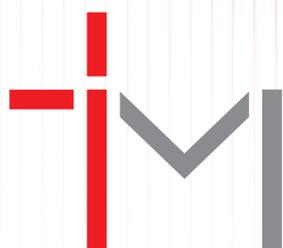


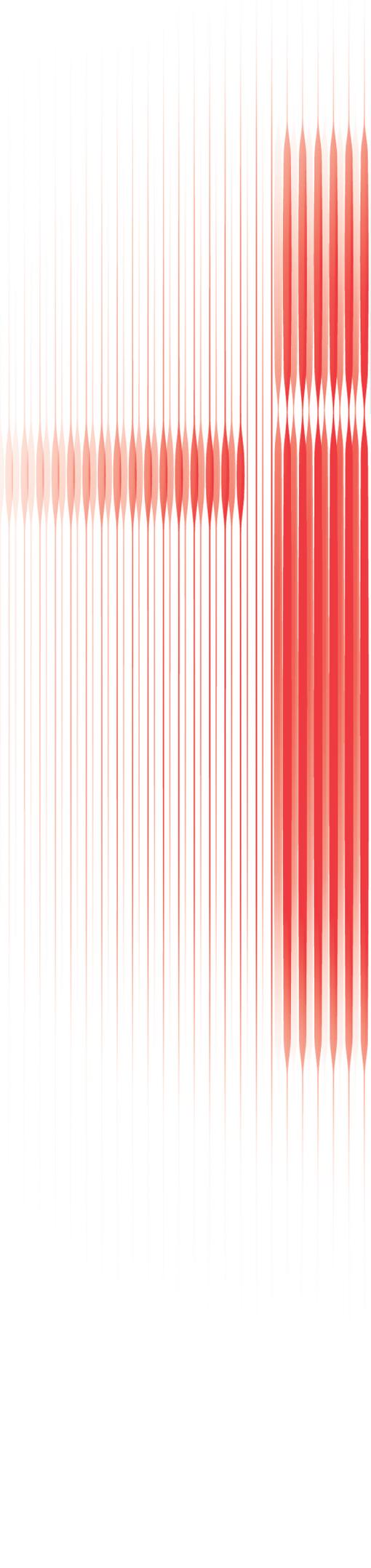
2023

ANNUAL REPORT



美瑞健康国际产业集团
Meilleure Health International Industry Group

Meilleure Health International Industry Group Limited
(Incorporated in Bermuda with limited liability) (Stock Code : 2327)



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Xuzhou (*Co-Chairman*)
Dr. Zeng Wentao (*Co-Chairman*)
Ms. Zhou Wen Chuan (*Vice-Chairman and Chief Executive Officer*)

Non-Executive Director

Dr. Mao Zhenhua

Independent Non-Executive Directors

Professor Chau Chi Wai, Wilton
Mr. Gao Guanjiang (resigned on 11 April 2023)
Dr. Yang Yu (appointed on 11 April 2023 and resigned on 10 April 2024)
Mr. Chen Shi (appointed on 10 April 2024)
Mr. Wu Peng

AUTHORISED REPRESENTATIVES

Mr. Zhou Xuzhou
Ms. Zhou Wen Chuan

COMPANY SECRETARY

Mr. Li Shu Pai

AUDIT COMMITTEE

Professor Chau Chi Wai, Wilton (*Chairman*)
Dr. Mao Zhenhua
Mr. Gao Guanjiang (resigned on 11 April 2023)
Dr. Yang Yu (appointed on 11 April 2023 and resigned on 10 April 2024)
Mr. Chen Shi (appointed on 10 April 2024)

REMUNERATION COMMITTEE

Mr. Gao Guanjiang (*Chairman*)
(resigned on 11 April 2023)
Dr. Yang Yu (*Chairman*) (appointed on 11 April 2023 and resigned on 10 April 2024)
Mr. Chen Shi (*Chairman*) (appointed on 10 April 2024)
Professor Chau Chi Wai, Wilton
Dr. Zeng Wentao

NOMINATION COMMITTEE

Mr. Zhou Xuzhou (*Chairman*)
Professor Chau Chi Wai, Wilton
Mr. Wu Peng

STRATEGIC COMMITTEE

Dr. Mao Zhenhua (*Chairman*)
Mr. Zhou Xuzhou
Dr. Zeng Wentao

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Unit 2906
Tower 1, Lippo Centre
89 Queensway
Admiralty
Hong Kong

AUDITOR

Certified Public Accountants
ZHONGHUI ANDA CPA Limited
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance (Cap. 588 of the Laws of Hong Kong)

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.meilleure.com.cn

STOCK CODE

2327

CO-CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present to our shareholders the annual results of the Group for the Reporting Period.

RECENT DEVELOPMENT

Health is closely connected with every aspect of human life, including clothing, food, housing and transportation, and the natural cycle of life. It is a vital indicator of China's prosperity and revitalisation, as well as a common aspiration of all citizens. China has always placed a high priority on the health of its people. The Outline of Healthy China 2030 Plan released in 2016 states that "Promoting the development of a healthy China is an important foundation for fully building a moderately prosperous society and essentially realising the modernisation of socialism. It is a national strategy to comprehensively improve the health of the Chinese nation and achieve the coordinated development of public health and the socio-economic landscape. It is also a significant initiative for China to actively participate in global health governance and fulfil international commitments to the 2030 Agenda for Sustainable Development." At the plenary sessions of the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference (the **"Two Sessions"**) held in March 2024, the Government Work Report outlined top-level planning for the tasks of various segments of the healthcare industry in the coming year. In addition, several proposals regarding the development of the healthcare industry were presented.

The health industry, as an emerging sector, has tremendous potential for growth. Driven by the release of favourable policies, an ageing population and strengthened health awareness, the healthcare industry is entering a period of robust development and has become a new point of economic growth. Meanwhile, according to a representative of the Two Sessions, Lu Qingguo (盧慶國), there are still significant gaps between China's health industry and those of developed countries in Europe and the U.S. Issues of the healthcare industry such as a low GDP proportion, insufficient innovation and research capabilities, dispersed industrial chain resources, and small enterprise sizes suggest there is substantial room for improvement. According to "Healthy China 2030", the scale of China's health industry will significantly expand, and the market size will reach RMB16 trillion by 2030.

In 2024, China's long-term positive economic trend remains unchanged. The Group continues to believe in the substantial potential of the health industry and aspires to be an excellent "long-distance runner" in the health sector. During the Reporting Period, the Group adhered to the vision of "using technology and expertise to serve more people's health and beauty needs", integrated production and investment, and delved into the health management and skin management sectors. Focusing on consumer medicine, the Group has facilitated the development of health management sector through health applications of cell therapy. Meanwhile, the Group continued to conduct in-depth research on skin health and its related services and developed products and business model integrating skincare products with efficacy and cosmetic medicine for skin health management by making full use of its advantages in R&D, brand and channel in terms of skin health management.

CO-CHAIRMAN'S STATEMENT

OVERVIEW OF OPERATIONS

Healthcare-related Business Segment — Cell Treatment and Health Management Business

The Group made its deployment in the field of cell therapy through the strategic acquisition of equity interest in Wingor Bio in 2019, a state-level high-tech enterprise, and the establishment of Mei Ai Kang in 2020.

Cell therapy is one of the most promising areas within the health industry, and “cell therapy and clinical translation of research” is a significant issue for China’s “14th Five-Year Plan” in terms of healthcare development. Thanks to several supportive policies on the cell industry released by the Chinese government at various levels during the Reporting Period, great efforts were made to support the large-scale and standardised development of cell therapy industry. In April 2023, the Center for Drug Evaluation of the National Medical Products Administration released the “Guiding Principles for Pharmacological Research and Evaluation of Human Stem Cell Products (Trial)”, which provided advice on technical issues related to the pharmaceutical research of stem cell products developed as drugs. In June 2023, the Center for Drug Evaluation of the National Medical Products Administration released the “Guiding Principles for Clinical Trial of Human Stem Cells and Derived Cell Therapy Products (Trial)”, which provided technical guidance and suggestions for clinical trials of human stem cells and derived cell therapy products. In June 2023, the Center for Drug Evaluation of the National Medical Products Administration also issued the “Questions and Answers on the Study of Pharmaceutical Changes of Autologous CAR-T Cell Therapy Products (Draft for Public Comment)” to further regulate and provide guidelines for the study and application for the changes of CAR-T products. In July 2023, the Center for Drug Evaluation of the National Medical Products Administration released the “Guiding Principles for Clinical Communications related to Cell and Gene Therapy Products (Draft for Public Comment)”, which provided suggestions on the preparation of communication materials and considerations for major issues of clinical R&D of cell and gene therapy products, with an aim to improve communication efficiency and support the smooth advancement of clinical R&D of cell and gene therapy products. In September 2023, the Center for Drug Evaluation of the National Medical Products Administration released the “Guiding Principles for Clinical Trials of Mesenchymal Stem Cell Products for the Prevention and Treatment of Graft-versus-host Disease (Draft for Public Comment)”, which is applicable to mesenchymal stem cell products from various sources such as bone marrow, umbilical cord, cord blood or adipose tissue, as well as mesenchymal-like cell products derived from embryonic stem cells or induced pluripotent stem cells. At the level of local government, in January 2023, the Standing Committee of the Shenzhen Municipal People’s Congress issued the “Shenzhen Economic Zone Cell and Gene Industry Promotion Ordinance”, which is the first specialised legislation for the cell and gene industry in the country. In August 2023, the Shenzhen Finance Bureau issued the “Announcement on the Public Selection of Shenzhen Cell and Gene Industry Fund Management Institutions”, proposing the establishment of the Shenzhen Cell and Gene Industry Fund.

CO-CHAIRMAN'S STATEMENT

As the leading enterprise in Shenzhen's local cell treatment industry, Wingor Bio has powerful R&D innovation strength and leading professional technology in the industry after engagement in the cell therapy industry. It was accredited with the honour of "National High-Tech Enterprise", "Science and Technology based Small and Medium-Sized Enterprise" in China and "Professional, Specialised and New Small and Medium-sized Enterprise in Shenzhen". During the Reporting Period, in terms of R&D, Wingor Bio achieved significant breakthroughs in the Investigational New Drug (IND) application for new stem cell drugs, with the clinical trial applications for four cell drugs accepted by the National Medical Products Administration, including two cell drugs that received approval for clinical trials. In terms of technology, a number of patents, including blood preservation solutions and their preparation methods and uses, as well as the preparation methods for human umbilical cord mesenchymal stem cells, filed by Wingor Bio, were accepted and authorised by the China National Intellectual Property Administration. Up to now, the Company has applied for nearly 65 patents, including ten international patents. In terms of the formulation of enterprise-related policies, Wingor Bio, as a participating unit, made a positive contribution to the formulation of the "Regulations for the Preparation and Inspection of Human Mesenchymal Stem Cell Exosomes", which was approved for publication in February 2024 and came into effect on 6 March 2024. In addition, Wingor Bio has also carried out clinical collaborations with several medical institutions, including the Affiliated Hospital of Guilin Medical University, Zhongda Hospital Southeast University and Shenzhen University General Hospital, to accelerate the translation of scientific and technological findings into clinical applications.

Mei Ai Kang has also had several achievements since its inception. In 2022, it cooperated with the Fifth Medical Centre of the General Hospital of the Chinese People's Liberation Army, the Fourth People's Hospital of Nanning, Shanghai Public Health Clinical Centre and Yunnan Provincial Infectious Disease Hospital to conduct clinical studies, and it overcame the adverse effect brought forth by the COVID-19 epidemic. It enrolled 17 cases in the study, improved clinical proposals, and detailed the experimental process. At the same time, Mei Ai Kang is currently applying for a relevant patent cluster related to the project's core technology, and a patent for a self-transfusion injector has been approved. Meanwhile, the related patents for cell processing are currently in the process of application review.

In terms of downstream products and services as well as high-end health management, the Group ran the clinics in Shenzhen and Nanjing as the main operation centres and provided international high-end health management services based on functional medicine theories. Building upon years of successful and stable operation, the Group will further enhance its business model, optimize service standards and expand new customer base.

With the continuous introduction of relevant policies and regulations for the cell industry in China, a comprehensive regulatory system has been gradually established. Relevant government departments are constantly standardising the guiding principles and strengthening support for the development of the cell therapy industry, providing a favourable environment for the growth of China's cell industry. The Group will continue to deepen its planning in the field of cell therapy research and development and its application, and explore the commercialisation path of cell therapy products, so as to realise the coordinated development between the health management business and other segments.

