements, the Group had a property development project with the carrying amount of approximately RMB57,000,000 at 31 December 2022 and impairment loss on the property development project amounted to approximately RMB17,000,000 were recognised in profit and loss of the Group in respect of the prior year ended 31 December 2022. As detailed in our auditor's report dated 1 November 2023 on the Group's consolidated financial statements for the year ended 31 December 2022, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether the amount of the impairment losses on the property development project were properly recognised in the consolidated financial statements for the prior years ended 31 December 2022 and 31 December 2021. Any adjustments, if required, to be made to increase/decrease the amounts of impairment losses recognised for the prior years and to decrease/increase the carrying amount of the property development project as at 31 December 2022, might have a corresponding decrease/increase in the amount of impairment loss recognised for the property development project for the year ended 31 December 2023. Our opinion on the Group's consolidated financial statements in respect of this matter is also modified because of the possible effect of the matter on the comparability of the current year's figures and the corresponding figures for the prior year ended 31 December 2022.

INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements that the net current liabilities and net liabilities of the Group at 31 December 2023 amounted to approximately RMB123,473,000 and RMB116,099,000 respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in note 2 to the consolidated financial statements, the directors of the Company are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not further modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the key audit matter
Revenue recognised from sales of pharmaceutical products Note 6(a) to the consolidated financial statements. Revenue from sales of pharmaceutical products is recognised when the controls of the pharmaceutical products are transferred to customers. The accounting policy for revenue recognition is disclosed in note 4(m) to the consolidated financial statements. The Group recognised revenue of approximately RMB129,430,000 from sales of pharmaceutical products for the year ended 31 December 2023. We have identified revenue recognised from sales of pharmaceutical products as a key audit matter as the revenue recognised is quantitatively significant to the consolidated statement of profit or loss and is one of the key performance of the Group.	• We obtained an understanding of the revenue business process regarding sales of pharmaceutical products. • We evaluated and tested the key controls over the recognition of sales of pharmaceutical products. • We checked, on a sample basis, the terms set out in the sales and purchase agreements, and assessed whether the significant risks and rewards of ownership of the related pharmaceutical products sold and the Group's control therein have been transferred to the customers by reviewing the relevant documents. • We tested the recognition of material sales transactions close to the end of the reporting period to assess whether those sales transactions were recorded in appropriate accounting periods in accordance with the Group's revenue recognition policy.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matters	How our audit addressed the key audit matter
Impairment assessment of the property development project Note 19 to the consolidated financial statements. As at 31 December 2023, the Group had made payments amounted to approximately RMB185,797,000 to Chengdu Yiming Investment Management Company Limited ("Chengdu Yiming") in connection with a proposed property development project of a logistic centre, of which impairment loss amounted to approximately RMB137,797,000 was recognised. Management conducted impairment assessment of the property project and concluded that impairment loss for the year ended 31 December 2023 amounted to approximately RMB9,000,000 is required to be made based on the fair value of the properties, as valued by an external property valuer. We identified the impairment assessment of the proposed property development project as a key audit matter due to significant payments made by the Group for the project up to 31 December 2023 and the estimation and judgment involved in the assessments of the fair value of the properties upon their completion of development as valued by the external property valuer.	Our procedures in relation to the impairment assessment of the property development project included: • We obtained an understanding of the management's internal control of the preparation of budgeted costs for the development of the property project. • We assessed the reasonableness of the individual components of the budgeted costs by reference to the feasibility study report prepared by management and other corroborative evidence. • We evaluated the competence, capabilities and objectivity of the external property valuer regarding the property development project. • We obtained an understanding from the external property valuer about the valuation techniques, performance of the property markets, significant assumptions adopted, critical judgmental areas, key inputs and data used in the valuation. • We evaluated the reasonableness of the key inputs used in the valuation by comparing the market observable transactions for valuation with other similar properties, market trend and management assumptions.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matters	How our audit addressed the key audit matter
Recoverability of trade and other receivables Note 21 to the consolidated financial statements. At 31 December 2023, the Group had trade and other receivables with the total carrying amount of approximately RMB37,019,000. Recoverability of these receivables involved management judgment in assessing the allowance for doubtful debts for the receivables. The ability of the debtors to repay to the Group depends on customer specific and market conditions which involve inherent uncertainty. We have identified impairment assessment of trade and other receivables as a key audit matter due to the magnitude of the receivables and the estimation and judgment involved in the determination of the recoverable amounts of these receivables.	Our procedures in relation to the recoverability of trade and other receivables included: • We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. • We assessed the classification and accuracy of individual balances in trade and other receivables ageing report by testing the underlying invoices on a sample basis. • We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgment about the recoverability of the outstanding receivables and assessed the allowance for doubtful debts made by management for these individual balances. • We assessed the appropriateness of the expected credit loss positioning methodology, by examining the key data inputs on a sample bases, to assess their accuracy and completeness.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matters	How our audit addressed the key audit matter
Recoverability of prepayments and deposits paid Note 22 to the consolidated financial statements. As at 31 December 2023, the Group had prepayments and deposits paid with the total carrying amount of approximately RMB65,329,000. The recoverability of the prepayments and deposits paid is dependent on the ability of the related counterparties, specific and market conditions and the financial position of the counterparties. We have identified impairment assessment of the prepayments and deposits paid as a key audit matter due to the magnitude of the balances and the estimation and judgment of management involved in the determination of the recoverable amounts of these prepayments and deposits paid.	Our procedures in relation to the recoverability of prepayments and deposits paid included: • We obtained an understanding of the Group's processes and controls relating to monitoring of the recoverability of the prepayments and deposits paid and identifying any impairment indicators. • We assessed the classification and accuracy of individual prepayments and deposits paid by testing relevant corroborative evidence on a sample basis. • We assessed subsequent settlement of prepayments and deposits paid balances. Where settlement had not been received subsequent to year end date, we obtained an understanding of the basis of management's judgment about the recoverability of the outstanding balances and assessed the impairment loss made by management for the prepayments and deposits paid.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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:

- 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.

INDEPENDENT AUDITOR'S REPORT

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2024

Yeung May May Joey
Practising Certificate Number: P05205

Unit 1510–1517, 15/F, Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		Year ended 31 December	
	NOTES	**2023** **RMB'000**	2022 RMB'000
Revenue	*6(a)*	**129,430**	71,784
Cost of sales		**(100,000)**	(58,483)
Gross profit		**29,430**	13,301
Other income	*7(a)*	**2,790**	581
Other gains/(losses), net	*7(b)*	**14,964**	(27,620)
Selling and distribution expenses		**(7,246)**	(6,046)
General and administrative expenses		**(23,597)**	(12,834)
Finance costs	*8*	**(12,933)**	(10,541)
Profit/(loss) before tax	*9*	**3,408**	(43,159)
Income tax expense	*10*	**(1,058)**	(220)
Profit/(loss) for the year attributable to equity holders of the Company		**2,350**	(43,379)

The notes on pages 64 to 146 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	Year ended 31 December **2023** **RMB'000**	 2022 RMB'000
Profit/(loss) for the year		**2,350**	(43,379)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC" or "China")		**(2,929)**	(13,639)
Total comprehensive expense for the year attributable to equity holders of the Company		**(579)**	(57,018)
Earnings/(loss) per share (in RMB cents)	*14*		
Basic		**0.16**	(2.94)
Diluted		**0.16**	N/A

The notes on pages 64 to 146 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	**2023 RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**32,397**	35,536
Right-of-use assets	*16*	**1,872**	2,277
Interests in associates	*17*	**–**	–
Other intangible assets	*18(a)*	**26**	56
Property development project	*19*	**48,000**	57,000
		82,295	94,869
CURRENT ASSETS			
Inventories	*20*	**5,378**	6,951
Trade and other receivables	*21*	**37,017**	17,128
Prepayments and deposits paid	*22*	**65,329**	14,411
Amount due from a shareholder	*27*	**–**	490
Amounts due from related parties	*40(b)*	**36**	35
Income tax recoverable	*30(a)*	**–**	300
Cash and cash equivalents	*23*	**16,511**	1,901
		124,271	41,216
CURRENT LIABILITIES			
Trade and other payables	*25*	**130,169**	118,266
Bank borrowings	*26*	**7,160**	4,500
Amount due to a shareholder	*27*	**804**	–
Amounts due to related parties	*40(b)*	**1,132**	616
Corporate bonds payable	*28*	**83,473**	82,525
Other borrowings	*29*	**24,418**	21,312
Income tax payable	*30(a)*	**588**	–
		247,744	227,219
NET CURRENT LIABILITIES		**(123,473)**	(186,003)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(41,178)**	(91,134)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	**2023 RMB'000**	2022 RMB'000
NON-CURRENT LIABILITIES			
Deferred income – government grant	*31*	**22,005**	22,517
Deferred tax liabilities	*30(b)*	**1,997**	1,869
Other borrowings	*29*	**50,919**	–
		74,921	24,386
NET LIABILITIES		**(116,099)**	(115,520)
CAPITAL AND RESERVES			
Share capital	*33*	**1,216**	1,216
Reserves	*35*	**(117,315)**	(116,736)
DEFICIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**(116,099)**	(115,520)

The consolidated financial statements on pages 56 to 146 were approved and authorised for issue by the board of directors of the Company on 28 March 2024 and are signed on its behalf by:

Yuan Hongbing
Director

Li Yan
Director

The notes on pages 64 to 146 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity shareholders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	PRC statutory reserve *RMB'000*	Share option reserve *RMB'000* *(Note 34)*	Exchange reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total equity *RMB'000*
At 1 January 2022	1,216	691,882	33,143	11,456	(1,958)	(28,150)	(766,091)	(58,502)
Loss for the year	–	–	–	–	–	–	(43,379)	(43,379)
Other comprehensive expense for the year								
Exchange differences on translation of financial statements of entities outside the PRC	–	–	–	–	(13,639)	–	–	(13,639)
Total comprehensive expense for the year	–	–	–	–	(13,639)	–	(43,379)	(57,018)
At 31 December 2022 and 1 January 2023	1,216	691,882	33,143	11,456	(15,597)	(28,150)	(809,470)	(115,520)
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2,350**	**2,350**
Other comprehensive expense for the year								
Exchange differences on translation of financial statements of entities outside the PRC	**–**	**–**	**–**	**–**	**(2,929)**	**–**	**–**	**(2,929)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**–**	**(2,929)**	**–**	**2,350**	**(579)**
At 31 December 2023	**1,216**	**691,882**	**33,143**	**11,456**	**(18,526)**	**(28,150)**	**(807,120)**	**(116,099)**