CO-CHAIRMAN'S STATEMENT

Healthcare-related Business Segment — Skin Health Management Business

In recent years, with the improvement of residents' purchasing power and changes in consumption concepts, "becoming more beautiful" has gradually become a basic need for some consumers. The value chain of the beauty industry continues to expand while various new consumption scenarios are emerging. Against the backdrop of the blossoming beauty economy, light aesthetic medicine, characterised by its accessibility and safety, has been increasingly popular among consumers seeking beauty enhancements, leading to sustained growth in its market size. With that in mind, based on its advantages in product R&D, medical care team, operation management, brand and channel for skin health management, the Group has launched a brand of "Jixiaojian" (肌小簡), a highlighted brand combining medical aesthetics and skincare in the second half of 2021.

Adhering to the philosophy of "Extremely Professional, Ultra Effective and Zero Routines", and pioneering the integration of the two fields: aesthetic medicine and effective skincare, Jixiaojian uses skincare technology innovation as its guiding principle, to create a new concept of smart skin care. With complementary integration between aesthetic medicine projects and products, Jixiaojian combined the "treatment" of cosmetic medicine and "prevention" of skincare products, and launched the combination of "60% light aesthetic medicine + 40% effective streamlined and effective skincare", providing a more cost-effective and streamlined integrated skincare solution for users. Meanwhile, the Group has established close cooperative relations with BAFS and Ashland, internationally renowned raw material companies, and successively launched multiple product lines under the brand of Jixiaojian — photoelectric repair series, skin repair series, revitalising series and more. Products under the brand of Jixiaojian were available for sale on WOW COLOUR, the offline trendy makeup collection store, with simultaneous launches on 120 stores nationwide. At the same time, they are also featured in BeauCare Clinics (聯合麗格), a well-known offline chain medical aesthetics group. Moreover, collaborations have been reached with some of the top broadcasters on Taobao and Kuaishou.

The flagship store of our light medical beauty brand "Jixiaojian" has been operating for years. Based on the photoelectric repair series from Jixiaojian, "Jixiaojian × Super Photon", the exclusive project launched by the flagship store, provides an integrated skincare solution for the whole process of super photon aesthetic medical beauty project before, during and after surgery, which was widely recognised and recommended by customers. In terms of aesthetic medical devices, the Group has reached a strategic cooperation relationship with Lumenis, a world-renowned laser beauty leader, and has become its clinical demonstration base. Furthermore, the Group has cooperated with Bandao (半島), a prominent brand in medical equipment, to create the Bandao Soothing Treatment Device Special Project (半島舒敏治療儀特色項目) called "Light Medical Beauty Golder Partner (輕醫美黃金搭檔)". In terms of R&D, the Group has established a close cooperation with Shenzhen Xuanjia (深圳萱嘉), a laboratory equipped with CNAS testing standards, to establish a supramolecular laboratory for the development of skincare product lines with supramolecular technology as the core. The Group has also successfully partnered with the world's largest producer of recombinant collagen, Jland Biotech, to establish a strategic partnership in the field of recombinant collagen. The Group has obtained more than 10 patents in respect of skincare products, and was honoured with the title of Professional, Specialised and New Small and Medium-sized Enterprise in Shenzhen during the Reporting Period.

CO-CHAIRMAN'S STATEMENT

The Group will continue to increase investment in the field of skin health management, adhere to the professional and efficient business philosophy, and promote the effective improvement of products and services with a customer-oriented mindset, striving to create a scientific skincare brand that combines online and offline integration, aesthetic medicine and effective skincare. Besides, it is committed to recalibrating the skincare habits of the new generation and reshaping the landscape of the skincare industry with the help of this skincare revolution arising from the iteration of people, cognition and technology.

Overseas Business

The Group proactively implemented its international business strategies, with localised operation teams established for its overseas operations. In terms of the European business, as early as 2019, the Group established its subsidiary in Switzerland and organised a local professional team to expand the markets in Europe. In 2021, the high-end CBD health consumption brand independently developed and produced in Switzerland, AlpReleaf, was formally launched into the markets in Europe. AlpReleaf products, based on high-quality CBD as the core technology, have been launched under a number of series such as soothing, sleep aid and muscle soreness, aiming to provide users with a better quality of life. The products have been officially certified by the European Union and the United Kingdom and are available for sale in 22 European countries. During the Reporting Period, AlpReleaf further extended its sales channels to expand its brand awareness and market influence. New product series were also launched to effectively boost sales growth. Leveraging its localised team and existing sales network in Europe, the Group also actively expanded its overseas trading business and enlarged its customer base during the Reporting Period, with the potential to create new growth points for performance.

For the business in Australia, the boutique townhouse project located in Yarrabend, Australia was developed and wholly-owned by the Group, in collaboration with Burbank, a renowned construction company in Australia and Rothelowman, a renowned design firm. It is located on the banks of the Yarra River in Melbourne with mature commercial facilities and convenient transportation. During the Reporting Period, the project achieved significant progress. Since its initial launch in 2022, it has gained market recognition, and the sales efforts have been steadily progressing.

As at the end of the Reporting Period, the Group's overseas business has steadily advanced with notable highlights in its performance. The Group will continue to strengthen its international business strategies, accelerate the expansion of its international business, deepen its brand building, and focus on channel expansion, so as to expand and optimise its overseas business, bringing sustained internal vitality to the Company's growth.

CO-CHAIRMAN'S STATEMENT

PROSPECTS

In 2023, China's economy continued to demonstrate resilience under sustained pressure, emerging with a recovery curve that points towards improvement. In 2024, despite facing numerous challenges, the continuation of the recovery trend is expected to remain the major focus of China's economy, which will further give rise to new opportunities.

For the Group, regarding assets, the Group had current assets of HK\$918.8 million as at 31 December 2023, of which bank and cash balances amounted to HK\$106.3 million. As for the business, the Group continues to focus on the healthcare field. The skin health management products and business models have been initially proven successful. Efforts will be made to actively expand sales channels, strengthen external collaborations and solidify business foundation. Meanwhile, the scale of the overseas business grows steadily with constant expansion of sales channels and continuous improvement in brand building. The overall trend of improving external conditions and the internal resources that the Group has accumulated over time, such as talent, brand and channels, are crucial for the Group in overcoming difficulties and achieving success. These favourable factors will give the Group confidence and capability to cope with new challenges and to seize new opportunities. The Group remains confident and optimistic about its future business development.

Zhou Xuzhou

Co-Chairman

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Below is a summary of the financial information of the Group:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Revenue | 129,304 | 119,894 |
| Gross profit | 78,090 | 66,761 |
| Gross profit margin | 60.4% | 55.7% |
| Other income and gains/(losses), net | 24,868 | (3,654) |
| Total operating expenses (<i>Note</i>) | 39,336 | 35,689 |
| Finance costs | 11,408 | 11,447 |
| Profit before tax | 52,983 | 25,385 |
| Profit after tax | 38,490 | 17,780 |
| Profit attributable to owners of the Company | 40,830 | 17,822 |

Note: Total operating expenses included (i) selling and distribution expenses; and (ii) administrative expenses.

Revenue

Revenue for the year ended 31 December 2023 was HK\$129.3 million (2022: HK\$119.9 million), mainly generated by (i) sale of healthcare-related products; (ii) sale of construction materials; (iii) sale of renewable energy products; (iv) rental income; (v) property sales and consultancy service income; (vi) healthcare management service income; (vii) healthcare-related products sale agency service income; (viii) aesthetic medical service income; (ix) sale of CBD downstream products; and (x) procurement service income of renewable energy products.

Revenue increased by approximately 7.8% from HK\$119.9 million for the year ended 31 December 2022 to HK\$129.3 million for the year ended 31 December 2023. The increase in revenue of HK\$9.4 million was mainly due to (i) an increase in procurement service income of renewable energy products of HK\$20.8 million, resulting from the increase in orders from the PRC and overseas market; and (ii) an increase in sale of construction materials of HK\$7.4 million, as a result of the reopening of mainland China. Such increases were partially offset by (i) a decrease in sale of healthcare-related products of HK\$6.9 million; (ii) a decrease in property sales and consultancy service income of HK\$5.8 million; (iii) a decrease in rental income of HK\$4.6 million; and (iv) a decrease in healthcare-related products sale agency service income of HK\$1.4 million.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 December 2023 was HK\$78.1 million (2022: HK\$66.8 million), representing an increase of 16.9% compared to 2022. The gross profit margin for the year ended 31 December 2023 increased to 60.4% from 55.7% for the year ended 31 December 2022.

The increase in gross profit of HK\$11.3 million was mainly due to an increase in gross profit in the trading business of HK\$21.1 million, mainly benefitting from an increase in income from procurement service of renewable energy products, which was attributable to the expansion of the Group's European international trading business. Such an increase was partially offset by (i) a decrease in gross profit in the property-related business of HK\$6.1 million as a result of the discontinuation of property sales and consultancy services from the first half of 2023; and (ii) a decrease in gross profit in the healthcare-related business of HK\$3.8 million, mainly resulting from a decrease in the sale of healthcare-related products.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the increase in gross profit margin was mainly due to an increase in the proportion of the revenue derived from procurement service income of renewable energy products, which has higher gross profit margin and is included in the trading business segment to the Group's total revenue for the year ended 31 December 2023 compared to 2022.

Other Income and Gains/(Losses), Net

Such an item changed from other income and net losses of HK\$3.7 million for the year ended 31 December 2022 to other income and net gains of HK\$24.9 million for the year ended 31 December 2023. Such change was primarily due to (i) a favourable financial impact arising from fair value changes on investments at FVTPL, which changed from a fair value loss of HK\$28.7 million for the year ended 31 December 2022 to a fair value gain of HK\$6.0 million for the year ended 31 December 2023 as a result of the increase in revenue and profit of an equity-invested entity; and (ii) a decrease in exchange losses of HK\$5.3 million. Such increases were partially offset by (i) a decrease in interest income of HK\$8.1 million; and (ii) a decrease in government grants of HK\$2.0 million.

Total Operating Expenses

Total operating expenses for the year ended 31 December 2023 were HK\$39.3 million (2022: HK\$35.7 million), representing an increase of HK\$3.6 million or 10.1% compared to 2022. Such increase was mainly due to increases in selling and distribution expenses of HK\$8.9 million, mainly attributable to marketing and promotion expenses incurred for promotion of products under our self-owned brand "Jixiaojian" and transportation expenses incurred for procurement service of renewable energy products, which was partially offset by decrease in administrative expenses of HK\$5.2 million which was attributable to the effective expenses control of the Group for the year ended 31 December 2023.

Finance Costs

Finance costs for the year ended 31 December 2023 was HK\$11.4 million (2022: HK\$11.4 million) and remained stable.

Profit After Tax

Profit after tax for the year ended 31 December 2023 was HK\$38.5 million (2022: HK\$17.8 million), representing an increase of HK\$20.7 million or 116.3% compared to 2022. Such an increase was mainly due to:

- (i) an increase in gross profit in the trading business of HK\$21.1 million; and
- (ii) a favourable financial impact arising from fair value changes on investments at FVTPL, which changed from a fair value loss of HK\$28.7 million for the year ended 31 December 2022 to a fair value gain of HK\$6.0 million for the year ended 31 December 2023 as a result of the increase in revenue and profit of an equity-invested entity.

Such increases were partially offset by (i) an unfavorable financial impact arising from movements of loss allowance for trade and other receivables, which changed from reversal of impairment loss of HK\$1.2 million for the year ended 31 December 2022 to an impairment loss of HK\$14.9 million as a result of the change in the operating environment; (ii) a decrease in interest income of HK\$8.1 million as the Group has invested funds in business expansion and operations; and (iii) an increase in income tax expense of HK\$7.0 million resulting from an increase in profit before tax.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Healthcare-related Business

The revenue derived from the healthcare-related business for the year ended 31 December 2023 was HK\$48.1 million, representing a decrease of 10.6% compared to HK\$53.8 million for the year ended 31 December 2022. The profit derived from this segment for the year ended 31 December 2023 was HK\$15.0 million, representing a decrease of 41.9% compared to HK\$25.8 million for the year ended 31 December 2022. Such a decrease was mainly due to (i) a decrease in gross profit of HK\$3.8 million, primarily resulting from a decrease in the sale of healthcare-related products; and (ii) an increase in operating expenses of HK\$4.3 million, resulting from an increase in marketing and promotion expenses incurred for promotion of products under our self-owned brand “Jixiaojian” during the year ended 31 December 2023.