The notes on pages 64 to 146 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		Year ended 31 December	
	NOTES	**2023 RMB'000**	2022 RMB'000
Operating activities			
Profit/(loss) before tax		**3,408**	(43,159)
Adjustments for:			
Depreciation of property, plant and equipment	*15*	**2,872**	2,670
Depreciation of right-of-use assets	*16*	**405**	900
Amortisation of intangible assets	*18*	**30**	55
Government grant recognised to profit or loss	*31*	**(512)**	(512)
Impairment loss on inventories	*7(b)*	**147**	347
Impairment loss on property development project	*7(b)*	**9,000**	17,000
Impairment loss on trade receivables	*7(b)*	**–**	4,066
Impairment loss on other receivables	*7(b)*	**–**	5,276
Impairment loss on prepayments and deposits paid	*7(b)*	**12,770**	929
Reversal of impairment loss on trade receivables	*7(b)*	**(20,235)**	–
Reversal of impairment loss on other receivables	*7(b)*	**(2,660)**	–
Reversal of impairment loss on prepayments and deposits paid	*7(b)*	**(14,000)**	–
Corporate bonds payable waived	*7(a)*	**(905)**	–
Write-off of property, plant and equipment	*7(b)*	**335**	2
Bank interest income	*7(a)*	**(3)**	(7)
Finance costs	*8*	**12,933**	10,541
Net foreign exchange losses/(gains)		**3,965**	(3,893)
Operating cash flows before movements in working capital		**7,550**	(5,785)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		Year ended 31 December	
	NOTES	**2023 RMB'000**	2022 RMB'000
Operating cash flows before movements in working capital		**7,550**	(5,785)
Decrease in inventories		**1,426**	1,048
Decrease/(increase) in trade and other receivables		**3,006**	(3,686)
Increase in prepayments and deposits paid		**(49,688)**	(18)
Increase in amount due from a shareholder		**–**	(490)
Increase/(decrease) in amount due to a shareholder		**1,300**	(933)
Increase/(decrease) in amounts due from related parties		**516**	(3)
Increase in trade and other payables		**999**	9,323
Increase in amounts due to related parties		**–**	48
Cash used in operations		**(34,891)**	(496)
Income tax paid	*30(a)*	**(42)**	(1,825)
Net cash used in operating activities		**(34,933)**	(2,321)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		Year ended 31 December	
	NOTES	**2023 RMB'000**	2022 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(68)**	(28)
Proceeds received from disposal of an associate in prior years		**–**	3,000
Bank interest received		**3**	7
Net cash (used in)/generated from investing activities		**(65)**	2,979
Financing activities			
Drawn down of new bank loans	*37*	**7,160**	5,000
Repayment of bank loans	*37*	**(4,500)**	(5,500)
Funding from other borrowings	*37*	**49,635**	3,520
Repayment of corporate bonds payable	*37*	**(1,809)**	(2,491)
Payment of lease liabilities	*37*	**(377)**	(905)
Finance costs paid	*37*	**(499)**	(646)
Net cash generated from/(used in) financing activities		**49,610**	(1,022)
Net increase/(decrease) in cash and cash equivalents		**14,612**	(364)
Cash and cash equivalents at 1 January		**1,901**	2,272
Effect of changes in foreign exchange rates		**(2)**	(7)
Cash and cash equivalents at 31 December	*23*	**16,511**	1,901

The notes on pages 64 to 146 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

Pa Shun International Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated in the Cayman Islands on 3 May 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 June 2015. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company during the year was Unit K, 3/F, Wanda Industrial Building, 328 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong and has been changed to Suites 2601–2603, 26/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong with effect from 19 February 2024.

The functional currency of the Company is Hong Kong dollar ("HK$"). The consolidated financial statements of the Company are presented in Renminbi ("RMB") for easy reference of international investors.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 42.

The trading of shares of the Company on the Stock Exchange suspended as from 12 May 2022 and the trading has been resumed on 11 December 2023.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong.

In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

Going concern

Notwithstanding that the current liabilities of the Group at 31 December 2023 exceed the Group's current assets at that date by RMB123,473,000, which includes the corporate bonds payable and other borrowings amounted to RMB83,473,000 and RMB24,418,000 respectively; and the total liabilities of the Group at 31 December 2023 exceed the Group's total assets at that date by RMB116,099,000, the directors of the Company consider it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures to be implemented:

(a) During the year, the Company announced for the proposed scheme of arrangement ("Scheme of Arrangement") for the restructuring of its overall indebtedness position, under which

(i) All unsecured and non-preferential claims ("Scheme Claims") shall be discharged and released in full as against the Company on the date on which the Scheme of Arrangement becomes unconditional and comes into effect;

(ii) The creditors with Scheme Claims ("Scheme Creditors"), which have been admitted by the administrators of the Scheme of Arrangement or the adjudicator, will be entitled to the following in proportion to their admitted claims on a pari passu basis:

– an initial cash payment representing 1% of the admitted claims ("Initial Cash Payment"); and

– annual cash payments from 2024 to 2028 ("Yearly Payments").

The Yearly Payments comprise a cash amount which shall be the higher of (i) HK$5 million of the year 2024 and HK$10 million annually for the years 2025 to 2028; and (ii) a cash amount representing the relevant proportion of the Company's audited consolidated net profits for the relevant financial year.

The initial payment of HK$5,000,000 in the year 2024 is to be financed by a deposit of HK$8,000,000 (equivalent to approximately RMB7,298,000) seized by the administrator of the Scheme of Arrangement as at 31 December 2023, which are included in prepayments and deposits paid (note 22).

Details of the Scheme of Arrangement are set out in the announcement dated 15 September 2023 (the "Announcement") made by the Company. On 18 October 2023, over 50% in number of, and representing not less than 75% in value of the claims of, the creditors included in the Scheme Creditors voted in favour of the Scheme of Arrangement. On 1 November 2023, the Hong Kong Court sanctioned the Scheme of Arrangement. The Scheme of Arrangement is effective subject to various conditions to be fulfilled, details of which are set out in the Announcement. All the conditions have been fulfilled and the Scheme of Arrangement becomes effective on 12 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

Going concern *(Continued)*

(a) *(Continued)*

Management of the Company expect that a substantial part of the liabilities which are classified as current liabilities will be classified as non-current liabilities when the Scheme of Arrangement is effective.

(b) Management of the Group will closely monitor the financial position of the Group and the directors of the Company will make every effort to (a) generate adequate cash flows from its continuing operations; and (b) secure funds as may be necessary by pledge of the assets involved in the property development project being undertaken by the Group and issue of new shares as may be necessary to finance the business operations of the Group and repayment of existing debts when they fall due in the foreseeable future.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

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

The Group has applied the amendments 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.

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied any revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2023. These revised HKFRSs include the following which may be relevant to the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Except as described below, the directors of the Company anticipate that the application of these amendments to HKFRSs, which are not yet effective, will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 Amendments will not result in reclassification of the Group's liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Subsidiaries and non-controlling interests

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group has power over the entity, the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power to affect those returns. The Group reassesses whether or not it controls an entity if facts and circumstances indicated that there were changes to one or more of the aforementioned three elements of control.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets, however, the choice of measuring non-controlling interests is limited to those types of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation. All other types of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(a) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the equity interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any identified impairment losses.

(b) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within 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 the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(b) Investments in associates *(Continued)*

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount. Any impairment loss recognised 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 discontinues the use of the equity method from the date when the investment ceases to be an associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, profit or loss resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(c) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of 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 effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business are presented as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as at FVTPL when the financial asset is held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial asset measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial assets, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group recognises loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from an associate and related parties, pledged bank deposits and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done 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 conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

(i) 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 as at the reporting date with the risk of a default occurring on the financial instrument as 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

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

- 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, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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;
- 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 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 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.

(ii) Definition of default

For internal credit risk management, the Group considers event of default occurs when 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, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

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

(a) significant financial-difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial assets because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL *(Continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade receivables are each assessed as a separate group. Amounts due from an associate and related parties, and other receivables are assessed for expected credit losses on an individual basis);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure that the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (including trade and other payables, bank borrowings, amounts due to a shareholder and related parties, corporate bonds payable and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Financial instruments *(Continued)*

Financial liabilities *(Continued)*

Derecognition

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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(d) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated to write off the cost of items of property, plant and equipment (other than construction in progress), less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	20–30 years
Leasehold improvements	The shorter of the lease term and their useful life of 3–10 years
Machinery and equipment	5–10 years
Furniture and other office equipment	3–10 years
Motor vehicles	4–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful lives of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses. Cost comprises direct costs of construction during the construction period. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the asset is substantially completed and ready for its intended use. No depreciation is provided in respect of construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful lives is finite) and impairment losses, if any. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives from the date they are available for use and their estimated useful lives are as follows:

Patent	14–20 years
Computer software	5–20 years

Both the period and method of amortisation are reviewed annually.

(f) Leases

Definition of 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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(f) Leases *(Continued)*

The Group as a lessee *(Continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property, plant and equipment, and land that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(f) Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments includes:

– fixed payments (including in-substance fixed payments) less any lease incentives receivable;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the Group under residual value guarantees;

– the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

– payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

– the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(f) Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the leases transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured using fair value model.

Rental income which is derived from the Group's ordinary course of business is presented as other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(g) Impairment of tangible and intangible assets (other than goodwill and financial assets)

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the tangible and intangible assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

- Property, plant and equipment;
- Rights-of-use assets;
- Property development project;
- Intangible assets;
- Interests in associates; and
- Prepayments and deposits paid.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition and reversal of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior reporting periods. Reversals of impairment losses are credited to profit or loss in the reporting period in which the reversals are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) 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.

(j) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the reporting period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement benefits

For the Company and its subsidiaries located in Hong Kong, the Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The entities within the Group in Mainland China (the “People’s Republic of China” or “PRC”) participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The cost of all these schemes is charged to profit or loss of the Group for the reporting period concerned and the assets of all these schemes are held separately from those of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(j) Employee benefits *(Continued)*

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to share premium account) or the option expires (when it is released directly to accumulated losses).

(iv) Termination benefits

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

(k) Income tax

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous reporting periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Income tax *(Continued)*

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

(m) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(m) Revenue from contracts with customers *(Continued)*

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(n) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in note 3(q)(a).

(vii) A person identified in note 3(q)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(q) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Company's executive directors for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(a) Impairment of property, plant and equipment, right-of-use assets, investments in associates, property development project, other intangible assets and prepayments and deposits paid (aggregate carrying amount: RMB147,624,000 (2022: RMB109,280,000))

If circumstances indicate that the carrying amounts of property, plant and equipment, right-of-use assets, investments in associates, property development project, other intangible assets, other non-current assets and prepayments and deposits paid may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in note 4(g). The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgment relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying amounts of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Impairment of trade and other receivables (aggregate carrying amount: RMB37,017,000 (2022: RMB17,128,000))

The Group estimates the provision for impairment of trade and other receivables by assessing the recoverability based on credit history, ageing of the receivables balance and prevailing market conditions. The impairment losses are also determined based on expected credit loss provisioning method which requires management's estimates and judgments. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed.