Trading Business

The revenue derived from the trading business for the year ended 31 December 2023 was HK\$62.6 million, representing an increase of 68.7% compared to HK\$37.1 million for the year ended 31 December 2022. The profit derived from this segment for the year ended 31 December 2023 was HK\$11.1 million, representing an increase of approximately 11.3 times compared to HK\$0.9 million for the year ended 31 December 2022, which was mainly due to a rise in gross profit of HK\$21.1 million, mainly resulting from an increase in income from procurement service of renewable energy products, which was attributable to the expansion of the Group’s European international trading business. Such an increase was partially offset by (i) an increase in loss allowance for trade and other receivables of HK\$6.9 million; and (ii) an increase in operating expenses of HK\$3.9 million, resulting from increase in transportation expenses incurred for procurement service of renewable energy products during the year ended 31 December 2023.

Property-related Business

The revenue derived from the property-related business for the year ended 31 December 2023 was HK\$18.6 million, representing a decrease of 35.9% compared to HK\$29.0 million for the year ended 31 December 2022. The profit derived from this segment for the year ended 31 December 2023 was HK\$34.8 million, representing an increase of approximately 10.8% compared to HK\$31.4 million for the year ended 31 December 2022, which was mainly due to (i) an increase in fair value gains on investment properties of HK\$6.5 million; and (ii) a decrease in operating expenses of HK\$1.8 million, resulting from effective expenses control in this segment during the year ended 31 December 2023. Such increases were partially offset by a decrease in gross profit of HK\$6.1 million resulting from the discontinuation of property sales and consultancy services from the first half of 2023.

The Group has a 100% interest in a residential development project located at Lot A & B, 626 Heidelberg Road, Alphington, VIC, 3078, Australia. The project covers a total site area of approximately 11,488 sq.m. Advantageously located just 6.5 kilometres from Melbourne’s central business district, the site provides a gross floor area of approximately 18,752 sq.m. to be developed into 109 residential units of townhouses.

During the year ended 31 December 2023, the project was still in progress. Up to the date of this Annual Report, the project’s civil works have already been completed. The pre-sale of the project commenced in November 2022, which will rapidly realise the value of the land reserve, deliver business growth for the Group and boost brand value.

MANAGEMENT DISCUSSION AND ANALYSIS

Equity Investment Business

The loss derived from this segment for the year ended 31 December 2023 was HK\$4.4 million, representing a decrease of approximately 86.3% compared to a loss of HK\$32.1 million for the year ended 31 December 2022, which was mainly due to (i) a favourable financial impact arising from fair value changes on investments at FVTPL as a result of the increase in revenue and profit of an equity-invested entity, which changed from a fair value loss of HK\$28.7 million for the year ended 31 December 2022 to a fair value gain of HK\$6.0 million for the year ended 31 December 2023; and (ii) a decrease in share of loss of a joint venture of HK\$8.0 million. Such increases were partially offset by (i) an unfavorable financial impact arising from movements of loss allowance for other receivables, which changed from reversal of impairment loss of HK\$1.4 million for the year ended 31 December 2022 to an impairment loss of HK\$6.6 million; and (ii) recognition of impairment of loss of assets of HK\$3.7 million.

REVIEW OF FINANCIAL POSITION

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Non-current Assets | | |
| Investment properties | 598,509 | 560,149 |
| Investments at FVTPL | 28,099 | 55,163 |
| Investments in a joint venture | 53,449 | 57,356 |
| Investments in associates | 5,706 | 9,740 |
| Prepayments, deposits and other receivables | 17,748 | 10,141 |
| Goodwill | 18,500 | 18,500 |
| Equity investments at FVTOCI | 24,470 | 46,213 |
| Others | 31,948 | 31,982 |
| Total Non-current Assets | 778,429 | 789,244 |
| Current Assets | | |
| Bank and cash balances | 106,309 | 210,987 |
| Properties held for sale under development | 262,485 | 256,519 |
| Prepayments, deposits and other receivables | 432,026 | 341,134 |
| Trade receivables | 101,533 | 101,354 |
| Restricted bank deposit | 12,073 | – |
| Others | 4,354 | 12,023 |
| Total Current Assets | 918,780 | 922,017 |
| Total Assets | 1,697,209 | 1,711,261 |
| Liabilities | | |
| Bank borrowings | 296,613 | 243,439 |
| Deferred tax liabilities | 81,350 | 77,824 |
| Accruals and other payables | 26,806 | 29,718 |
| Contract liabilities | 10,158 | 5,518 |
| Others | 27,961 | 27,677 |
| Total Liabilities | 442,888 | 384,176 |
| Net Assets | 1,254,321 | 1,327,085 |

MANAGEMENT DISCUSSION AND ANALYSIS

Non-current assets of the Group as at 31 December 2023 were HK\$778.4 million (2022: HK\$789.2 million), representing a decrease of HK\$10.8 million, which was mainly due to (i) a decrease in investments at FVTPL of HK\$27.1 million; and (ii) a decrease in equity investments at FVTOCI of HK\$21.7 million, which was partially offset by an increase in investment properties of HK\$38.4 million. Current assets were HK\$918.8 million (2022: HK\$922.0 million), representing a decrease of HK\$3.2 million, which was mainly due to a decrease in bank and cash balances of HK\$104.7 million as compared to the year ended 31 December 2022. Such a decrease was partially offset by (i) an increase in prepayments, deposits and other receivables of HK\$90.9 million; and (ii) an increase in restricted bank deposit of HK\$12.1 million.

As at 31 December 2023, the Group's total liabilities were HK\$442.9 million (2022: HK\$384.2 million), representing an increase of HK\$58.7 million mainly due to an increase in bank borrowings of HK\$53.2 million as compared to the year ended 31 December 2022.

NET ASSET VALUE

As at 31 December 2023, the Group's total net assets amounted to HK\$1,254.3 million (2022: HK\$1,327.1 million), representing a decrease of HK\$72.8 million, mainly due to (i) payment of dividend of HK\$65.5 million during the year ended 31 December 2023; (ii) exchange losses arising from the translation of foreign operations of HK\$30.5 million, and (iii) fair value losses of equity investments at FVTOCI, net of HK\$15.6 million. Such decreases were partially offset by the profit for the year ended 31 December 2023 of HK\$38.5 million.

LIQUIDITY AND FINANCIAL RESOURCES

| | 2023 | 2022 |
|--|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Net cash (used in)/generated from operating activities | (136,491) | 43,151 |
| Net cash generated from/(used in) investing activities | 53,718 | (134,758) |
| Net cash (used in)/generated from financing activities | (18,897) | 41,932 |
| Net decrease in cash and cash equivalents | (101,670) | (49,675) |
| Effect of foreign exchange rate changes | (3,008) | (11,929) |
| Cash and cash equivalents as at 1 January | 210,987 | 272,591 |
| Cash and cash equivalents as at 31 December | 106,309 | 210,987 |

As at 31 December 2023, the total cash and cash equivalents of the Group were HK\$106.3 million (2022: HK\$211.0 million), of which approximately 91.8% was denominated in RMB, 5.6% was in HKD, 1.3% was in EUR, 1.0% was in USD, 0.2% was in CHF and 0.1% was in AUD (2022: approximately 62.3% was denominated in RMB, 18.6% was in USD, 17.5% was in HKD, 1.0% was in AUD, 0.4% was in CHF and 0.2% was in EUR).

Net cash used in operating activities for the year ended 31 December 2023 was HK\$136.5 million, which was mainly used to satisfy the Group's working capital required for daily operation during the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash generated from investing activities was HK\$53.7 million, which was mainly attributable to (i) repayment of short-term interest-bearing loans advanced to certain independent third parties of HK\$341.9 million; (ii) the net cash inflow generated from investments in financial products of HK\$35.6 million; and (iii) receipt of loan interest of HK\$28.8 million. Such increases were partially offset by (i) short-term interest-bearing loans advanced to certain independent third parties of HK\$311.9 million; and (ii) acquisition of investment properties of HK\$39.8 million.

Net cash used in financing activities was HK\$18.9 million, which mainly represented a net amount of (i) proceeds received from new bank borrowings of HK\$94.5 million; (ii) payment of dividend of HK\$65.5 million; (iii) repayment of bank borrowings of HK\$34.9 million; and (iv) payment of loan interest of HK\$11.2 million.

As at 31 December 2023, the total bank borrowings of the Group were HK\$296.6 million (2022: HK\$243.4 million), which are mainly used as working capital of the Group. The Group has no unutilised banking facilities as at 31 December 2023 and 2022.

The following table illustrates the composition of the Group's bank borrowings:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------------|--------------------------------|------------------|
| Floating rate RMB bank loan | 90,224 | 107,981 |
| Floating rate AUD bank loan | 75,453 | – |
| Fixed rate RMB bank loan | 130,936 | 135,458 |
| | 296,613 | 243,439 |

The following table illustrates the maturity profile of the Group's bank borrowings:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|--------------------------------|------------------|
| Within one year | 159,298 | 78,235 |
| In the second year | 30,175 | 31,279 |
| In the third to fifth years, inclusive | 76,495 | 84,292 |
| Beyond five years | 30,645 | 49,633 |
| | 296,613 | 243,439 |

Based on the Group's steady cash flow, coupled with sufficient bank and cash balances, the Group has adequate liquidity and financial resources to meet its future capital expenditures, daily operations and working capital requirements in the next financial year.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of equity attributable to owners of the Company (i.e. issued share capital and reserves).

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURE POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2023. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 11 April 2019, a total of 360,000,000 new shares were successfully placed by the placing agent to not less than six placees, who and whose ultimate beneficial owners were independent third parties, at the placing price of HK\$0.91 per placing share pursuant to the terms and conditions of the placing agreement under the general mandate and the placing of new shares raised net proceeds, after deducting related placing commission, professional fees and all related expenses, of HK\$325.7 million (with a net price of approximately HK\$0.905 per placing share) which was intended to be used for investing in the industrial hemp CBD extraction and application businesses and as general working capital of the Group.

As at 31 December 2023, the net proceeds have been used in the following manner:

| Intended use of the net proceeds | Unutilised net proceeds as at 31 December 2022 HK\$ million | Actual amount used during the Reporting Period HK\$ million | Unutilised net proceeds as at 31 December 2023 HK\$ million |
|---|---|---|---|
| To be used as general working capital of the Group | 22.3 | (22.3) | – |
| To be invested in the industrial hemp CBD extraction and application businesses | 1.2 | (1.2) | – |
| Total | 23.5 | (23.5) | – |

As at 31 December 2023, the unutilised net proceeds had been fully utilised, and the net proceeds were used according to the intentions previously disclosed by the Company in the announcement of the Company dated 11 April 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The Group's gearing ratio, expressed as the percentage of net debt (includes bank borrowings, trade payables, contract liabilities, accruals and other payables and amounts due to related parties, less bank and cash balances and restricted bank deposit) over the sum of equity attributable to owners of the Company and net debt, was 15.3% (2022: 5.3%).

As at 31 December 2023, the Group had net debt of HK\$227.4 million (2022: HK\$74.6 million), while the equity attributable to owners of the Company amounted to HK\$1,254.2 million (2022: HK\$1,324.6 million).

CAPITAL EXPENDITURE

During the year ended 31 December 2023, the expenditure on purchasing property, plant and equipment amounted to HK\$827,000 (2022: the expenditure on purchasing intangible assets, namely computer systems, was HK\$40,000, while the expenditure on purchasing property, plant and equipment amounted to HK\$4,787,000).

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments of HK\$10.9 million (2022: HK\$10.4 million) in respect of capital contribution payable to associates (2022: capital contribution payable to an associate and an unlisted long-term investment), which are contracted but not provided for in the consolidated financial statements.

CHARGES ON GROUP ASSETS

The following table sets forth the net book value of assets under pledges for certain banking facilities as at the dates indicated:

| | 2023 | 2022 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Investment properties | 441,079 | 452,828 |
| Properties held for sale under development | 201,169 | – |
| Restricted bank deposit | 12,073 | – |
| | 654,321 | 452,828 |

CONTINGENT LIABILITIES

As at 31 December 2022 and 2023, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL DESCRIPTION OF THE GROUP'S INVESTMENT STRATEGIES

With continued acceleration of the legalisation of industrial hemp in the overseas markets in recent years, cannabinoids, with CBD as their representative product, will have increasingly broad applications in the healthcare and consumer goods fields. In addition, the Group continues to believe in the substantial potential of the healthcare industry. The Group adheres to the corporate vision of “using technology and expertise to serve more people’s health and beauty needs”. Therefore, the Group manages its investment portfolio with a primary objective to capture market opportunities in the healthcare industry.

On the other hand, the Group had allocated certain resources to various investments in financial products as well as high potential investments in order to maximise the return.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this Annual Report, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

MATERIAL LENDING TRANSACTIONS

Business model and credit risk assessment policy

In order to increase the rate of return of the Group’s cash and cash equivalents which can improve the investment income and the profits of the Group, the Group provided short-term interest-bearing loans to its customers.

Through the business and social networks of the management of the Company, the Group identifies potential customers, which are corporate customers and individual customers. The Group has established strict credit risk management and internal control procedures to regulate its lending transactions and only provides loans to customers with good credit standing and satisfactory results of operation as well as those in need of short-term financing. The credit risk management and internal control procedures mainly consist of the following stages, namely (i) due diligence and credit risk assessment of customers; (ii) assessment and approval processes; and (iii) post-loan monitoring and loan recovery:

(i) Due Diligence and Credit Risk Assessment of Customers

The Corporate Treasury Department assesses the background and reputation of any new customers by taking into account the new customer’s financial condition, the purpose of borrowing, ultimate beneficial owners’ and shareholders’ background and business reputation, etc. The Corporate Treasury Department also conducts due diligence, credit verification and repayment ability assessment on new customers. The Corporate Treasury Department researches and analyses customers’ background information, including but not limited to their operating history, shareholders, ultimate beneficial owners, financial information, income proofs, bank statements, tax returns, independent professional credit reports, operational risks, legal risks, online media investigation reports, industry reports, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Assessment and Approval Processes

The Corporate Treasury Department would perform credit assessment and review of the loan applications as well as determine the loan terms (having taken into consideration factors such as the credit risks of the customers, their recoverability, the financing cost of the Group and the prevailing market interest rates, etc). The financial controller of the Group would review the relevant assessment reports and loan terms, and then report to Ms. Zhou Wen Chuan, our Chief Executive Officer and Executive Director. Ms. Zhou Wen Chuan will be responsible for the approval of loans in relatively small amounts.

If the potential loans are of larger amounts (i.e. by assessment of size tests under Chapter 14 of the Listing Rules, may constitute a disclosable transaction or above), in which case, such potential loans will be reported by Ms. Zhou Wen Chuan and she will elaborate to the Board such potential loans in contemplation and her recommendations therewith for discussion and approval, the Directors (including the Independent Non-Executive Directors) will then consider whether such loans are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole. The requirements of reporting, announcement, circular and shareholders' approval under Chapter 14 of the Listing Rules will then be fulfilled (if applicable).

Moreover, for any potential loans which may involve connected person(s) as defined under Chapter 14A of the Listing Rules, such loans will be reported to the Board immediately for assessment with respect to size tests and assessments by the Board as elaborated above. The requirements of reporting, announcement, circular, independent financial advice and independent shareholders' approval under Chapter 14A of the Listing Rules will then be fulfilled (if applicable).

(iii) Post-loan Monitoring and Loan Recovery

The Corporate Treasury Department would conduct regular review and carry out follow-up actions (on a monthly and continuing basis) in respect of overdue amounts to minimise the Group's exposure to credit risk and follow up closely with its customers as to the deadlines for payment of interest on the loans. Ageing analysis of the debtors is prepared on a monthly basis and is closely monitored to minimise any credit risk associated with these debtors. The Corporate Treasury Department will report the status of the loan portfolio to Ms. Zhou Wen Chuan on a monthly basis, such that Ms. Zhou Wen Chuan may closely monitor the loan portfolio to oversight the credit risk. Ms. Zhou Wen Chuan would report to the Board and discuss actions to be taken in case of any abnormal situations.

The Corporate Treasury Department has standard procedures for dealing with default in payment. In case there are any minor defaults, the Corporate Treasury Department will send reminder and/or demand letters to its customers. In case the default on loans persists, the collection procedure will commence and the Corporate Treasury Department will engage lawyers in advising on the recovery of the loan, and take appropriate enforcement action for overdue loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Major terms of loan receivables

Details of outstanding loan receivables as at 31 December 2023 are as follows:

| Customers | Maturity date | Security pledged | Interest rate per annum | As at 31 December 2023 | |
|------------|----------------------------------|------------------|-------------------------|-----------------------------|-----------------------------|
| | | | | Carrying amount HK\$'000 | % of total loan receivables |
| Borrower A | On or before 15 February 2024 | Nil | 4.0% | 33,009 | 16.2% |
| Borrower B | On or before 11 January 2024 | Nil | 4.0% | 16,505 | 8.1% |
| Borrower C | On or before 12 January 2024 | Nil | 4.0% | 44,012 | 21.7% |
| Borrower D | On or before 21 February 2024 | Nil | 4.0% | 55,015 | 27.0% |
| Borrower E | On or before 25 October 2024 | Nil | 4.0% | 55,015 | 27.0% |
| | | | | 203,556 | 100% |

As at 31 December 2023, the total outstanding loan receivables was HK\$203,556,000 from 5 borrowers. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the above borrowers was independent of and not connected with each other when entering into the above transactions.

Impairment and write-off of loan receivables

Based on the result of the credit assessment on loan receivables, the Group did not record any impairment loss and write-off for loan receivables for the year ended 31 December 2023 (2022: Nil).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2023, the investment portfolio of the Group amounted to HK\$112.6 million (2022: HK\$168.8 million) as recorded in the consolidated statement of financial position under various categories, including:

- investments in associates and a joint venture, which are accounted for by using the equity method;
- equity investments at FVTOCI;
- investments at FVTPL; and
- derivative financial assets.

There was no single investment in the Group's investment portfolio that was considered a significant investment, given that none of the investments has a carrying amount accounting for more than 5% of the Group's audited total assets as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section “Capital Commitments” above, there were no other plans authorised by the Board for material investments or capital assets as at 31 December 2023.

The Group will finance the future acquisitions through internally generated funds and other funding activities, including but not limited to bank borrowing.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The revenue, expenses and monetary assets and liabilities of the Group are mainly denominated in RMB, HKD, EUR, CHF and AUD.

The Group did not enter into any foreign currency forward contract during the year ended 31 December 2023. As at 31 December 2023 and 2022, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had approximately 57 employees (2022: 97 employees). Staff costs (including Directors’ emoluments) charged to profit or loss amounted to HK\$14.1 million (2022: HK\$18.9 million) for the year ended 31 December 2023.

The Group’s remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees (including Directors). Apart from base salaries, other staff benefits included pension and medical schemes. The remuneration policies and remuneration packages of the Directors and members of the senior management of the Group are reviewed by the Remuneration Committee.

The Company adopted the 2019 Share Option Scheme pursuant to which eligible persons may be granted options to subscribe for the shares of the Company.

The Company believes that the ability to recruit and retain experienced and skilled labor is crucial to the Group’s growth and development. The Group provides training to its new employees to familiarize them with the working environment and work culture. The Group also provides on-the-job training to the employees, which aims at developing their skills so as to meet the strategic goals and customer requirements. In addition to providing the Group’s staff with the opportunities to receive on-the-job trainings, the Group strives to create a harmonious and warm working and living environment for the staff.

DIRECTORS' REPORT

The Board is pleased to present this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 23 to the consolidated financial statements.

BUSINESS REVIEW

The business review and performance analysis of the Group for the year ended 31 December 2023 and a discussion on the Group's future business development are set out in the sections headed "Co-Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 8 and 9 to 20 of this Annual Report respectively.

Key Risks and Uncertainties

The Group's results and operations are subject to various factors, with the key risks summarised below:

Macroeconomic Changes

The Group's business is sensitive to the general economic conditions and other factors like consumer credit.

Legal, Regulatory and Compliance Risks

Changes in government policies, relevant regulations and guidelines established by the regulatory authorities would have an impact on the business operation of the Group. Failure to comply with the rules and requirements may lead to penalties or suspension of the business operation by the authorities.

Reputation and Performance Risks

The Group's business is dependent on the reputation and quality of its products and services, and the Group may lose potential business if its products and quality of services are called into question.

Financial Risks

The principal financial risks are set out in note 5 to the consolidated financial statements contained in this Annual Report.

Environmental Policies and Performance

The Group realised the importance of environmental protection in pursuing long-term sustainability. The Group is committed to improving environmental sustainability and will closely monitor its performance. In accordance with Rule 13.91 and the Environmental, Social and Governance ("**ESG**") Reporting Guide contained in Appendix 27 of the Listing Rules, the Company's ESG Report will be available on its website and the website of the Stock Exchange at the same time of publication of this Annual Report.

DIRECTORS' REPORT

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC, Hong Kong, Australia and Switzerland, while the Company is a holding company incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. Accordingly, our establishments and operations shall comply with relevant laws and regulations in the PRC, Hong Kong, Australia, Switzerland and Bermuda. In 2023, our businesses were in compliance with all the relevant laws and regulations in the PRC, Hong Kong, Australia, Switzerland and Bermuda in all material aspects.

Relationship with Key Stakeholders

The Group fully understands that employees, customers and partners are the keys to our sustainable and stable development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our partners and providing high-quality products/services to our customers so as to ensure the Group's sustainable development.

Employees

Our staff is regarded as the most important resource of the Group. The Group has been endeavouring to provide our staff with a range of competitive compensation packages, attractive promotion opportunities, comprehensive training courses and a professional working environment. In order to assist us in attracting, retaining and motivating our key employees, the Group has adopted the 2019 Share Option Scheme, pursuant to which share options will be granted to eligible employees. The Group provides ongoing training to our employees.

Customers

We uphold the principle of providing high-quality products/services throughout our operation, which we believe is vital to achieving customer satisfaction and maintaining our reputation.

Suppliers

We firmly believe that our suppliers are equally important in providing high-quality products/services. When selecting suppliers, we consider, among other things, their product/service offerings, pricing, reputation, product/service quality and delivery schedule. We conduct regular reviews of our suppliers and remove any suppliers who do not meet our supply standards or requirements from our list of approved suppliers. We usually have more than one supplier for each kind of our supply so as to ensure we maintain sufficient inventory levels and bargaining power to deal with price fluctuations. We had stable business relationships with our suppliers in 2023.

RESULTS

The financial performance of the Group for the year ended 31 December 2023 and the Group's financial position as at that date are set out in the consolidated financial statements on pages 68 to 166.

DIRECTORS' REPORT

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK0.4 cents per share for the year ended 31 December 2023 (2022: HK1.6 cents).

Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be payable on Tuesday, 20 August 2024 to shareholders whose names appear on the register of members of the Company on Tuesday, 6 August 2024.

ANNUAL GENERAL MEETING

The 2024 AGM of the Company will be held at 11:00 a.m. on Thursday, 27 June 2024 at Units 5906–5912, 59/F, The Center, 99 Queen's Road Central, Central, Hong Kong and a notice of AGM will be published and dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

The register of members of the Company for the 2024 AGM will be closed from Thursday, 20 June 2024, to Thursday, 27 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the 2024 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 19 June 2024.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Tuesday, 6 August 2024 and the register of members of the Company will be closed from Monday, 5 August 2024 to Tuesday, 6 August 2024, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be entitled to the proposed final dividend, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 2 August 2024.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 167. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 41 to the consolidated financial statements contained in this Annual Report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the subsection headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2023.

DIRECTORS' REPORT

SHARE OPTION SCHEME

In order to provide incentives and rewards to the eligible employees and participants, the Company approved and adopted a share option scheme at the 2020 SGM. The 2019 Share Option Scheme became effective on 28 June 2019, being the date on which the Stock Exchange approved the listing of, and permission to deal in, the shares falling to be issued pursuant to the exercise of options under the 2019 Share Option Scheme. The 2019 Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

Summary of terms

The following is a summary of the principal terms of the 2019 Share Option Scheme. The Directors confirm that the terms of the Share Option Scheme comply with the requirements under Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the 2019 Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined in paragraph (b) below) for their contributions or potential contributions to the Group.

(b) Who may join

The Board may, at its discretion, offer to grant share option (the "**Share Option(s)**") to the Eligible Participants to subscribe for such number of new Shares as the Board may determine in accordance with the terms of the 2019 Share Option Scheme. Eligible participants (the "**Eligible Participants**") include any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of the Company, any of the subsidiaries, invested entities and substantial shareholders and any advisors, consultants, agents, suppliers, customers, distributors, contractors, business partners and joint venture partners of the Company and any of the subsidiaries who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries.