(c) Assessment of useful lives of property, plant and equipment (carrying amount: RMB32,397,000 (2022: RMB35,536,000))

The Group estimates the useful lives of property, plant and equipment based on the periods over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of the related assets, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation charges and decrease the carrying amount of such assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) Net realisable value of inventories (carrying amount: RMB5,378,000 (2022: RMB6,951,000))

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling the products with similar nature. Any change in the market conditions and management's experience would increase or decrease the write-down of inventories or the related reversals of write-down made in prior periods.

6. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are pharmaceutical distribution and manufacture of pharmaceutical products in the PRC.

Revenue represents the sales value of goods supplied to customers (which is recognised on the basis of "at point in time"). The revenue of each significant segment is as follows:

	2023	2022
	RMB'000	RMB'000
Pharmaceutical distribution	**107,036**	50,333
Pharmaceutical manufacturing	**22,394**	21,451
	129,430	71,784

(b) Segment reporting

The Group manages its business by business lines and distribution channels. In a manner consistent with the way in which information is reported internally to the executive directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Pharmaceutical distribution:	this segment generates revenue primarily from sales of pharmaceutical products to (i) wholesalers, and (ii) hospitals and other medical institutions in rural areas.
Pharmaceutical manufacturing:	this segment generates revenue primarily from sales of pharmaceutical products manufactured by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment revenue and results

Segment information regarding the Group's revenue and results as provided to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below.

	Year ended 31 December 2023					
	Pharmaceutical distribution					
	Sales to wholesalers RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Others RMB'000	Sub-total RMB'000	Pharmaceutical manufacturing RMB'000	Total RMB'000
Revenue from external customers	**58,195**	**48,831**	**10**	**107,036**	**22,394**	**129,430**
Inter-segment revenue	**–**	**–**	**–**	**–**	**650**	**650**
Reportable segment revenue	**58,195**	**48,831**	**10**	**107,036**	**23,044**	**130,080**
Reportable segment profit	**11,975**	**8,251**	**1**	**20,227**	**9,203**	**29,430**
Other segment information						
Depreciation and amortisation	**–**	**–**	**–**	**–**	**–**	**–**

	Year ended 31 December 2022					
	Pharmaceutical distribution					
	Sales to wholesalers RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Others RMB'000	Sub-total RMB'000	Pharmaceutical manufacturing RMB'000	Total RMB'000
Revenue from external customers	1,685	48,642	6	50,333	21,451	71,784
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	1,685	48,642	6	50,333	21,451	71,784
Reportable segment profit	87	7,706	3	7,796	5,505	13,301
Other segment information						
Depreciation and amortisation	–	–	–	–	59	59

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) ***Segment revenue and results*** *(Continued)*

Revenue and expenses are allocated to the reportable segments with reference to sales generated by and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

(ii) ***Reconciliations of reportable segment revenue and segment profit or loss***

	2023 **RMB'000**	2022 RMB'000
Revenue		
Reportable segment revenue	**130,080**	71,784
Elimination of inter-segment revenue	**(650)**	–
Consolidated revenue	**129,430**	71,784
Profit/(loss)		
Reportable segment profit	**29,430**	13,301
Elimination of inter-segment loss	**–**	–
Gross profit derived from external customers	**29,430**	13,301
Other income and gains	**2,790**	581
Other net gains/(losses)	**14,964**	(27,620)
Selling and distribution expenses	**(7,246)**	(6,046)
General and administrative expenses	**(23,597)**	(12,834)
Finance costs	**(12,933)**	(10,541)
Consolidated profit/(loss) before tax	**3,408**	(43,159)
Other items		
Depreciation and amortisation		
Reportable segment total	**3,307**	3,566
Unallocated total	**–**	59
Consolidated total	**3,307**	3,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(iii) There is no individual customer contributed more than 10% of the total revenue of the Group for each of the year ended 31 December 2023 and 2022.

The Group's segment revenue and segment profit were entirely derived from activities of pharmaceutical distribution and pharmaceutical manufacturing in the PRC. The principal assets employed by the Group were located in the PRC as at 31 December 2023 and 2022. Accordingly, no analysis by geographical information is provided for the years ended 31 December 2023 and 2022.

No analysis of the Group's assets and liabilities by operating segments was regularly provided to the chief operating decision makers for review during the years ended 31 December 2023 and 31 December 2022 for the purposes of resource allocation and assessment of segment performance.

7. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2023 RMB'000	2022 RMB'000
Other income		
Bank interest income	**3**	7
Corporate bonds payable waived *(note 28)*	**905**	–
Deferred income – government grant *(note 31)*	**512**	512
Short-term lease rental income	**1,370**	–
	2,790	519
Other gains/(losses), net		
Impairment loss on:		
Inventories *(note 20)*	**(147)**	(347)
Property development project *(note 19)*	**(9,000)**	(17,000)
Trade receivables *(note 21)*	**–**	(4,066)
Other receivables *(note 21)*	**–**	(5,276)
Prepayments and deposits paid *(note 22)*	**(12,770)**	(929)
Reversal of impairment loss on:		
Trade receivables *(note 21)*	**20,235**	–
Other receivables *(note 21)*	**2,660**	–
Prepayments and deposits paid *(note 22)*	**14,000**	–
Write-off of property, plant and equipment *(note 15)*	**(335)**	(2)
Others	**321**	62
	14,964	(27,558)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on:		
Bank borrowings	**499**	646
Corporate bonds payable	**6,602**	7,361
Other borrowings	**5,829**	2,494
Lease liabilities	**3**	40
	12,933	10,541

9. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2023 RMB'000	2022 RMB'000
Cost of inventories *(note i)*	**100,000**	58,483
Salaries, wages and other benefits	**7,562**	7,959
Contributions to defined contribution retirement plans	**664**	601
Total staff costs *(note ii)*	**8,226**	8,560
Amortisation of intangible assets	**30**	55
Depreciation of property, plant and equipment	**2,872**	2,670
Depreciation of right-of-use assets	**405**	900
Auditors' remuneration		
Audit services	**1,493**	1,632
Non-audit services	**226**	–

Notes:

(i) Cost of inventories includes staff costs and depreciation expenses totalled RMB100,000 (2022: RMB914,000) which are also included in the respective total amounts disclosed separately above.

(ii) The total staff costs include directors' emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax		
PRC Enterprise Income Tax	**930**	92
Deferred tax		
Origination and reversal of temporary differences	**128**	128
	1,058	220

Notes:

(i) The Group is subject to income tax on an entity based on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(ii) Pursuant to rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(iii) No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for both of the years presented.

(iv) The Group's PRC subsidiaries are subject to PRC Enterprise Income Tax at the statutory rate of 25% (2022: 25%).

The income tax expense can be reconciled to loss before tax as per the consolidated statement of profit or loss as follows:

	2023 RMB'000	2022 RMB'000
Profit/(loss) before tax	**3,408**	(43,159)
Tax charge on loss before tax, calculated at the statutory tax rates applicable in the jurisdictions concerned	**2,820**	(9,621)
Effect of non-deductible expenses	**5,282**	9,155
Effect of non-taxable income	**(5,365)**	(143)
Effect of temporary differences previously not recognised	**400**	829
Effect of tax loss utilised	**(2,079)**	–
Income tax expense	**1,058**	220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

An analysis of the directors' emoluments by individual directors is as follows:

For the year ended 31 December 2023

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors				
Xiao Kai *(Chairman)*	–	–	–	–
Feng Junzheng *(Chief Executive Officer)*	–	–	–	–
Shen Shun	–	–	–	–
Non-executive directors				
Zhang Xiongfeng	–	–	–	–
Zhang Tong	–	–	–	–
Chen Yunwei	–	–	–	–
Independent non-executive directors				
Cao Lei	–	–	–	–
Ding Qing	–	–	–	–
Luo Ke	–	–	–	–
	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2022

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors				
Xiao Kai *(Chairman)*	–	–	–	–
Feng Junzheng *(Chief Executive Officer)*	–	–	–	–
Shen Shun	–	–	–	–
Non-executive directors				
Zhang Xiongfeng	–	–	–	–
Zhang Tong	–	–	–	–
Chen Yunwei	–	–	–	–
Independent non-executive directors				
Cao Lei	–	–	–	–
Ding Qing	–	–	–	–
Luo Ke	–	–	–	–
	–	–	–	–

During the year ended 31 December 2023 and 2022, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 12 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments for the year ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five employees of the Group with the highest emoluments do not include any directors of the Company. The aggregate of the emoluments in respect of the five (2022: five) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	**952**	840
Retirement scheme contributions	**58**	32
	1,010	872

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2023 Numbers of individuals	2022 Numbers of individuals
Nil to HK$1,000,000 (equivalent to RMB905,000) (2022: equivalent to RMB886,000)	**5**	5

13. DIVIDENDS

No dividend was paid, declared or proposed during the year ended 31 December 2023 (2022: Nil) nor had any dividend been proposed since the end of the reporting period (2022: Nil).

14. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the year attributable to equity shareholders of the Company of RMB2,350,000 (2022: loss for the year attributable to equity shareholders of the Company of RMB43,379,000) and the weighted average of approximately 1,474,993,000 ordinary shares (2022: 1,474,993,000 ordinary shares) in issue during the year.

(b) Diluted earnings/(loss) per share

Weighted average number of ordinary shares

The computation of diluted earnings/loss per share does not assume the exercise of the Company's share options granted because the exercise price of those share options was higher than the average market price of shares for both of the years presented.