(c) Total number of Shares available for issue

The maximum number of Shares which may be issued upon exercise of all Share Options to be granted under the 2019 Share Option Scheme and under any other schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the resolution for the adoption of the 2019 Share Option Scheme (i.e. 427,175,263 Shares, representing approximately 10.4% of the total number of Shares in issue 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:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2019 Share Option Scheme and the other schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the 2019 Share Option Scheme) if this will result in the aforesaid 30% limit being exceeded.

DIRECTORS' REPORT

(d) Maximum number of options to any one individual

The total number of Shares issued and may fall to be issued upon exercise of the Share Options granted under the 2019 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. If the Board determines to offer Share Options to an Eligible Participant which would result in the Shares issued and to be issued upon exercise of all Share Options granted and to be granted to that Eligible Participant (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such grant exceeding this 1% limit, such grant shall be subject to (i) the issue of a circular by the Company to its Shareholders which shall comply with the relevant Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time; and (ii) the approval of the Shareholders in GM at which that Eligible Participant and his close associates (as defined in the Listing Rules) (or his associates if the Eligible Participant is a connected person (as defined in the Listing Rules)) shall abstain from voting.

(e) Exercise Price

The exercise price in relation to each Share Option offered to an Eligible Participant shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of the grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) Time of exercise of share option

Subject to the provisions of the Listing Rules and other applicable laws and regulations, the Board may in its absolute discretion when offering the grant of a Share Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the 2019 Share Option Scheme as the Board may think fit (to be stated in the offer letter) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Share Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the 2019 Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which a Share Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.

The period during which a Share Option may be exercised will be determined by the Board in its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted and accepted. No Share Option may be granted more than 10 years after the date of approval of the 2019 Share Option Scheme. Subject to earlier termination by the Company in GM or by the Board, the 2019 Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

DIRECTORS' REPORT

(g) Acceptance of Share Options

A Share Option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the Share Option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 (or such other sum in any currency as the Board may determine) by way of consideration for the grant thereof is received by the Company on or before the relevant acceptance date. Such remittance shall in no circumstances be refundable.

The following table discloses movements in the Share Options held by each of the Directors, the employees of the Company, and other eligible participants in aggregate granted under the 2019 Share Option Scheme during the year ended 31 December 2023:

| Category of participants | Date of grant (Note 1) | Exercise period | Exercise price HK\$ | Number of Share Options | | | | | Closing price per share immediately before the date of grant HK\$ | |
|---|---------------------------|---------------------------------|------------------------|----------------------------|-------------------------|---------------------------|------------------------|---------------------------|--|------------------------------|
| | | | | Outstanding as at 1.1.2023 | Granted during the year | Exercised during the year | Lapsed during the year | Cancelled during the year | | Outstanding as at 31.12.2023 |
| (a) DIRECTORS | | | | | | | | | | |
| Dr. Zeng Wentao | 12.5.2020 (Note 2) | 12.5.2021 – 11.5.2030 (Note 4) | 0.33 | 7,501,500 | - | - | (2,500,500) | - | 5,001,000 | 0.32 |
| Ms. Zhou Wen Chuan | 24.6.2020 (Note 3) | 24.6.2021 – 23.6.2030 (Note 5) | 0.33 | 13,500,000 | - | - | (4,500,000) | - | 9,000,000 | 0.345 |
| Total for Directors | | | | 21,001,500 | - | - | (7,000,500) | - | 14,001,000 | |
| (b) EMPLOYEES | | | | | | | | | | |
| In aggregate | 12.5.2020 (Note 2) | 12.5.2021 – 11.5.2030 (Note 4) | 0.33 | 1,503,000 | - | - | (501,000) | - | 1,002,000 | 0.32 |
| | 12.5.2020 (Note 2) | 12.5.2022 – 11.5.2030 (Note 7) | 0.33 | 1,503,000 | - | - | (501,000) | - | 1,002,000 | 0.32 |
| | 12.5.2020 (Note 2) | 12.5.2021 – 11.5.2030 (Note 8) | 0.33 | 6,228,000 | - | - | (606,000) | - | 5,622,000 | 0.32 |
| | 12.5.2020 (Note 2) | 12.5.2022 – 11.5.2030 (Note 9) | 0.33 | 804,000 | - | - | (804,000) | - | - | 0.32 |
| | 12.5.2020 (Note 2) | 12.5.2020 – 11.5.2030 (Note 10) | 0.33 | 996,000 | - | - | - | - | 996,000 | 0.32 |
| Total for Employees | | | | 11,034,000 | - | - | (2,412,000) | - | 8,622,000 | |
| (c) OTHERS (Note 9) | | | | | | | | | | |
| In aggregate | 12.5.2020 (Note 2) | 12.5.2021 – 11.5.2030 (Note 4) | 0.33 | 3,753,000 | - | - | (2,253,000) | - | 1,500,000 | 0.32 |
| | 12.5.2020 (Note 2) | 12.5.2022 – 11.5.2030 (Note 6) | 0.33 | 1,332,000 | - | - | (1,332,000) | - | - | 0.32 |
| | 12.5.2020 (Note 2) | 12.5.2021 – 11.5.2030 (Note 8) | 0.33 | 2,010,000 | - | - | (2,010,000) | - | - | 0.32 |
| | 12.5.2020 (Note 2) | 12.5.2022 – 11.5.2030 (Note 9) | 0.33 | 555,000 | - | - | (51,000) | - | 504,000 | 0.32 |
| | 12.5.2020 (Note 2) | N/A (Note 10) | 0.33 | 5,004,000 | - | - | - | - | 5,004,000 | 0.32 |
| Total for Others | | | | 12,654,000 | - | - | (5,646,000) | - | 7,008,000 | |
| Total for the 2019 Share Option Scheme | | | | 44,689,500 | - | - | (15,058,500) | - | 29,631,000 | |

Notes:

- The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.
- On 12 May 2020, the Company granted 61,248,000 Share Options to certain eligible participants pursuant to the 2019 Share Option Scheme. Further details are set out in the announcement of the Company dated 12 May 2020 and the circular of the Company dated 3 June 2020.
- On 12 May 2020, the Company proposed to grant 18,000,000 Share Options to Ms. Zhou Wen Chuan pursuant to the 2019 Share Option Scheme. At the 2020 SGM, the resolution in respect of approving the proposed grant of Share Options to Ms. Zhou Wen Chuan was duly passed by the independent shareholders of the Company by way of poll. Further details are set out in the announcements of the Company dated 12 May 2020 and 24 June 2020 and the circular of the Company dated 3 June 2020.
- Subject to the fulfilment of certain annual performance targets as determined by the Board, the Share Option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.

DIRECTORS' REPORT

5. Subject to the fulfilment of certain annual performance targets as determined by the Board, the Share Option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the date of 2020 SGM; (ii) another 25% of which shall be vested after 24 months of the date of 2020 SGM; (iii) another 25% of which shall be vested after 36 months of the date of 2020 SGM; and (iv) the remaining 25% of which shall be vested after 48 months of the date of 2020 SGM.
6. Subject to the fulfilment of certain annual performance targets as determined by the Board, the Share Option granted shall be vested during the relevant periods in 3 tranches: (i) one-third of which shall be vested after 24 months of the Date of Acceptance; (ii) another one-third of which shall be vested after 36 months of the Date of Acceptance; and (iii) the remaining one-third of which shall be vested after 48 months of the Date of Acceptance.
7. Subject to the fulfilment of certain annual performance targets as determined by the Board, the Share Option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.
8. The Share Option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.
9. The Share Option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.
10. The Share Option granted shall be vested immediately upon the fulfilment of certain vesting conditions, including the achievement of certain R&D milestones for certain pharmaceutical products, completion of designated tasks and satisfactory business performance of the relevant entities (subject to the Board's opinion). The Share Option is exercisable from the Share Option is vested to 11 May 2030.
11. As at 31 December 2023, there were a total of 7,008,000 Share Options granted to 2 grantees, who are non-employees of the Group, pursuant to the 2019 Share Option Scheme. The 2 grantees can be divided into two categories. Details of the number of the Share Options granted to each category of grantees and the Board's reasons for granting the Share Options to each category of grantees are as follows:

(i) Director of invested entity

As at 31 December 2023, there were a total of 6,504,000 Share Options granted to Ms. Jiang Shu (姜舒), a director of an invested entity of the Group, namely Wingor Bio. The director who is a PRC national and oversees the operations of the Wingor Bio.

To the best of the knowledge, information and belief of the Directors, Ms. Jiang Shu (姜舒) is a third party independent of the Company and its connected persons.

The Group has invested in Wingor Bio since February 2019. The size of the investment in Wingor Bio as calculated by the carrying amount of investment in Wingor Bio as at 31 December 2023, which is HK\$53,449,000, divided by the Group's total assets as at 31 December 2023, which is HK\$1,697,209,000, is 3.1%, which the Board considers to be significant. In addition, the Group has a 35.20% stake in Wingor Bio as at 31 December 2023, and hence, the business performance of Wingor Bio could have a significant impact on the business performance of the Group. Wingor Bio is engaged in the R&D of stem cell products and the provision of health management consulting and medical treatment services. The Group and Wingor Bio may explore cross-selling opportunities, which will generate synergy for both parties. As such, the Company considers Wingor Bio to be an important investment with significant strategic value.

Wingor Bio is accounted for in the Company's accounts using the equity method of accounting.

Given the importance of Wingor Bio to the Group and the key roles and responsibilities performed by the grantee in Wingor Bio, the Board considers that it is desirable to grant Share Options to the grantee to incentivise her to improve the performance efficiency and align her interests with those of the Group.

DIRECTORS' REPORT

All of the Share Options granted to Ms. Jiang Shu (姜舒) is subject to the satisfaction of certain performance targets of Wingor Bio, including annual performance targets for the years ending 31 December 2020, 2022 and 2023 of Wingor Bio and the achievement of certain R&D milestones for certain pharmaceutical products developed by Wingor Bio. Such pharmaceutical products are stem cell products, and the successful R&D and commercialisation of these products mark a significant breakthrough in the stem cell field. She could significantly improve the financial performance of Wingor Bio, thereby improving the financial performance of the Group. These performance targets tie the performance of the invested entity with the benefits to be received by the director thereby motivating her to improve the performance of the invested entity.

(ii) Management consultant

As at 31 December 2023, there were a total of 504,000 Share Options granted to a management consultant of the Group namely Mr. Jin Lei (金磊), who provide management consultancy services to the Group by the Board. The management consultant is a PRC national who lives in China.

Prior to his engagement as a management consultant by the Group, he worked as an employee of the invested entity. During such time, he was responsible for project procurement, business development, management of working teams and assisting the Chief Executive Officer in the accomplishment of strategic plans of the Company.

To the best of the knowledge, information and belief of the Directors, the management consultant is a third party independent of the Company and their respective connected persons.

The management consultant has expertise and skills in respect of the business operations of the Group, including strategic planning, financial management and control, financing, marketing, team management, internal coordination, and government relations. He has played an important role in enabling the Group to achieve smooth operations. The Board considers that it is desirable to grant Share Options to him as incentives to retain him and to motivate him to improve his performance for the benefit of the Group and to align his interests with that of the Group.

No performance target is set for the management consultant. As the management consultant is responsible for overseeing certain aspects of the business operations of the Group, the Board considers that setting a performance target for him is not as meaningful as for employees of the Group. Notwithstanding this, the Board considers that the grant of Share Options to the management consultants is fair and reasonable to the Company and its shareholders as a whole, given that the management consultant's contributions and potential contributions to the Group and considering the fact that the size of the grant is relatively insignificant given the management consultant's roles and duties in the Group and the fact that the Share Options will be vested in four equal instalments in four years' time. Additionally, the Share Options will help align the interests of the management consultant with those of the Company and its shareholders.

The grant of Share Options to the management consultants can also meet the purpose of the 2019 Share Option Scheme, notwithstanding no performance target is set. The Share Options can serve as a reward for the management consultant's past contributions. As the Share Options granted to him will vest on his in four equal instalments in the next four years, the grant of Share Options will also help retain his services. It can align his interests with those of the Company and its shareholders; therefore, it can also serve as an incentive for the management consultant to improve his performance for the benefit of the Group.

The total number of shares of the Company issuable pursuant to the 2019 Share Option Scheme on the date of its adoption was 427,175,263 shares of the Company, representing approximately 10% of the issued share capital of the Company as at the date of this Annual Report. The number of Share Options available for grant under the Share Option Scheme mandate as at the beginning of the Reporting Period and the end of the Reporting Period are 14,749,500 and 13,716,000, respectively.