The diluted earnings per share for the year ended 31 December 2023 is the same as the basic earnings per share for the year as there are no other potential dilutive ordinary shares in issue during the year ended 31 December 2023. The diluted loss per share for the year ended 31 December 2022 is not presented as there were no other potential dilutive shares in issue during that year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2022	54,034	4,843	10,833	2,138	1,850	3,463	77,141
Additions	–	–	19	9	–	–	28
Disposals/write-off	–	–	–	(48)	–	–	(48)
At 31 December 2022 and 1 January 2023	**54,034**	**4,843**	**10,852**	**2,099**	**1,850**	**3,463**	**77,141**
Additions	**–**	**40**	**–**	**28**	**–**	**–**	**68**
Disposals/write-off	**–**	**–**	**(945)**	**(10)**	**(338)**	**–**	**(1,293)**
At 31 December 2023	**54,034**	**4,883**	**9,907**	**2,117**	**1,512**	**3,463**	**75,916**
Accumulated depreciation and impairment							
At 1 January 2022	20,964	4,010	10,274	1,957	1,776	–	38,981
Depreciation for the year	2,430	136	78	26	–	–	2,670
Eliminated on disposals/write-off	–	–	–	(46)	–	–	(46)
At 31 December 2022 and 1 January 2023	**23,394**	**4,146**	**10,352**	**1,937**	**1,776**	**–**	**41,605**
Depreciation for the year	**2,439**	**256**	**70**	**52**	**55**	**–**	**2,872**
Eliminated on disposals/write-off	**–**	**–**	**(639)**	**–**	**(319)**	**–**	**(958)**
At 31 December 2023	**25,833**	**4,402**	**9,783**	**1,989**	**1,512**	**–**	**43,519**
Carrying amount							
At 31 December 2023	**28,201**	**481**	**124**	**128**	**–**	**3,463**	**32,397**
At 31 December 2022	30,640	697	500	162	74	3,463	35,536

Note: The Group's buildings are located on leasehold land in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. RIGHT-OF-USE ASSETS

	Leased land RMB'000 *(Note a)*	Leased properties RMB'000 *(Note b)*	Total RMB'000
Carrying amount at 1 January 2022	1,990	1,187	3,177
Depreciation provided for the year	(59)	(841)	(900)
Carrying amount at 31 December 2022 and 1 January 2023	**1,931**	**346**	**2,277**
Depreciation provided for the year	**(59)**	**(346)**	**(405)**
Carrying amount at 31 December 2023	**1,872**	**–**	**1,872**

Notes:

(a) The leased land represents prepaid land lease payments in respect of land located in the PRC. Such leased land is amortised over the periods ranging from 43 to 50 years (2022: 43 to 50 years).

(b) The Group is the lessee in respect of the Group's offices and warehouses under operating leases. The leases typically run for an initial period of 1 to 3 years (2022: 1 to 3 years) with an option to renew when all terms are renegotiated.

17. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Unlisted associates		
Cost of investments	**48,956**	48,956
Share of post-acquisition loss and other comprehensive income	**(6,471)**	(6,471)
Impairment loss recognised	**(42,485)**	(42,485)
	–	–

Particulars of the associates of the Group are as follows:

Name	Place of establishment/ registration and operations	Proportion equity interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2023	2022	**2023**	2022	
Awesome Applause Sdn. Bhd. ("Awesome Applause")	Malaysia	**49%**	49%	**49%**	49%	Property investment
Massive Goodwill Sdn. Bhd. ("Massive Goodwill")	Malaysia	**49%**	49%	**49%**	49%	Property investment

The interests in associates are accounted for using the equity method in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. INTERESTS IN ASSOCIATES *(Continued)*

The following table illustrate the summarised financial information prepared based on the unaudited management accounts of the associates and the reconciliation of the summarised information to the carrying amount in the consolidated financial statements:

	31 December 2023			31 December 2022		
	Awesome Applause RMB'000 *(note iii)*	**Massive Goodwill RMB'000 *(note iii)***	**Total RMB'000**	Awesome Applause RMB'000 *(note iii)*	Massive Goodwill RMB'000 *(note iii)*	Total RMB'000
Non-current assets	**77,712**	**3,272**	**110,433**	77,712	32,721	110,433
Current assets	**2**	**1**	**3**	2	1	3
Current liabilities	**(12)**	**(8)**	**(20)**	(12)	(8)	(20)
Net assets	**77,702**	**32,714**	**110,416**	77,702	32,714	110,416

	Year ended 31 December 2023		
	Awesome Applause RMB'000	**Massive Goodwill RMB'000**	**Total RMB'000**
Revenue	**–**	**–**	**–**
Loss before tax	**–**	**–**	**–**
Loss and total comprehensive loss for the year	**–**	**–**	**–**
Reconciliation of the Group's ownership	**49%**	**49%**	
Group's share of net assets of the associate based on the summarised financial information	**38,074**	**16,030**	**54,104**
Carrying amount of the investment *(note)*	**–**	**–**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. INTERESTS IN ASSOCIATES *(Continued)*

	Year ended 31 December 2022		
	Awesome Applause RMB'000	Massive Goodwill RMB'000	Total RMB'000
Revenue	–	–	–
Loss before tax	–	–	–
Loss and total comprehensive loss for the year	–	–	–
Reconciliation of the Group's ownership	49%	49%	
Group's share of net assets of the associate based on the summarised financial information	38,074	16,030	54,104
Carrying amount of the investment	–	–	–

Note:

In prior years, Awesome Applause and Massive Goodwill held property units located in Malaysia. On 8 April 2022, Awesome Applause and Massive Goodwill entered into certain agreements with the developer of the properties under which the acquisition of the 68 units of the properties was terminated by the developer due to the failure to settle the outstanding sum in accordance with the respective terms as stated in the agreements. The directors of the Company are of the view that the Group lost significant influence of the associates and the investments in these associates are not recoverable, management of the Group consider it appropriate to recognise an impairment loss against the investments amounted to approximately RMB42,485,000 which was charged to profit or loss for the prior year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. OTHER INTANGIBLE ASSETS AND PREPAYMENTS FOR INTANGIBLE ASSETS

(a) Other intangible assets

	Patent RMB'000 *(Note (i))*	Computer software RMB'000 *(Note (ii))*	Total RMB'000
Cost			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**37,000**	**1,237**	**38,237**
Accumulated amortisation and impairment			
At 1 January 2022	37,000	1,126	38,126
Amortisation for the year	–	55	55
At 31 December 2022 and 1 January 2023	**37,000**	**1,181**	**38,181**
Amortisation for the year	**–**	**30**	**30**
At 31 December 2023	**37,000**	**1,211**	**38,211**
Carrying amount			
At 31 December 2023	**–**	**26**	**26**
At 31 December 2022	–	56	56

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. OTHER INTANGIBLE ASSETS AND PREPAYMENTS FOR INTANGIBLE ASSETS *(Continued)*

(a) Other intangible assets *(Continued)*

Notes:

(i) During the prior year ended 31 December 2019, the Group acquired three patents for an aggregate consideration of RMB35,000,000 from an independent third party, 武漢好多多生物科技有限公司 ("Wuhan Hao Duo Duo"). These patents are "一種適合腎臟病人食用面製品及其加工方法", "一種脱蛋大米加工方法" and "一種適合腎臟病人食用再制米及其加工方法". Under the agreement for the acquisition, the Group is entitled to exclusively use these patents for the period commencing from 27 February 2019 to 3 May 2033 and 30 October 2033 ("Patent Period") and the Group licenced such patents to Wuhan Hao Duo Duo over the Patent Period for receipt of royalty fee of RMB4,000,000 per annum. Due to uncertainty on the recoverability of the royalty fee from the licence of the patents, the royalty fees of RMB4,000,000 and RMB4,000,000 for the year ended 31 December 2023 and the year ended 31 December 2022 were not recognised in the consolidated financial statements. In addition, full impairment losses on the intangible assets (patents) and the royalty fee receivable were recognised in profit and loss in prior years.

(ii) Included in computer software is the right to use electronic platform of Tianfu Mercantile Exchange Company Limited for 10 years commencing from 15 January 2016.

The carrying amount of computer software will be amortised over the remaining useful lives ranged from 1 to 4 years (2022: 1 to 5 years).

(iii) The amortisation charges of RMB30,000 (2022: RMB55,000) are included in "general and administrative expenses" in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. OTHER INTANGIBLE ASSETS AND PREPAYMENTS FOR INTANGIBLE ASSETS *(Continued)*

(b) Prepayments for intangible assets

	2023 **RMB'000**	2022 RMB'000
Prepayments for patented technology *(note)*		
Cost	**20,000**	20,000
Impairment loss recognised	**(20,000)**	(20,000)
Carrying amount	**–**	–

Note:

In 2014, the Group entered into a technology cooperation agreement with Beijing Runbofude Biotechnology Co., Ltd. ("Beijing Runbofude"), an independent third party, to acquire a patented technology from Beijing Runbofude for a ten-year period from 1 January 2014 to 31 December 2023 at a consideration of RMB20,000,000.

On 28 July 2014, by way of a supplementary agreement, the commencement date of the ten-year period was changed from 1 January 2014 to the date on which the installation and testing of production plant and equipment was approved by Beijing Runbofude.

Up to the date of approval of these consolidated financial statements, the installation and testing of production plant and equipment was not yet approved by Beijing Runbofude.

Management of the Group conducted a review of the commercial viability of the patented technology and is of the view that the products attributable to this technology cannot be marketable. Accordingly, impairment losses on the intangible assets amounted to RMB20,000,000 were recognised in profit or loss in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. PROPERTY DEVELOPMENT PROJECT

	2023	2022
	RMB'000	RMB'000
Property development project in the PRC, at cost	**185,797**	185,797
Less: Impairment loss recognised	**(137,797)**	(128,797)
	48,000	57,000

The cost of the property development project represents the Group's payments to a third party, Chengdu Yiming Investment Management Company Limited ("Chengdu Yiming"), amounted to approximately RMB185,797,000 for the property development project of a logistic centre in the PRC. The land use rights of the land of the property development project is currently registered in the name of a subsidiary of the Company and Chengdu Yiming. During the prior year ended 31 December 2019, the negotiation with the PRC local government regarding the land premium and other terms for the change of land usage of the land for the property development project had been finalized. The licence for the construction was obtained and the construction commenced afterwards. It was the understanding of the management of the Group and Chengdu Yiming that the development costs of the property development project, including any land premium of the land for the project arising from change of land usage, were financed as to 30% and 70% by the Group and Chengdu Yiming respectively and the subsidiary and Chengdu Yiming were entitled to share 30% and 70% of the ownership of the land used for the property development project and the properties after the completion of development.

On 9 March 2021, the subsidiary of the Company, Chengdu Yiming and a PRC registered company, Zhongnan Fanhua Construction (Hubei) Co., Ltd.* ("Fanhua") have signed an agreement for the arrangement for the property development project. Under this agreement, (a) the subsidiary of the Company remains its 30% interest of the project, Chengdu Yiming entrusts Fanhua to exercise the shareholders' equity on behalf of Chengdu Yiming to the end of the project; (b) Fanhua will be responsible for financing the construction of the project, and Fanhua should finance the construction funds according to the actual construction progress; and (c) the project is expected to be completed within 450 natural days after Fanhua participates to the project, and is expected to obtain a pre-sale permit before October 2021 to start pre-sales. Fanhua and the subsidiary of the Company will share the project sales profit at a ratio of 70:30. On 10 August 2022, the subsidiary of the Company entered into an agreement with the contracting parties, under which the agreement dated 9 March 2021 in relation to the property development project was cancelled.