DIRECTORS' REPORT

For the year ended 31 December 2023, no Share Option was granted, exercised, forfeited or cancelled under the 2019 Share Option Scheme. Accordingly, the number of Shares that may be issued in respect of Share Options granted under the 2019 Share Option Scheme for the year ended 31 December 2023 divided by the weighted average number of Shares in issue (i.e. 4,093,234,915 Shares) is nil. The remaining life of the 2019 Share Option Scheme is approximately 5.5 years.

Further particulars of the 2019 Share Option Scheme of the Company are set out in note 45 to the consolidated financial statements contained in this Annual Report.

VALUATION OF SHARE OPTIONS

The valuation of Share Options is set out in note 45 to the consolidated financial statements contained in this Annual Report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 44(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 72 in this Annual Report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the aggregate amount of the Company's reserves available for distribution to its owners, calculated under the Companies Act 1981 of Bermuda (as amended), was HK\$279,717,000 (2022: HK\$341,452,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2023, the Company repurchased a total of 1,194,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$334,290. 792,000 shares repurchased by the Company during the year ended 31 December 2022 were subsequently cancelled during the year ended 31 December 2023. The Directors believe that the repurchases of shares would lead to an enhancement of the net assets value per share and/or earnings per share.

Particulars of the repurchases are as follows:

| Month of repurchase | Total number of shares repurchased | Purchase price per share | | Aggregate consideration (before expenses) HK\$ |
|---------------------|------------------------------------|--------------------------|----------------|---|
| | | Highest HK\$ | Lowest HK\$ | |
| July | 1,194,000 | 0.29 | 0.275 | 334,290 |
| | 1,194,000 | | | 334,290 |

DIRECTORS' REPORT

Save as disclosed above, during the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group for the year ended 31 December 2023 are set out in note 18 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this Annual Report were as follows:

Executive Directors

Mr. Zhou Xuzhou
Dr. Zeng Wentao
Ms. Zhou Wen Chuan

Non-Executive Director

Dr. Mao Zhenhua

Independent Non-Executive Directors

Professor Chau Chi Wai, Wilton
Mr. Gao Guanjiang (resigned on 11 April 2023)
Dr. Yang Yu (appointed on 11 April 2023 and resigned on 10 April 2024)
Mr. Chen Shi (appointed on 10 April 2024)
Mr. Wu Peng

Pursuant to the Bye-law 87(1) of the Company, each Director is required to retire by rotation once every three years, and that one-third (or the number nearest to one-third but not less than one-third) of the Directors shall retire from office by rotation at each AGM of the Company. Accordingly, Dr. Zeng Wentao, Mr. Chen Shi and Mr. Wu Peng will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

CHANGES TO INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Upon specific enquiry by the Company and confirmations from the Directors, there had been no other 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 during the year ended 31 December 2023 that required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' REPORT

DIRECTOR'S SERVICE CONTRACTS/LETTERS OF APPOINTMENT

Mr. Zhou Xuzhou and Ms. Zhou Wen Chuan have entered into service contracts with the Company both for a term of three years commencing on 30 August 2022. Such contracts are determinable by either party serving not less than three months' notice in writing to the other.

Dr. Zeng Wentao has been re-designated as an Executive Director since 27 May 2019. Dr. Zeng Wentao has entered into a service contract with the Company for a term of three years commencing on 27 May 2022. Such contract is determinable by either party serving not less than three months' notice in writing to the other.

Dr. Mao Zhenhua has been appointed as a Non-Executive Director since 5 October 2015. Dr. Mao Zhenhua entered into a service contract with the Company for a term of one year commencing on 5 October 2023, and such agreement is determinable by either party serving not less than three months' notice in writing to the other.

Professor Chau Chi Wai, Wilton has been appointed as an Independent Non-Executive Director since 30 August 2013. Professor Chau Chi Wai, Wilton entered into a letter of appointment with the Company for a term of one year commencing on 30 August 2023, and such letter is determinable by either party serving not less than two months' notice in writing to the other.

Mr. Gao Guanjiang has been appointed as an Independent Non-Executive Director since 30 August 2013. Mr. Gao Guanjiang entered into a letter of appointment with the Company for a term of one year commencing on 30 August 2022, and such letter has terminated as a result of his resignation with effect from 11 April 2023.

Mr. Wu Peng has been appointed as an Independent Non-Executive Director since 27 May 2019. Mr. Wu Peng entered into a letter of appointment with the Company for a term of 3 years commencing on 20 June 2022, and such letter is determinable by either party serving not less than two months' notice in writing to the other.

Dr. Yang Yu has been appointed as an Independent Non-Executive Director since 11 April 2023. Dr. Yang Yu entered into a letter of appointment with the Company for a term of one year commencing on 11 April 2023, and such letter has terminated as a result of his resignation with effect from 10 April 2024.

Mr. Chen Shi has been appointed as an Independent Non-Executive Director since 10 April 2024. Mr. Chen Shi entered into a letter of appointment with the Company for a term of one year commencing on 10 April 2024, and such letter is determinable by either party serving not less than two months' notice in writing to the other. Mr. Chen Shi has obtained legal advice referred to in Rule 3.09D of the Listing Rules on 9 April 2024, and has confirmed that he understood his obligations as a director of the Company.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

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

The Directors and chief executive of the Company who held offices as at 31 December 2023 had the following interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise 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 were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code required to be disclosed in accordance with Listing Rules:

(a) Interests in Issued Shares

| Name of Director | Capacity | | Total number of shares held (Note 1) | % of total issued shares |
|------------------------------|------------------------------|--|---|--------------------------|
| | Beneficial owner (Note 1) | Interest in controlled corporation (Note 1) | | |
| Mr. Zhou Xuzhou (Notes 2, 3) | 136,556,470 (L) | 2,133,230,291 (L) | 2,269,786,761 (L) | 55.45% |
| | – | 978,785,130 (S) | 978,785,130 (S) | 23.91% |
| Dr. Zeng Wentao (Note 3) | 75,000,000 (L) | – | 75,000,000 (L) | 1.83% |
| Ms. Zhou Wen Chuan (Note 3) | 31,938,000 (L) | – | 31,938,000 (L) | 0.78% |
| Dr. Mao Zhenhua (Note 4) | – | 113,890,000 (L) | 113,890,000 (L) | 2.78% |

Notes:

1. The letter "L" denotes the person's long position in the shares, whereas the letter "S" denotes the person's short position in the shares.
2. These shares are held by U-Home Group International Limited, U-Home Group Investment Limited and Zhongjia U-Home Investment Limited.
3. Mr. Zhou Xuzhou, Dr. Zeng Wentao and Ms. Zhou Wen Chuan are Executive Directors.
4. 113,890,000 shares are beneficially owned by Honour Goal Investments Limited. Honour Goal Investments Limited is wholly owned by Zhongchengxin (HK) Investment Services Limited, a company incorporated in Hong Kong with limited liability. Zhongchengxin (HK) Investment Services Limited is wholly owned by Zhongchengxin Investment Group Company Limited* (中誠信投資集團有限公司), a company established in the PRC with limited liability. Zhongchengxin Investment Group Company Limited is owned as to 80% by Hubei East Asia Enterprise Company Limited* (湖北東亞實業有限公司), a company established in the PRC with limited liability. Hubei East Asia Enterprise Company Limited is owned as to 80% by Wuhan Huabing Real Estate Company Limited* (武漢華兵置業有限公司), a company established in the PRC with limited liability. Wuhan Huabing Real Estate Company Limited is owned as to 99% by Dr. Mao Zhenhua, a Non-Executive Director. Under the SFO, Dr. Mao Zhenhua is taken to be interested in the shares held by Honour Goal Investments Limited.

* For identification purposes only

DIRECTORS' REPORT

(b) Interests in Share Options

| Name of Director | Number of options directly beneficially owned (Note 1) |
|-----------------------------|--|
| Dr. Zeng Wentao (Note 2) | 5,001,000 (L) |
| Ms. Zhou Wen Chuan (Note 2) | 9,000,000 (L) |

Notes:

1. The letter "L" denotes the person's long position in the underlying shares.
2. Dr. Zeng Wentao and Ms. Zhou Wen Chuan, Executive Directors, have been granted Share Options under the 2019 Share Option Scheme, details of which are set out in the sub-section "Share Option Scheme" above.

Save as disclosed above, none of the Directors and chief executive of the Company or their respective associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise 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 were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code as at 31 December 2023.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the Company had been notified by the following person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of GMs or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company:

DIRECTORS' REPORT

Interests in Issued Shares

| Name of substantial shareholder | Capacity | Total interests (Note 1) | % of total issued shares |
|---|--|-----------------------------|--------------------------|
| U-Home Group International Limited (Note 2) | Beneficial owner | 964,172,530 (L) | 23.55% |
| | | 479,132,130 (S) | 11.70% |
| U-Home Group Investment Limited (Note 3) | Beneficial owner | 499,653,000 (L) | 12.21% |
| | | 499,653,000 (S) | 12.21% |
| Yuhua Enterprises Company Limited (Note 3) | Interest in controlled corporation | 499,653,000 (L) | 12.21% |
| | | 499,653,000 (S) | 12.21% |
| Anhui Yuhua Enterprises Company Limited* (安徽宇華實業有限公司) (Note 3) | Interest in controlled corporation | 499,653,000 (L) | 12.21% |
| | | 499,653,000 (S) | 12.21% |
| Yee Sheng Enterprises Company Limited (Note 3) | Interest in controlled corporation | 499,653,000 (L) | 12.21% |
| | | 499,653,000 (S) | 12.21% |
| Kambert Enterprises Limited (Note 3) | Interest in controlled corporation | 499,653,000 (L) | 12.21% |
| | | 499,653,000 (S) | 12.21% |
| U-Home Property (Group) Limited (Note 3) | Interest in controlled corporation | 499,653,000 (L) | 12.21% |
| | | 499,653,000 (S) | 12.21% |
| Zhongjia U-Home Investment Limited (Note 4) | Beneficial owner | 669,404,761 (L) | 16.35% |
| Shunda Investment Limited (Notes 2, 3, 4) | Interest in controlled corporation | 2,133,230,291 (L) | 52.11% |
| | | 978,785,130 (S) | 23.91% |
| Mr. Zhou Xuzhou (Notes 2, 3, 4) | Interest in controlled corporation | 2,133,230,291 (L) | 52.11% |
| | | 978,785,130 (S) | 23.91% |
| Haitong UT Leasing HK Limited | Beneficial owner | 136,556,470 (L) | 3.34% |
| | | | |
| Haitong UT Leasing HK Limited | Person having a security interest in share | 978,785,130 (L) | 23.91% |
| | | | |

* For identification purposes only

DIRECTORS' REPORT

Notes:

1. The letter "L" denotes the person's long position in the shares, whereas the letter "S" denotes the person's short position in the shares.
2. U-Home Group International Limited is wholly and beneficially owned by Shunda Investment Limited, which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou. Under SFO, Shunda Investment Limited and Mr. Zhou Xuzhou will be taken to be interested in the shares held by U-Home Group International Limited.
3. U-Home Group Investment Limited is wholly and beneficially owned by Yuhua Enterprises Company Limited. Yuhua Enterprises Company Limited is wholly and beneficially owned by Anhui Yuhua Enterprises Company Limited. Anhui Yuhua Enterprises Company Limited is wholly and beneficially owned by Yee Sheng Enterprises Company Limited. Kambert Enterprises Limited and Mr. Zhou Xuzhou owned 100 ordinary shares and 1,000 non-voting deferred shares of Yee Sheng Enterprises Company Limited, respectively. Kambert Enterprises Limited is wholly and beneficially owned by U-Home Property (Group) Limited. U-Home Property (Group) Limited is wholly and beneficially owned by Shunda Investment Limited, which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.
4. Zhongjia U-Home Investment Limited is wholly and beneficially owned by Shunda Investment Limited, which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou. Under SFO, Shunda Investment Limited and Mr. Zhou Xuzhou will be taken to be interested in the shares held by Zhongjia U-Home Investment Limited.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of GM or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 31 December 2023.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. Further details of the transactions are included in note 48 to the consolidated financial statements.

Continuing Connected Transactions

(i) **Property Sale and Consultancy Services Framework Agreement**

On 15 September 2020, the Company and U-Home Group Limited, a company wholly owned by Mr. Zhou Xuzhou, a Co-Chairman, an Executive Director and the Controlling Shareholder, entered into a framework agreement.

Pursuant to the framework agreement, the Group will provide the property sales and consultancy services to U-Home Group Limited, and both parties agreed that the maximum annual aggregate amounts for the service fees payable by U-Home Group Limited to the Group in respect of the property sales and consultancy services under the framework agreement will not exceed RMB40,000,000 (equivalent to approximately HK\$45,268,000) for each of the three years ending 31 December 2023, respectively.