Management of the Group conducted impairment assessment of the property development project by reference to its estimated market value as at 31 December 2023 and 31 December 2022 as valued by an independent firm of professional valuers, Vincorn Consulting and Appraisal Limited (2022: B. I. Appraisals Limited). The estimated market value at 31 December 2023 was estimated by reference to relevant property sale transactions occurred during the current year, the development costs and profit to be incurred as well as time factor. In view of infrequent comparable market transactions occurred during the prior year ended 31 December 2022, the market value of the property development project at 31 December 2022 was estimated based on the land price index published by the PRC government. With reference to the property valuation, impairment loss on the property development project amounted to RMB9,000,000 (2022: RMB17,000,000) was recognised in profit or loss in respect of the year.

* *For identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. INVENTORIES

	2023	2022
	RMB'000	RMB'000
Raw materials	**2,494**	3,218
Finished goods	**5,180**	4,031
Consumables	**90**	49
	7,764	7,298
Less: Impairment loss recognised	**(2,386)**	(347)
	5,378	6,951

During the year, impairment loss of RMB147,000 (2022: RMB347,000) was made and recognised to other net losses (note 7) during the year.

21. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade and commercial bills receivables	**27,006**	10,091
Bank bills receivables	**1,369**	1,349
Other receivables	**8,642**	5,688
	37,017	17,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) Trade and commercial bills receivables

(i) Ageing analysis of trade and commercial bills receivables

As at the end of the reporting period, the ageing analysis of trade and commercial bills receivables, based on dates of goods delivery and net of allowance for doubtful debts, is as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 month	**14,079**	10,091
1 to 3 months	**9,276**	–
4 to 6 months	**3,651**	–
	27,006	10,091

An average credit period of 30 to 180 days is granted by the Group to its customers.

(ii) Impairment loss on trade and commercial bills receivables

	2023 **RMB'000**	2022 RMB'000
Trade and commercial bills receivables		
– Gross amount	**288,988**	414,999
– Allowance for doubtful debts	**(261,982)**	(404,908)
– Amount net of allowance for doubtful debts	**27,006**	10,091

Impairment losses in respect of trade and commercial bills receivables are recorded using an allowance account unless the Group considers that recovery of the amount is remote, in which case the impairment loss is written off against trade and commercial bills receivables directly.

During the year, partial settlement was received for the accounts receivables and reversal of impairment losses had been made accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) Trade and commercial bills receivables *(Continued)*

(ii) Impairment loss on trade and commercial bills receivables *(Continued)*

Movements of the allowance for doubtful debts are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**404,908**	400,842
Impairment losses recognised for the year (note 7)	**–**	4,066
Impairment losses reversed for the year (note 7)	**(20,235)**	–
Impairment losses eliminated upon write off of receivables	**(122,691)**	–
At 31 December	**261,982**	404,908

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade and commercial bills receivables relate a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and commercial bills receivables balances. Trade and commercial bills receivables are non-interest-bearing.

An analysis of the impairment loss on trade receivables of the Group is set out in note 39(a).

(iii) Trade and commercial bills receivables that are not impaired

An ageing analysis of trade and commercial bills receivables based on the dates of goods delivery that are neither individually nor collectively considered to be impaired is as follows:

	2023 RMB'000	2022 RMB'000
Not past due	**23,355**	10,091
Less than 1 month past due	**3,469**	–
1 to 3 months past due	**182**	–
	27,006	10,091

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) Bank bills receivables

The bank bills receivables is aged within 180 days (2022: 180 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(c) Other receivables

	2023 **RMB'000**	2022 RMB'000
Gross other receivables	**61,419**	61,125
Less: impairment losses recognized	**(52,777)**	(55,437)
Other receivables after impairment losses recognised	**8,642**	5,688

An analysis of the other receivables after impairment losses recognised, is as follows:

	2023 **RMB'000**	2022 RMB'000
Other taxes recoverable	**256**	40
Sundry receivables	**8,386**	5,648
	8,642	5,688

Movements in impairment losses recognized for other receivables during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
At beginning of the year	**55,437**	50,161
Impairment losses recognised for the year *(note)*	**–**	5,276
Impairment losses reversed for the year	**(2,660)**	–
At end of the year	**52,777**	55,437

Note: Included in other receivables are receivables from certain third parties totalled RMB52,777,000 (2022: RMB55,437,000) which remained outstanding for a considerably long period of time. Having considered the financial position of the related debtors, management of the Group is of the view that the recoverability of these other receivables cannot be assured beyond reasonable doubt, accordingly, considers it appropriate to recognise impairment loss on these receivables amounted to Nil (2022: RMB5,276,000) which was charged to profit or loss in respect of the year (Note 7). During the year, partial settlement was received for certain other receivables and reversal of impairment losses amounted to RMB2,660,000 (2022: Nil) had been made, which was credited to profit or loss in respect of the year (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

22. PREPAYMENTS AND DEPOSITS PAID

	2023 RMB'000	2022 RMB'000
Gross prepayments and deposits paid	**122,055**	72,367
Less: Impairment losses recognised	**(56,726)**	(57,956)
	65,329	14,411

An analysis of the prepayments and deposits paid is as follows:

	2023 RMB'000	2022 RMB'000
Advance payments to suppliers *(note i)*	**51,312**	3,734
Other deposits and prepayments *(note ii)*	**6,719**	10,677
Committed deposit of Scheme of Arrangement *(note 2(a)ii)*	**7,298**	–
	65,329	14,411

Movements in impairment losses recognized for prepayments and deposits paid are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of the year	**57,956**	57,027
Impairment losses recognised for the year	**12,770**	929
Impairment losses reversed for the year	**(14,000)**	–
At end of the year	**56,726**	57,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

22. PREPAYMENTS AND DEPOSITS PAID *(Continued)*

Notes:

(i) The amount represents deposits paid to suppliers for purchases of goods in relation to the business undertaken by the Group.

During the current year, management of the Group performed assessments of the financial position of the suppliers and is of the view that recoverability of the advance payments made to certain suppliers amounted to RMB12,770,000 (2022: RMB929,000) cannot be assured beyond reasonable doubt, accordingly impairment loss amounted to RMB12,770,000 (2022: RMB929,000) was recognised in respect of the year on such advance payments which was included in other gains/losses, net (note 7). In addition, advance payment amounted to RMB14,000,000 has been refunded by a supplier subsequently and reversal of impairment loss previously made against this advance payment amounted to RMB14,000,000 (2022: Nil) had been made and credited to profit or loss for the year (note 7).

(ii) Included in other deposits and prepayments are advances to certain staff of a subsidiary amounted to RMBNil (2022: RMB91,000), which were unsecured, interest free and repayable on demand.

23. CASH AND CASH EQUIVALENTS

	2023 **RMB'000**	2022 RMB'000
Cash and cash equivalents in the consolidated statement of financial position		
– Cash at banks and on hand	**16,511**	1,901

Notes:

(a) Cash at bank earned interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate their fair values.

(b) Cash and cash equivalents placed with banks in the PRC totalled RMB16,442,000 (2022: RMB1,833,000) are denominated in Renminbi. Remittance of these funds out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **RMB'000**	2022 RMB'000
Equity securities listed in Hong Kong, held for trading at fair value *(note 39(e))*	**–**	–

Trading of these equity securities has been suspended since 20 January 2016. In the opinion of the management of the Group, the fair value of such equity securities is minimal.

25. TRADE AND OTHER PAYABLES

	2023 **RMB'000**	2022 RMB'000
Trade payables *(note (i))*	**32,631**	33,434
Lease liabilities *(note 32)*	**–**	374
Contract liabilities *(note (ii))*	**12,842**	22,560
Accrued corporate bond interest	**29,510**	19,532
Accrued interest for other borrowings	**7,537**	5,332
Accrued professional fees	**8,774**	1,600
Other payables	**38,875**	35,434
	130,169	118,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

25. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(i) As at the end of the reporting period, the ageing analysis of trade payables, based on dates of goods delivery, is as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 month	**3,769**	5,948
1 to 3 months	**3,766**	4,240
Over 3 months	**25,096**	23,246
	32,631	33,434

An average credit period of 30 to 180 days is granted by the suppliers to the Group.

(ii) The Group received deposits from customers for sales of pharmaceutical products as provided in contracts which is regarded as contract liabilities.

The following table shows the amount of the revenue recognized in the current reporting period in relation to carried-forward contract liabilities:

	2023 **RMB'000**	2022 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**9,821**	1,782

No billings in advance of performance received is expected to be recognised as income after more than one year. As the related contracts with an original expected duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

26. BANK BORROWINGS

	2023 **RMB'000**	2022 RMB'000
Bank loans repayable within one year – secured by guarantees given by a PRC subsidiary and its legal representative and management personnel	**7,160**	4,500

The bank loan outstanding carried interest at fixed interest rate of Loan Prime Rate ("LPR") plus 0.15%–0.65% per annum (2022: fixed rate of 8.50% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

27. AMOUNT DUE FROM/(TO) A SHAREHOLDER

The amount due is unsecured, interest free and repayable on demand. The shareholder is beneficially owned by Mr. Chen Yenfei, details of whom are set out in note 40(b).

28. CORPORATE BONDS PAYABLE

	2023 RMB'000	2022 RMB'000
Carrying amount of corporate bonds due in:		
– 2019	**1,699**	1,623
– 2020	**11,611**	11,413
– 2021	**13,689**	15,692
– 2022	**3,193**	3,103
– 2023	**–**	889
– 2024	**35,983**	33,569
– 2025	**17,298**	16,236
	83,473	82,525
Analysed for reporting purposes as:		
Current liability	**83,473**	82,525
Movements in corporate bonds payable are as follows:		
At beginning of the year	**82,525**	76,583
Interest recognised as finance costs *(note 8)*	**5,637**	5,463
Accrued interest reclassified and included in trade and other payables *(note 25)*	**(4,356)**	(3,712)
Repayments during the year	**(1,809)**	(2,491)
Corporate bonds payable waived *(note 7)*	**(905)**	–
Exchange realignment	**2,381**	6,682
At end of the year	**83,473**	82,525

At 31 December 2023, the corporate bonds with the principal amount of HK$92,300,000 (2022: HK$95,300,000) remained outstanding.

The Group had not made repayments of principals and interests on certain corporate bonds in accordance with the terms of corporate bonds, which resulted in the Group's failure to comply with certain covenants specified in the agreements for the corporate bonds. Accordingly, the corporate bonds are reclassified and included in current liabilities. For details, please refer to Note 44(a) and (b).

During the year, certain corporate bonds payable have been settled under court order, principal outstanding amounted to HK$1,000,000 have been waived and credited to profit or loss (note 7) for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. OTHER BORROWINGS

	2023 RMB'000	2022 RMB'000
Unsecured borrowings from a director:		
Within a period of more than one year but not more than two years	**4,288**	–
Unsecured borrowings from third parties:		
Within one year	**24,418**	21,312
Within a period of more than one year but not more than two years	**–**	–
More than two years	**46,631**	–
	71,049	21,312
	75,337	21,312
Analysed for reporting purposes as:		
Non-current liabilities	**50,919**	–
Current liabilities	**24,418**	21,312
	75,337	21,312

The other borrowings from the director and third parties are unsecured and interest bearing at 1% (2022: 1%) per month.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable/(recoverable) in the consolidated statement of financial position represents:

	2023 **RMB'000**	2022 RMB'000
PRC Enterprise Income Tax	**588**	(300)

Movements of the income tax payable/(recoverable) in the consolidated statement of financial position are as follows:

	2023 **RMB'000**	2022 RMB'000
At 1 January	**(300)**	1,433
Charge for the year	**930**	92
Tax paid during the year	**(42)**	(1,825)
At 31 December	**588**	(300)

(b) Deferred tax liabilities and deferred tax assets recognised:

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Provision for impairment RMB'000	**Provision for accrued expenses** RMB'000	**Government grant** RMB'000	**Accelerated depreciation/ amortisation and Others** RMB'000	**Total** RMB'000
At 1 January 2022	814	271	(1,046)	(1,780)	(1,741)
Charge to profit or loss	–	–	(128)	–	(128)
At 31 December 2022 and 1 January 2023	**814**	**271**	**(1,174)**	**(1,780)**	**(1,869)**
Charge to profit or loss	**–**	**–**	**(128)**	**–**	**(128)**
At 31 December 2023	**814**	**271**	**(1,302)**	**(1,780)**	**(1,997)**

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2023 **RMB'000**	2022 RMB'000
Deferred tax liabilities, net	**(1,997)**	(1,869)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(c) Deferred tax liabilities and assets not recognised:

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profit earned by certain PRC subsidiaries to its direct holding company outside the PRC from 1 January 2008 onward. Deferred tax liabilities of RMB6,998,000 (2022: RMB6,396,000) was not provided for in the consolidated financial statements of the Group in respect of undistributed profits of relevant PRC subsidiaries amounted to RMB139,954,000 (2022: RMB127,918,000) as the management of the Company confirmed that profits generated by the relevant PRC subsidiaries from 1 January 2008 onward will not be distributed to its direct holding company outside the PRC in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses and other deductible temporary differences totalled approximately RMB22,767,000 (2022: RMB21,167,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these deductible temporary differences due to the unpredictability of future profit streams. The tax losses will expire in one to five years after the end of the reporting period.

31. DEFERRED INCOME – GOVERNMENT GRANT

	2023 **RMB'000**	2022 RMB'000
At 1 January	**22,517**	23,029
Credited to profit or loss *(note 7)*	**(512)**	(512)
At 31 December	**22,005**	22,517

Deferred income of the Group mainly represents government compensation in respect of the exchange of land use rights with local government.

Such deferred income will be recognised as income on a straight-line basis over the expected useful life of the relevant assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. LEASE LIABILITIES

	2023 **RMB'000**	2022 RMB'000
Lease liabilities payable:		
within one year	–	374
Less: Amount due for settlement within twelve months included in trade and other payables *(Note 25)*	–	(374)
Amount due for settlement after twelve months shown under non-current liabilities	–	–

33. SHARE CAPITAL

	Par value HK$	**Number of ordinary shares** '000	**Nominal amount of ordinary shares** HK$'000
Authorised:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	0.001	5,000,000	5,000

	Par value HK$	**Number of ordinary shares** '000	**Nominal amount of ordinary shares** HK$'000	**Carrying amount** HK$'000
Issued and fully paid:				
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	0.001	1,474,993	1,475	1,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted the share option scheme (the "Scheme") on 26 May 2015 for the purpose of rewarding certain eligible participants for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to early termination of the Scheme in accordance with the rules thereof, the Scheme shall remain in force for a period of ten years commencing from 26 May 2015.

Eligible participants of the Scheme include (i) any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any director or proposed director (including an independent non-executive director) of the Company or any of its subsidiaries; (iii) any direct or indirect shareholder of the Company or any of its subsidiaries; (iv) any supplier, customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of the Company or any of its subsidiaries; (v) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to the Company or any of its subsidiaries; and (vi) any associate of any of the persons referred to in paragraphs (i) to (v) above.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue.

Participants of the Scheme are required to pay the Company HK$1.0 upon acceptance of the grant within 28 days after the offer date. The exercise price of the share options is determinable by the directors of the Company, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share. The exercise of any option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

Shares are issued and allotted upon the exercise of options. The Company has no legal or constructive obligations to repurchase or settle the options in cash.

No share options were granted under the Scheme during the year ended 31 December 2023 and 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Movements in the number of share options during the years ended 31 December 2023 and 31 December 2022 are as follows:

	2023 Weighted average exercise price HK$	**2023** Number of share options Directors '000	Employees '000	Others '000	Total '000	2022 Weighted average exercise price HK$	2022 Number of share options Directors '000	Employees '000	Others '000	Total '000
At 1 January and 31 December	**0.67**	**20,000**	**10,000**	**70,000**	**100,000**	0.67	20,000	10,000	70,000	100,000
Exercisable at the end of the year	**0.67**	**20,000**	**10,000**	**70,000**	**100,000**	0.67	20,000	10,000	70,000	100,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2023 Number of options '000	**Exercise price per share HK$**	**Exercise period**
100,000	**0.67**	**7 September 2018 to 25 May 2025**

2022 Number of options '000	Exercise price per share HK$	Exercise period
100,000	0.67	7 September 2018 to 25 May 2025

The weighted average exercise price of the share options granted and outstanding at the end of the reporting period is HK$0.67 (2022: HK$0.67) per share. The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period is 1.4 years (2022: 2.4 years).

At the end of the reporting period, the Company had 100,000,000 (2022: 100,000,000) share options outstanding under the Scheme. Exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 100,000,000 (2022: 100,000,000) additional ordinary shares of the Company which would give rise to the total gross proceeds of HK$67,000,000 (2022: HK$67,000,000).

Up to the date of approval of these consolidated financial statements, the Company had 100,000,000 share options outstanding under the Scheme, which represents approximately 6.8% of the Company's shares in issue as at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

35. RESERVES

	2023 RMB'000	2022 RMB'000
Share premium *(note i)*	**691,882**	691,882
PRC statutory reserve *(note ii)*	**33,143**	33,143
Share option reserve *(note 34)*	**11,456**	11,456
Exchange reserve	**(18,526)**	(15,597)
Other reserve *(note iii)*	**(28,150)**	(28,150)
Accumulated losses	**(807,120)**	(809,470)
	(117,315)	(116,736)

Notes:

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) PRC statutory reserve

Pursuant to the articles of association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at a 10% of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. When the balance of statutory reserve fund reaches 50% of registered capital of each relevant PRC subsidiary, any further appropriation is at the discretion of the shareholders of this subsidiary. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(iii) Other reserve

Other reserve at 31 December 2023 amounted to RMB28,150,000 (2022: RMB28,150,000) comprises the following:

– the difference between the Company's cost of acquisition of the subsidiaries over the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired under common control.

– the amount arising from transactions with owners in their capacity as the equity owners.

– gain on disposal of partial interest in a subsidiary in prior year amounted to RMB1,616,000 (2022: RMB1,616,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

36. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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

At 31 December 2023, there were no material forfeitures available to offset the Group's future contributions (2022: Nil).

The Company is 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 Group considered that the impact from the Amendment Ordinance on the Group's LSP liability is considered insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

37. 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.

	Finance costs payable (included in other payables and accrued expenses) RMB'000	Corporate bonds payable RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	15,306	76,583	5,000	16,189	1,239	114,317
Financing cash inflows	–	–	5,000	3,520	–	8,520
Financing cash outflows	(646)	(2,491)	(5,500)	–	(905)	(9,542)
Finance costs for the year	5,038	5,463	–	–	40	10,541
Other non-cash movements	3,712	(3,712)	–	–	–	–
Exchange realignment	1,454	6,682	–	1,603	–	9,739
At 31 December 2022 and 1 January 2023	**24,864**	**82,525**	**4,500**	**21,312**	**374**	**133,575**
Financing cash inflows	**–**	**–**	**7,160**	**49,635**	**–**	**56,795**
Financing cash outflows	**(499)**	**(1,809)**	**(4,500)**	**–**	**(377)**	**(7,185)**
Finance costs for the year	**7,293**	**5,637**	**–**	**–**	**3**	**12,933**
Other non-cash movements	**5,261**	**(5,261)**	**–**	**–**	**–**	**–**
Exchange realignment	**128**	**2,381**	**–**	**4,384**	**–**	**6,893**
At 31 December 2023	**37,047**	**83,473**	**7,160**	**75,331**	**–**	**203,011**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

38. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of:

	2023 **RMB'000**	2022 RMB'000
EQUITY		
Share capital	**1,216**	1,216
Reserves	**(117,315)**	(116,736)
Deficit attributable to equity shareholders of the Company	**(116,099)**	(115,520)
LIABILITIES		
Bank borrowings	**7,160**	4,500
Corporate bonds payable	**83,473**	82,525
Other borrowings	**75,337**	21,312

The directors review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through issue of new shares and convertible bonds as well as the additions and repayment of bank and other borrowings.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The financial assets and financial liabilities of the Group are as follows:

	Financial assets at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Equity securities listed in Hong Kong	**–**	–
Financial assets at amortised cost		
Trade and other receivables	**37,017**	17,128
Amount due from a shareholder	**–**	490
Amounts due from related parties	**36**	35
Cash and cash equivalents	**16,511**	1,901
	53,564	19,554
	53,564	19,554

	Financial liabilities at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial liabilities at amortised cost		
Trade and other payables	**130,169**	117,892
Bank borrowings	**7,160**	4,500
Amount due to a shareholder	**804**	–
Amounts due to related parties	**1,132**	616
Corporate bonds payables	**83,473**	82,525
Other borrowings	**75,337**	21,312
Lease liabilities	**–**	374
	298,075	227,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is their respective carrying amounts in the consolidated financial statements.