DIRECTORS' REPORT

(ii) Supply of Services and Products Framework Agreement

On 19 November 2021, the Company entered into a framework agreement with Mr. Zhou Xuzhou, a Co-Chairman, an Executive Director and the Controlling Shareholder.

Pursuant to the framework agreement, the Group will provide healthcare management services and supply healthcare products to Mr. Zhou Xuzhou and his associates (including but not limited to Ms. Zhou Wen Chuan) and the companies respectively controlled by each of them (collectively “**ZXZ Group**”) and both parties agreed that the maximum annual aggregate amounts for the total amount payable by ZXZ Group to the Group in respect of the provision of the healthcare management services and supply of the healthcare products under the framework agreement will not exceed HK\$8,000,000, HK\$13,000,000 and HK\$13,000,000 for the three years ending 31 December 2023, respectively.

(iii) Provision of revolving facility agreement

On 27 November 2023, the Company and U-light Energy entered into the Facility Agreement, pursuant to which the Company agreed, by itself or through its designated lending subsidiary(ies), to grant to U-light Energy a revolving loan facility up to a maximum of RMB200,000,000 at an interest rate of one-year LPR plus 3.05% per annum for the Drawdown Period. On the same date, Mr. Zhou Xuzhou (as guarantor) executed a deed of guarantee to provide the personal guarantee in favour of the Company to secure U-light Energy's repayment obligations under the Facility Agreement. The transaction has been approved by the shareholders of the Company at SGM on 31 January 2024.

The Independent Non-Executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole, for the year ended 31 December 2023.

ZHONGHUI ANDA CPA Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA. ZHONGHUI ANDA CPA Limited have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, the Group had not entered into any connected transactions and any other continuing connected transactions during the year ended 31 December 2023, which are required to be disclosed under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken during the year ended 31 December 2023 are set out in note 48 to the consolidated financial statements contained in this Annual Report, which included the abovementioned continuing connected transactions of the Company.

Save for the transactions disclosed in the above section headed "Continuing Connected Transaction", none of the related party transactions as disclosed under Note 48 to the consolidated financial statements contained in this Annual Report constitutes connected transaction or continuing connected transaction that is subject to, among other things, reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2023.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

| | Approximate percentage of the Group's total | |
|-------------------------------------|--|-----------|
| | Sales | Purchases |
| The largest customer | 15% | |
| Five largest customers in aggregate | 42% | |
| The largest supplier | | 49% |
| Five largest suppliers in aggregate | | 81% |

Other than property sale and consultancy service income paid by fellow subsidiaries of the Group and sales to the fellow subsidiaries of the Group as disclosed in note 48(a) to the consolidated financial statements, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interests in these major customers and suppliers.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622, Laws of Hong Kong).

DIRECTORS' REPORT

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes for the year ended 31 December 2023 are set out in note 15 to the consolidated financial statements.

During the years ended 31 December 2022 and 2023, there were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2022 and 2023, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix D2 to the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules as at the date of this Annual Report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this Annual Report, save for Mr. Zhou Xuzhou, who held shareholding or other interests and/or directorships in U-Home Group Limited that engaged in the businesses of property investment and leasing in the PRC and Ms. Zhou Wen Chuan, who is an associate of Mr. Zhou Xuzhou, none of the Directors or their respective associate(s) is considered to have interests in business which compete or are likely to compete, either directly or indirectly, with the business of the Group which require disclosure under the Listing Rules. The nature of the investment properties held by U-Home Group Limited comprises shops, parking spaces, residential buildings, office buildings and hotels, all of which are located in Yueyang, Changsha, Kunshan and Nanjing of the PRC. The annual rental income from these investment properties held by U-Home Group Limited amounted to approximately RMB61.5 million, with a carrying amount of approximately RMB2,022.2 million.

The power to make material business decisions for the Group is vested in the Board. Whenever the Board considers that there may be a conflict of interest between the Group and any Director, such Director and his/her associate will be required to abstain from voting. Therefore, the Board is capable of carrying on the Group's business independently of, and at arm's length, from the business of Mr. Zhou Xuzhou.

DIRECTORS' RIGHT TO ACQUIRE SHARES OF DEBENTURES

Other than as disclosed in the sub-section headed "Share Option Scheme" above, at no time for the year ended 31 December 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or were the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACT

Save as disclosed in the sub-section headed "Connected Transactions and Continuing Connected Transactions" above, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party for the year ended 31 December 2023.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

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

EVENTS AFTER THE REPORTING PERIOD

On 27 November 2023, the Company and U-light Energy entered into the Facility Agreement, pursuant to which the Company agreed, by itself or through its designated lending subsidiary(ies), to grant to U-light Energy a revolving loan facility up to a maximum of RMB200,000,000 at an interest rate of one-year LPR plus 3.05% per annum for the Drawdown Period. On the same date, Mr. Zhou Xuzhou (as guarantor) executed a deed of guarantee to provide the personal guarantee in favour of the Company to secure U-light Energy's repayment obligations under the Facility Agreement. The transaction has been approved by the shareholders of the Company at SGM on 31 January 2024. Save as disclosed above, the Directors are not aware of any event having a significant effect on the Group after the end of the Reporting Period and up to the date of this Annual Report.

For further details, please refer to the announcement of the Company dated 27 November 2023 and the circular of the Company dated 17 January 2024.

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2023, the Group was not involved in any material litigation or arbitration, and no material litigation or claim was pending or threatened or made against the Group as far as the Board was aware of.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

CHANGE IN THE INDEPENDENT AUDITORS FOR THE PAST THREE YEARS

Ernst & Young, who acted as the auditor of the Company since 2017, retired on 24 June 2020, and ZHONGHUI ANDA CPA Limited was appointed as the auditor of the Company on 24 June 2020.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by ZHONGHUI ANDA CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Zhou Wen Chuan

Executive Director and Chief Executive Officer

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices are crucial to the effective management of the Group. The Company is committed to the transparency, accountability and independence highlighted by the principles of the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules to protect the rights of shareholders and stakeholders, enhance shareholder value and ensure proper management of corporate assets.

The Board is of the opinion that during the financial year ended 31 December 2023, the Company had adopted the principles and complied with all the applicable code provisions of the Part 2 of the CG Code as set out in Appendix C1 to the Listing Rules.

DIRECTOR’S SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. After specific enquiries made by the Company, all Directors have confirmed that, for the year ended 31 December 2023, they have complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this Annual Report, the Board comprised three Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors.

Save as disclosed under the section headed “Biography of Directors and Senior Management” of this Annual Report, there is no other financial, business, family or other material/relevant relationship between the Directors and the Board, which comprised the following:

Executive Directors

Mr. Zhou Xuzhou (*Co-Chairman*)

Dr. Zeng Wentao (*Co-Chairman*)

Ms. Zhou Wen Chuan (*Vice-Chairman*)

Non-Executive Director

Dr. Mao Zhenhua

Independent Non-Executive Directors

Professor Chau Chi Wai, Wilton

Mr. Gao Guanjiang (resigned on 11 April 2023)

Dr. Yang Yu (appointed on 11 April 2023 and resigned on 10 April 2024)

Mr. Chen Shi (appointed on 10 April 2024)

Mr. Wu Peng

CORPORATE GOVERNANCE REPORT

Four board meetings were held for the year ended 31 December 2023. Details of Directors' attendance at the shareholders' GM and Board meetings held during the year ended 31 December 2023 are set out in the following table:

| Members of the Board | Meeting attendance/held | |
|--|-------------------------|------------------|
| | Board meeting | AGM ¹ |
| Executive Directors | 4/4 | 1/1 |
| Mr. Zhou Xuzhou (Co-Chairman) | 4/4 | 1/1 |
| Dr. Zeng Wentao (Co-Chairman) | 4/4 | 1/1 |
| Ms. Zhou Wen Chuan (Vice-Chairman) | | |
| Non-Executive Director | | |
| Dr. Mao Zhenhua | 4/4 | 1/1 |
| Independent Non-Executive Directors | | |
| Professor Chau Chi Wai, Wilton | 4/4 | 1/1 |
| Mr. Gao Guanjiang (resigned on 11 April 2023) | 1/4 | N/A |
| Dr. Yang Yu (appointed on 11 April 2023 and resigned on 10 April 2024) | 3/4 | 1/1 |
| Mr. Chen Shi (appointed on 10 April 2024) | N/A | N/A |
| Mr. Wu Peng | 4/4 | 1/1 |

Note:

1. The AGM was held on 27 June 2023.

Apart from the Board meetings above, consent and/or approvals of the Board were also obtained by way of written resolutions on a number of matters.

The Company has appointed sufficient numbers of Independent Non-Executive Directors in accordance with the Listing Rules, including those with appropriate professional qualifications or accounting or related financial management expertise. They have dedicatedly provided the Company with professional advice with respect to the steady operation and development of the Company. They also exercise supervision and coordination to safeguard the interests of the Company and its shareholders.

To the best knowledge and information of the Board having made reasonable enquiries, the independence criteria under Rule 3.13 of the Listing Rules remain satisfied by each of the independent non-executive Directors. Therefore, the Company considers that the independent non-executive Directors remain to be independent in accordance with independence guidelines set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT

The operation of the Board

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. All Board members have access to appropriate business documents and information about the Group on a timely basis. All Directors and members of Board committees have access to external legal counsel and other professionals for independent advice at the Group's expense if they require it.

Four Board committees, namely the audit committee, remuneration committee, nomination committee and strategic committee, have been established to oversee particular aspects of the Group's affairs. The Board has delegated the day-to-day management and operations of the Group's businesses to the management of the Company and its subsidiaries.

The Board had met four times during the year ended 31 December 2023 to discuss and formulate overall strategies for the Group, review the financial performance, as well as other significant matters when Board decisions were required.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established, and the Board is responsible for performing the following corporate governance duties:

- (i) to develop and review the Company's policies and practices on corporate governance and make recommendations;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosures in the corporate governance report of the Company (the "**Corporate Governance Report**").

The major works performed by the Board included the following:

1. reviewed and monitored the Company's policies and practices in compliance with legal and regulatory requirements;
2. reviewed the terms of reference of the Audit Committee, the Nomination Committee, the Strategic Committee and the Remuneration Committee;
3. reviewed the Company's compliance with the CG Code and disclosures in this Corporate Governance Report;

CORPORATE GOVERNANCE REPORT

4. reviewed the dividend policy (the “**Dividend Policy**”);
5. arranged suitable training for Directors, placing an appropriate emphasis on the roles, functions and duties of a listed company director;
6. reviewed and approved the financial results of the Company and announcements thereof; and
7. reviewed the board diversity policy (the “**Board Diversity Policy**”).

CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER

Mr. Zhou Xuzhou and Dr. Zeng Wentao are the Co-Chairmen and are mainly responsible for the management of the Board. Ms. Zhou Wen Chuan is the Chief Executive Officer and is delegated with authority and is responsible for the day-to-day management of the Group’s businesses and the implementation of the approved strategies in achieving the overall business objectives.

MECHANISMS FOR THE BOARD TO OBTAIN INDEPENDENT VIEWS

The Company adopted a mechanism for obtaining independent views (the “**Mechanism**”) with the aim of ensuring the strong independence of the Board and improving the working efficiency and the independence of decision-making of the Board. The Board will review the implementation and effectiveness of the Mechanism annually. The Mechanism specifies that all Directors have the right to obtain sufficient resources provided by the Company to perform their duties, and Directors have the right to make a request to the Company for independent professional advice at the expense of the Company if they believe that the advice is relevant and necessary for performing their duties.

The Board has reviewed the implementation and effectiveness of the Mechanism for the year ended 31 December 2023, and considers it to be adequate and effective.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Non-Executive Director has entered into a service contract with the Company for a term of one year or till retirement by rotation in accordance with the Bye-Laws, whichever is earlier.

PROFESSIONAL DEVELOPMENT

To assist the Directors’ continuing professional development, the Company encouraged the Directors to attend relevant seminars to develop and refresh their knowledge and skills. All Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective Directors is kept and updated by the Company Secretary.