The Group has large number of customers and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

(i) Trade receivables

The Group applies the simplified approach to provide for expected credit losses for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

Management of the Group assessed that loss allowances amounted to RMB261,952,000 (2022: RMB404,898,000) were recognised in the consolidated financial statements for certain debtors that are in financial difficulties and the recoverability of such receivables cannot be assured beyond reasonable doubt. In addition, loss allowances amounted to RMB30,000 (2022: RMB10,000) on the remaining trade receivables were recognised in the consolidated financial statements based on expected credit loss ("ECL") provision matrix approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(i) ***Trade receivables*** *(Continued)*

The loss allowance for trade receivables based on ECL provision matrix was determined as follows:

	Receivable aged			
	0–90 days	**91–180 days**	**More than 180 days**	**Total**
31 December 2023				
Expected loss rate	**0.1%**	**0.2%**	**0%**	
Gross carrying amount (RMB'000)	**23,355**	**3,651**	**–**	**27,006**
Loss allowance (RMB'000)	**23**	**7**	**–**	**30**

	Receivable aged			
	0–90 days	91–180 days	More than 180 days	Total
31 December 2022				
Expected loss rate	0.1%	0%	0%	
Gross carrying amount (RMB'000)	10,101	–	–	10,101
Loss allowance (RMB'000)	10	–	–	10

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Based on the above assessment, accumulated impairment losses on trade receivables amounted to RMB261,982,000 (2022: RMB404,908,000) were recognised as at 31 December 2022, comprising impairment loss assessed based on the ECL provision matrix amounted to RMB30,000 (2022: RMB10,000) and the impairment loss assessed on individual credit impaired debtors amounted to RMB261,952,000 (2022: RMB404,898,000).

The credit quality of the debtors is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 31 December 2023, the Group had a concentration of credit risk given that the top 5 customers account for 59% (2022: 92%) of the Group's total trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(i) Trade receivables (Continued)

60% of the Group's revenue for the year ended 31 December 2023 (2022: 27%) was derived from the top 5 customers. In the event that these major customers experience any adverse business conditions or terminates its business relationship with the Group and should the management fail to identify new customers, there may be a material adverse impact on the Group's revenue, results of operations and financial condition. To minimize the above risks, the Group should actively expand its customer base.

(ii) Other receivables and amounts due from related parties

The Group uses four categories for these receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Other receivables and amounts due from related parties (Continued)

Management assessed that certain other receivables at 31 December 2023 are regarded non-performing and impairment loss for the year amounted to Nil (2022: RMB5,276,000) have been made for those other receivables. Save as aforementioned, the Group's internal credit rating of other receivables and amounts due from related parties were performing. The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no additional loss allowance for these receivables was recognised.

(iii) Cash at bank and bank deposits

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	2023 RMB'000	2022 RMB'000
Cash at banks and bank deposits	Aa2–A3 *(note (i))*	**68**	67
	AAA *(note (ii))*	**2,414**	434
	AA *(note (iii))*	**14,029**	1,400
		16,511	1,901

Notes:

(i) The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within "Aa2" to "A3" rating is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Accordingly, management of the Group considers that the credit risk on these bank balances and bank deposits is limited.

(ii) The rating represents long-term credit rating provided by Dagong Global Credit Rating Co., Ltd ("Dagong"); a PRC recognised credit rating agency. A rating of "AAA" rating is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Dagong. Accordingly, management of the Group considers that the credit risk on these bank balances and bank deposits is limited.

(iii) The rating represents long-term credit rating provided by China Lianhe Credit Rating Co., Ltd ("Lianhe"); a PRC recognised credit rating agency. A rating of "AA" rating is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Lianhe. Accordingly, management of the Group considers that the credit risk on these bank balances and bank deposits is limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The tables below analyse the Group's non-derivative financial liabilities into relevant grouping based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows that include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

At 31 December 2023	Within 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
Trade and other payables	130,169	–	–	130,169	130,169
Bank borrowings	7,160	–	–	7,160	7,160
Amount due to a shareholder	804	–	–	804	804
Amounts due to related parties	1,132	–	–	1,132	1,132
Corporate bonds payable	83,473	–	–	83,473	83,473
Other borrowings	24,418	62,673	–	87,091	75,337
Lease liabilities	–	–	–	–	–
	247,156	62,673	–	309,829	298,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

At 31 December 2022	Within 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
Trade and other payables	117,892	–	–	117,892	117,892
Bank borrowings	4,500	–	–	4,500	4,500
Amount due to a shareholder	–	–	–	–	–
Amounts due to related parties	616	–	–	616	616
Corporate bonds payable	82,525	–	–	82,525	82,525
Other borrowings	21,312	–	–	21,312	21,312
Lease liabilities	374	–	–	374	374
	227,219	–	–	227,219	227,219

Interest rate risk

The Group's interest rate risk arises primarily from cash at banks, bank borrowings, other borrowings and corporate bonds payable. Other receivables and cash at banks carried at variable rates expose the Group to cash flow interest rate risk. Bank borrowings carried at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. Other borrowings and corporate bonds payable were issued at fixed interest rates which expose the Group to fair value interest risk.

The Group does not anticipate significant impact to cash at banks arising from change in interest rates because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 26. The Group normally borrows short-term bank loans which have short-term maturity within one year in order to limit its exposure to interest rate risk.

Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank borrowings and cash at banks with all other variables held constant, would decrease/increase (2022: increase/decrease) the Group's profit after tax (2022: Loss after tax) (and accumulated losses) by approximately RMB80,000 (2022: RMB50,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

Sensitivity analysis *(Continued)*

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period. The impact on the Group's loss after tax (and accumulated losses) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the year ended 31 December 2023 and 2022.

(c) Foreign currency exchange risk

Foreign exchange risk arises when the group entities enter into transactions denominated in a currency other than their functional currency. The Group's financial assets and liabilities are mainly denominated in Renminbi and Hong Kong dollars. The exchange rates among these currencies are not pegged, and there are fluctuations of exchange rates among these currencies.

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and considers hedging significant foreign currency exposure should the need arise.

The carrying amounts of the financial assets and financial liabilities at the reporting date denominated in currencies other than functional currencies of the related entities are as follows:

	Assets		**Liabilities**	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
RMB	**–**	–	**–**	–

Any reasonable change in foreign exchange rates at the end of the reporting period would not result in any material exchange differences to be recognised in profit or loss of the Group in respect of the year (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurement

(i) Financial instruments measured at fair value

The following table presents the fair value of financial instrument measured at fair value at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3: Fair value measured using significant unobservable inputs.

Where necessary, the Group engages independent professional valuers to perform valuations for the financial instruments of which are carried at fair value in the consolidated financial statements. The professional valuer reports directly to the chief financial officer of the Company and the directors. Valuation reports with analysis of changes in fair value measurement are prepared by professional valuer and are reviewed and approved by the chief financial officer of the Company and the directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurement *(Continued)*

(i) Financial instruments measured at fair value *(Continued)*

	Fair value at 31 December 2023 RMB'000	**Fair value measurements as at 31 December 2023 categorised into**			Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into			Valuation technique(s) and key inputs
		Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements									
Assets:									
Financial assets at fair value through profit or loss *(note 24)*	-	-	-	-	-	-	-	-	Quoted bid price in an active market
	-	-	-	-	-	-	-	-	

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

(ii) Fair value of financial instruments carried at other than fair value

The directors consider that the carrying amounts of the Group's financial instruments carried at amortised cost at 31 December 2023 and 31 December 2022 are not materially different from their fair values at those dates respectively. The fair values, which are included in Level 3 category, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rates that reflect the credit risk of counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. MATERIAL RELATED PARTY TRANSACTIONS

The transactions or balances with the following parties were considered to be related party transactions:

Name of party	**Relationship with the Group**
Mr. Chen Yenfei	The controlling shareholder of the Company ("Controlling Shareholder"), he ceased to be the executive director and Chief Executive Officer of the Company with effect from 18 June 2020
Mr. Zhou Jianqiao	Key management personnel of a subsidiary of the Company
Ms. Tang Zaixiu	Key management personnel of a subsidiary of the Company
Hubei Bai Xin Food Company Limited ("Hubei Bai Xin")	Entity controlled by the Controlling Shareholder
Praise Treasure Limited	Entity controlled by the Controlling Shareholder
Advent View Limited ("Advent View")	Entity controlled by the Controlling Shareholder
Wuhan Wantong Investment Company Limited ("Wuhan Wantong")	Entity controlled by the Controlling Shareholder
Wuhan Bai Xin Zheng Yuan Biotechnology Engineering Company Limited ("Wuhan Bai Xin Zheng Yuan")	Entity controlled by the Controlling Shareholder
Wuhan Baixin Pharmaceutical Co., Ltd. ("Wuhan Baixin Pharmaceutical")	Entity controlled by the Controlling Shareholder

In addition to those disclosed elsewhere in these consolidated financial statements, the Group had the following transactions and balances with the related parties:

(a) (i) Key management personnel remuneration

Remuneration of key management personnel of the Group is as follows:

	2023 **RMB'000**	2022 RMB'000
Short-term employee benefits	**432**	349
Post-employment benefits	**18**	12
	450	361

The above remuneration is included in staff costs (see note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

(ii) Balances with key management personnel

	Notes	**2023 RMB'000**	2022 RMB'000
Staff advances to key management personnel	*(i), (ii), (iii)*	**–**	–
Other payables to key management personnel	*(i), (iii)*	**2,986**	3,286

(b) Balances with related parties

	Notes	**Amounts owed the Group by related parties**		**Amounts owed related parties by the Group**	
		2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Balance with related parties					
Amount due to the director, Shen Shun					
– trade in nature	*(i)*	**–**	–	**(634)**	(118)
– non-trade in nature		**–**	–	**(498)**	(498)
Amount due from Advent View					
– non-trade in nature	*(i), (ii)*	**36**	35	**–**	–
Amount due from/(to) the controlling shareholder, Chen Yenfei	*(i), (ii)*				
– non-trade in nature	*(i), (ii), (iii)*	**–**	490	**–**	–
– trade in nature	*(i)*	**–**	–	**(804)**	–
Other borrowings					
– trade in nature	*(iv)*	**–**	–	**(4,288)**	–

Notes:

(i) The outstanding balances with these related parties are unsecured, interest free and have no fixed repayment terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties *(Continued)*

Notes: (Continued)

(ii) The maximum outstanding balances due from related parties during the two years ended 31 December 2023 and 2022 are as follows:

	Maximum balance outstanding during the year	
	2023	2022
	RMB'000	RMB'000
Advent View	**36**	35
Controlling shareholder *(Note iii)*	–	9,303

(iii) During prior years, a subsidiary of the Company ("the Subsidiary") entered into agreements with certain staff of the Group and Mr. Chen Yenfei, under which the debts owed the Group by these staff amounted to RMB5,819,000 were assigned from these staff to Chen Yenfei with the same amounts. These debts owed were thereafter fully repaid by Chen Yenfei during the year ended 31 December 2022.

During the year ended 31 December 2022, it was agreed by the Subsidiary, certain staff of the Group and Mr. Chen Yenfei that certain debts owed the staff by Mr. Chen Yenfei amounted to RMB3,484,000 were assigned by the staff to the Group with the same amount. These debts owed by Mr. Chen Yenfei were thereafter fully repaid up during the year. The debts of RMB3,484,000 owed the staff by the Group remained outstanding and were included in other payables as at the year ended 31 December 2022 (Note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December	
	2023	2022
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,006**	1,006
CURRENT ASSETS		
Amounts due from subsidiaries	**127,721**	78,106
Other receivables	**36**	34
Prepayments and other deposits paid	**7,298**	1
Cash and cash equivalents	**27**	26
	135,082	78,167
CURRENT LIABILITIES		
Other payables and accruals	**46,004**	32,264
Corporate bonds payable	**83,473**	82,525
Amount due to a shareholder	**132**	129
Amount due to a related party	**634**	616
Amount due to a subsidiary	**12,875**	11,782
Other borrowings	**24,418**	21,306
	167,536	148,622
NET CURRENT LIABILITIES	**(32,454)**	(70,455)
TOTAL ASSETS LESS CURRENT LIABILITIES	**(31,448)**	(69,449)
NON-CURRENT LIABILITIES		
Other borrowings	**50,919**	–
NET LIABILITIES	**(82,367)**	(69,449)
CAPITAL AND RESERVES		
Share capital	**1,216**	1,216
Reserves *(note)*	**(83,583)**	(70,665)
TOTAL EQUITY	**(82,367)**	(69,449)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 28 March 2024 and is signed on its behalf by:

Yuan Hongbing
Director

Li Yan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: Movements in the reserves of the Company are as follows:

	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	691,882	11,456	(2,027)	(74,753)	(670,350)	(43,792)
Loss for the year	–	–	–	–	(55,262)	(55,262)
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	–	–	28,389	–	–	28,389
Total comprehensive income/(expense) for the year	–	–	28,389	–	(55,262)	(26,873)
At 31 December 2022 and 1 January 2023	691,882	11,456	26,362	(74,753)	(725,612)	(70,665)
Loss for the year	**–**	**–**	**–**	**–**	**(22,945)**	**(22,945)**
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	**–**	**–**	**10,027**	**–**	**–**	**10,027**
Total comprehensive income/(expense) for the year	**–**	**–**	**10,027**	**–**	**(22,945)**	**(12,918)**
At 31 December 2023	**691,882**	**11,456**	**36,389**	**(74,753)**	**(748,557)**	**(83,583)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

42. SUBSIDIARIES

(i) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ operation	Issued and fully paid up capital/paid up registered capital	Attributable equity interest: Group's effective interest		Held by the Company		Held by a subsidiary		Principal activities
			2023	2022	**2023**	2022	**2023**	2022	
Pa Shun Pharmaceutical Company Limited	The British Virgin Islands ("BVI")/Hong Kong ("HK")	US$50,000	**100%**	100%	**100%**	100%	**–**	–	Investment holding
Toyot Pa Shun Medicine Factory Company Limited (東洋百信製藥廠有限公司)	HK/HK	HK$10,000,000	**100%**	100%	**–**	–	**100%**	100%	Investment holding
Chengdu Toyot Pa Shun Pharmacy Co., Ltd. 成都東洋百信製藥有限公司 *(note a, b and f)*	PRC/PRC	RMB164,570,000	**100%**	100%	**–**	–	**100%**	100%	Manufacturing and sale of pharmaceutical products in the PRC
Chengdu Kexun Pharmaceutical Co., Ltd. 成都科訊藥業有限公司 *(note a, c and d)*	PRC/PRC	RMB170,000,000	**100%**	100%	**–**	–	**100%**	100%	Distribution of pharmaceutical products in the PRC
Chengdu Keyi Biotechnology Co., Ltd. 成都科一生物科技有限公司 *(note a and c)*	PRC/PRC	RMB2,000,000	**100%**	100%	**–**	–	**100%**	100%	Not yet commenced business
Ready Gain Limited 宏願環球有限公司	BVI	US$50,000	**100%**	100%	**100%**	100%	**–**	–	Investment holding
Big Wish Global Limited 盈達有限公司	BVI	US$50,000	**100%**	100%	**100%**	100%	**–**	–	Investment holding
Bisan Parkwell Consultants Limited 百勝百惠顧問有限公司	HK	HK$10,000	**100%**	100%	**–**	–	**100%**	100%	Investment holding
Parkwell Services Consultants Limited 百惠服務顧問有限公司	HK	HK$10,000	**100%**	100%	**–**	–	**100%**	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

42. SUBSIDIARIES *(Continued)*

(i) *(Continued)*

Notes:

(a) The English translations of the names of the Company's subsidiaries which were registered and incorporated in the PRC are for reference only and the official names of these entities are in Chinese.

(b) This entity was established in the PRC in the form of wholly-foreign-owned enterprise.

(c) These entities were established in the PRC as PRC domestic-invested companies.

(d) The paid-in registered capital of the subsidiary increased to RMB170,000,000 in prior years pursuant to the Group reorganisation, under which the amount due by the subsidiary to its holding company amounted to RMB120,000,000 was capitalised as paid-in registered capital.

(e) None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year under review.

(f) The total registered capital of this subsidiary is RMB326,000,000 of which RMB164,570,000 has been paid up.

43. IMMEDIATE AND ULTIMATE HOLDING COMPANY AND ULTIMATE CONTROLLING PARTY

The directors consider the Company's ultimate and immediate holding company to be Praise Treasure Limited which was incorporated in the British Virgin Islands. As at the date of approval of these consolidated financial statements, 753,040,000 shares, representing approximately 51.05% of the issued share capital of the Company, were pledged by Praise Treasure Limited in favour of an original chargee whose rights have been assigned to Win Win International Strategic Investment Funds SPC (for the account and on behalf of Win Win Stable No.1 Investment Fund SPC).

44. CONTINGENT LIABILITIES

As at 31 December 2023 and 31 December 2022, there were the following legal claims against the Group:

(a) A petition (the "Petition") was filed on 6 March 2023 by Mr. Zhang Min (the "Petitioner") against the Company in the Court of First Instance (the "First Instance Court") of the Hong Kong for an order that the Company be wound up by the First Instance Court. The Petition was filed against the Company for the Company's failure to settle the principal sum and interest payment in the total amount of approximately HK$4,730,000 in respect of the bond issued to the Petitioner by the Company. The Petition was dismissed by the First Instance Court on 28 June 2023, details of which are set out in the announcement of the Company dated 9 March 2023, 10 May 2023 and 28 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. CONTINGENT LIABILITIES *(Continued)*

(b) Restructuring and Scheme of Arrangement

In or around early June 2023, in view of the winding-up petitions, the Company contemplates a restructuring of its overall indebtedness position in order to address the liquidity issue faced by the Company.

On 20 July 2023, the Company, through its legal advisors, made an ex parte application to the High Court to apply for leave to convene a scheme meeting (the "Scheme Meeting") for the purpose of considering and, if thought fit, approving the scheme of arrangement (the "Scheme of Arrangement") and related directions.

The Scheme Meeting was held on 18 October 2023. During the Scheme Meeting, over 50% in number of, and representing not less than 75% in value of the claims of, the creditors present and voting in person or by proxy at the Scheme Meeting, have voted in favour of the Scheme of Arrangement. The Hong Kong Court sanctioned the Scheme of Arrangement on 1 November 2023. The Scheme of Arrangement became effective on 12 March 2024.

Details regarding the Scheme of Arrangement are set out in the announcements of the Company dated 25 July 2023, 11 August 2023, 8 September 2023, 15 September 2023, 25 September 2023, 18 October 2023 and 1 November 2023.

(c) A petition (the "Petition") was filed on 16 November 2020 by Ms. Feng Lihua (the "Petitioner") against the Company in the High Court of the Hong Kong Special Administrative Region (the "High Court") for an order that the Company be wound up by the Court. The Petition was filed against the Company for the Company's failure to settle the principal payment in the sum of HK$10,000,000 due on 3 June 2020 in respect of the bond issued to the Petitioner by the Company as well as the interest accrued on the bond from 1 October 2019 to 30 September 2020 in the sum of HK$650,000. The Petitioner and the Company reached settlement agreement ("Settlement Agreement") and the Petition is expected to be withdrawn by the Petitioner upon the Company's full payment of the outstanding debt owed to the Petitioner. However, the Company did not fully comply with the Settlement Agreement and the Petitioner applied to the High Court to bring forward the hearing of the Petition. The Petition was dismissed by the High Court at the hearing on 17 January 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. CONTINGENT LIABILITIES *(Continued)*

(d) A petition (the "Petition") was filed on 30 May 2022 by Mr. Wu Yuehua (the "Petitioner") against the Company in the High Court for an order that the Company be wound up by the High Court. The Petition was filed against the Company for the Company's failure to settle the principal sum and interest payment with total amount of HK$2,390,000 in respect of the bond issued to the Petitioner by the Company.

On 6 March 2023, the Petition was heard at the High Court before a Judge, the Petition filed by the Petitioner was struck out and the supporting creditor, Opera Enterprise Limited ("Substituting Petitioner"), was granted to substitute the Petitioner. An amended petition ("Amended Petition") was filed by the Substituting Petitioner against the Company for the Company's failure to settle the principal sum and interest payment with total amount of approximately HK$842,000 in respect of the bond issued to the Substituting Petitioner by the Company.

On 24 July 2023, the Amended Petition was heard at the High Court before a Judge, the Amended Petition filed by the Petitioner was struck out and the supporting creditor, Zhu Shunyun ("Second Substituting Petitioner") was granted to substitute the petition ("Re-Re-Amended Petition") remains subsisting. The Re-Re-Amended Petition was filed by the Second Substituting Petitioner against the Company for the Company's failure to settle the principal sum and interest payment with total amount of approximately HK$2,573,000 in respect of the bond issued to the Second Substituting Petitioner by the Company. The Second Substituting Petitioner of the Re-Re-Amended Petition has signed a consent summons on 9 November 2023, pursuant to which the petitioner has agreed the Re-Re-Amended Petition be dismissed. Order has been pronounced by the High Court of Hong Kong on 20 November 2023 that the Re-Re-Amended Petition be dismissed.

Details regarding the aforementioned legal case are set out in the announcements of the Company dated 31 May 2022, 10 August 2022, 28 September 2022, 16 January 2023, 6 March 2023, 24 April 2023, 15 May 2023, 28 June 2023, 25 July 2023 and 22 November 2023.

45. EVENT AFTER THE REPORTING PERIOD

Except for the Scheme of Arrangement becoming effective on 12 March 2024 as disclosed in note 44(b), there was no significant events occurred subsequent to the end of the reporting period.