All the Directors understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills. During the year ended 31 December 2023, the Directors participated in the kinds of training as follows to develop and refresh their knowledge so as to ensure their contributions to the Board:

CORPORATE GOVERNANCE REPORT

| | Reading regulatory updates | Attending expert briefings/seminars/conferences relevant to the business or Directors' duties |
|--|----------------------------|---|
| Executive Directors | | |
| Mr. Zhou Xuzhou | ✓ | ✓ |
| Dr. Zeng Wentao | ✓ | ✓ |
| Ms. Zhou Wen Chuan | ✓ | ✓ |
| Non-Executive Director | | |
| Dr. Mao Zhenhua | ✓ | ✓ |
| Independent Non-Executive Directors | | |
| Professor Chau Chi Wai, Wilton | ✓ | ✓ |
| Mr. Gao Guanjinag (Note 1) | – | – |
| Dr. Yang Yu (Note 2) | ✓ | ✓ |
| Mr. Chen Shi (Note 3) | – | – |
| Mr. Wu Peng | ✓ | ✓ |

Notes:

1. Mr. Gao Guanjiang resigned as an Independent Non-Executive Director effective from 11 April 2023.
2. Dr. Yang Yu was appointed as an Independent Non-Executive Director effective from 11 April 2023 and resigned on 10 April 2024.
3. Mr. Chen Shi was appointed as an Independent Non-Executive Director effective from 10 April 2024.

REMUNERATION COMMITTEE

As at 31 December 2023, the Remuneration Committee comprised one Executive Director and two Independent Non-Executive Directors, namely Dr. Zeng Wentao, Dr. Yang Yu and Professor Chau Chi Wai, Wilton. Dr. Yang Yu is the chairman of the Remuneration Committee.

Mr. Gao Guanjiang resigned as an Independent Non-Executive Director on 11 April 2023 and he ceased to be the chairman of the Remuneration Committee on 11 April 2023 accordingly. Dr. Yang Yu was appointed as an Independent Non-Executive Director on 11 April 2023 and he was also appointed as the chairman of the Remuneration Committee on 11 April 2023.

Dr. Yang Yu resigned as an Independent Non-Executive Director on 10 April 2024 and he ceased to be the chairman of the Remuneration Committee on 10 April 2024 accordingly. Mr. Chen Shi was appointed as an Independent Non-Executive Director on 10 April 2024 and he was also appointed as the chairman of the Remuneration Committee on 10 April 2024.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code. The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary duty of the Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. The remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

CORPORATE GOVERNANCE REPORT

The main functions of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
3. to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
4. to make recommendations to the Board on the remuneration of Non-Executive Directors;
5. to review the proposals for the award of share options to Executive Directors and senior management based on their performance and contribution to the Company from time to time;
6. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;
7. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
8. to review and approve compensation payable to the Executive Directors and the senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
9. to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
10. to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and
11. to recommend to the Board the structure of long-term incentive plans for Executive Directors and certain senior management.

The details of the remuneration payable to the Directors are set out in note 13 to the consolidated financial statements contained in this Annual Report.

During the year ended 31 December 2023, the Remuneration Committee had held one meeting. Attendance of each individual member was as follows:

| Committee member | Meeting attended/held |
|--|------------------------------|
| Mr. Gao Guanjiang (resigned on 11 April 2023) | N/A |
| Dr. Yang Yu (appointed on 11 April 2023 and resigned on 10 April 2024) | 1/1 |
| Mr. Chen Shi (appointed on 10 April 2024) | N/A |
| Professor Chau Chi Wai, Wilton | 1/1 |
| Dr. Zeng Wentao | 1/1 |

CORPORATE GOVERNANCE REPORT

The major works performed by the Remuneration Committee included the following:

1. reviewed and recommended the remuneration and bonus of Executive Directors and senior management;
2. conducted an annual review of the remuneration packages for Executive Directors, Non-Executive Director and senior management based on their performance; and
3. reviewed the terms of reference of the Remuneration Committee.

NOMINATION COMMITTEE

As at 31 December 2023, the Nomination Committee comprised one Executive Director and two Independent Non-Executive Directors, namely Mr. Zhou Xuzhou, Professor Chau Chi Wai, Wilton and Mr. Wu Peng. Mr. Zhou Xuzhou is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee have been reviewed with reference to the CG Code. The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary duties of the Nomination Committee are to develop and maintain a formal and transparent process for the appointment and re-appointment of members of the Board. The Nomination Committee also reviews and assesses Board composition and its effectiveness on an annual basis.

The main functions of the Nomination Committee include:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to establish a policy concerning the diversity of Board members;
4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive; and
5. to assess the independence of the Independent Non-Executive Directors.

During the year ended 31 December 2023, the Nomination Committee had held two meetings. Attendance of each individual member was as follows:

| Committee member | Meeting attended/held |
|--------------------------------|------------------------------|
| Mr. Zhou Xuzhou | 2/2 |
| Professor Chau Chi Wai, Wilton | 2/2 |
| Mr. Wu Peng | 2/2 |

CORPORATE GOVERNANCE REPORT

The major works performed by the Nomination Committee included the following:

1. reviewed and updated the Board Diversity Policy;
2. reviewed and assessed the structure, size and composition (including the skills, knowledge and experience) of the Board and its effectiveness;
3. assessed the independence of Independent Non-Executive Directors and confirmed that all Independent Non-Executive Directors are considered independent;
4. reviewed the terms of reference of the Nomination Committee;
5. proposed the Directors for re-election at the 2023 AGM; and
6. reviewed the nomination policy (the “**Nomination Policy**”).

AUDIT COMMITTEE

As at 31 December 2023, the Audit Committee comprised one Non-Executive Director and two Independent Non-Executive Directors, namely Dr. Mao Zhenhua, Professor Chau Chi Wai, Wilton and Dr. Yang Yu. Professor Chau Chi Wai, Wilton is the chairman of the Audit Committee. None of the members of the Audit Committee is a member of the former or external auditor of the Company.

Mr. Gao Guanjiang resigned as an Independent Non-Executive Director on 11 April 2023 and he ceased to be the member of the Audit Committee on 11 April 2023 accordingly. Dr. Yang Yu was appointed as an Independent Non-Executive Director on 11 April 2023 and he was also appointed as the member of the Audit Committee on 11 April 2023.

Dr. Yang Yu resigned as an Independent Non-Executive Director on 10 April 2024 and he ceased to be the member of the Audit Committee on 10 April 2024 accordingly. Mr. Chen Shi was appointed as an Independent Non-Executive Director on 10 April 2024 and he was also appointed as the member of the Audit Committee on 10 April 2024.

The terms of reference of the Audit Committee have been reviewed with reference to the CG Code. The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group.

The main functions of the Audit Committee include:

1. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, any questions of its resignation or dismissal;
2. to develop and implement policy on engaging an external auditor to supply non-audit services;
3. to review the Group’s financial and accounting policies and practices;
4. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management’s response to these findings;

CORPORATE GOVERNANCE REPORT

- to review the Group's financial controls, and unless expressly addressed by a separate board risk committee or by the Board itself, to review the Group's risk management and internal control systems;
- to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective system;
- where an internal audit function exists, to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness;
- to monitor the integrity of the Company's financial statements and Annual Report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;
- to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to consider other topics, as defined by the Board;
- to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- to report to the Board on the matters contained in the code provision of the CG Code;
- to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and
- to act as the key representative body for overseeing the Company's relations with the external auditor.

During the year ended 31 December 2023, the Audit Committee had held three meetings. Attendance of each individual member was as follows:

| Committee member | Meeting attended/held |
|--|------------------------------|
| Professor Chau Chi Wai, Wilton | 3/3 |
| Dr. Mao Zhenhua | 3/3 |
| Mr. Gao Guanjiang (resigned on 11 April 2023) | 1/3 |
| Dr. Yang Yu (appointed on 11 April 2023 and resigned on 10 April 2024) | 2/3 |
| Mr. Chen Shi (appointed on 10 April 2024) | N/A |

Apart from the meetings above, consent and/or approvals of the Audit Committee were also obtained by way of written resolutions on a number of matters.

CORPORATE GOVERNANCE REPORT

The major works performed by the Audit Committee included the following:

1. reviewed the Group's draft annual audited financial statements for the year ended 31 December 2022 and the interim financial statements for the six months ended 30 June 2023, including the accounting principles and accounting standards adopted with recommendations for presentation to the Board for its consideration and approval;
2. reviewed the enhancements to the 2023 audit planning process;
3. approved the audit and non-audit services provided by ZHONGHUI ANDA CPA Limited;
4. reviewed the fees proposal of ZHONGHUI ANDA CPA Limited for the 2023 audit work for the Group;
5. discussed, examined and reviewed 2023 annual accounting and financial reporting issues;
6. reviewed and monitored the external auditor's independence, objectivity and the effectiveness of the audit process;
7. reviewed the terms of reference of the Audit Committee; and
8. discussed, assessed and reviewed the reports of internal control and risk management system as well as its effectiveness for the year.

STRATEGIC COMMITTEE

As at 31 December 2023, the Strategic Committee comprised two Executive Directors and one Non-Executive Director, namely Mr. Zhou Xuzhou, Dr. Zeng Wentao and Dr. Mao Zhenhua. Dr. Mao Zhenhua is the chairman of the Strategic Committee.

The terms of reference of the Strategic Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The primary function of the Strategic Committee is to conduct research and submit proposals to the Board concerning the long-term developing strategic and material investment decisions of the Company.

During the year ended 31 December 2023, the Strategic Committee had not held any meeting.

REMUNERATION OF SENIOR MANAGEMENT

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biography of Directors and Senior Management" in this Annual Report for the year ended 31 December 2023 by bands is set out below:

| Remuneration band | Number of individuals |
|--------------------------------|------------------------------|
| HK\$1,500,001 to HK\$2,000,000 | 1 |

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31 December 2023, the Group engaged ZHONGHUI ANDA CPA Limited, auditor of the Company, to perform audit services. The services provided by ZHONGHUI ANDA CPA Limited and the fees thereof were as follows:

| Nature of services | For the year ended 31 December 2023 HK\$'000 |
|-----------------------------|---|
| Audit services | 1,240 |
| Non-audit services (Note a) | 190 |
| | 1,430 |

Note:

- (a) Fees for non-audit services in 2023 consisted of fees incurred to ZHONGHUI ANDA CPA Limited in connection with the review of the annual results announcement, the continuing connected transactions and cashflow forecast of the Group.

RESPONSIBILITY FOR FINANCIAL REPORTING

Management provides financial information with explanations to the Board to assist the Board in assessing the financial position of the Group.

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules and reports to the regulators as well as to information required to be disclosed pursuant to the statutory requirements. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

A discussion and analysis of the Group's performance, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objectives have been prepared and included in the sections headed "Co-Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 8 and 9 to 20 of this Annual Report.

The reporting responsibilities of ZHONGHUI ANDA CPA Limited, the Company's auditor, are stated in the Independent Auditor's Report on pages 64 to 67 of this Annual Report.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

1. Purpose

The Nomination Policy sets out the process and criteria for identifying potential candidates for the Company. The Nomination Committee should ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's businesses.

2. Selection Criteria

The Nomination Committee shall consider the following selection criteria in evaluating and selecting candidates for directorships:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's businesses and corporate strategy;
- willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- requirement for the Board to have Independent Non-Executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- succession planning or strategies for the ongoing effective performance of the Board as a whole;
- Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- such other perspectives appropriate to the Company's businesses.

These factors are for reference only and are not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person as it considers appropriate.

3. Nomination Process

3.1 Appointment of New Director

- 3.1.1 The Nomination Committee shall, upon receipt of the proposal for the appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate and assess such candidate based on the selection criteria as set out in section 2 to determine whether such candidate is qualified for directorship.

CORPORATE GOVERNANCE REPORT

3.1.2 If there are one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

3.1.3 The Nomination Committee shall then recommend appointing the appropriate candidate for directorship.

3.1.4 For any person that is nominated by a shareholder for election as a director at the GM of the Company, the Nomination Committee shall evaluate such candidate based on the selection criteria as set out in section 2 to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make a recommendation to shareholders in respect of the proposed election of director at the GM.

4. Re-Election of Director at General Meeting

4.1 The Nomination Committee shall review the overall contribution and service to the Company of the retiring director, including his/her attendance of Board meetings and, where applicable, GM and the level of participation and performance on the Board.

4.2 The Nomination Committee shall also review and determine whether the retiring director continues to meet the selection criteria as set out in section 2.

4.3 The Board, with the recommendation from Nomination Committee, shall then make a recommendation to shareholders in respect of the proposed re-election of the director at the GM.

5. Ultimate Responsibility for Selection and Appointment

The nomination of directors is also subject to any restrictions under the Bermuda law and the Bye-Laws. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any GM.

6. Monitoring and Reporting

The Nomination Committee will disclose the Nomination Policy and the progress made towards achieving the objectives set out in the Nomination Policy in the Corporate Governance Report in the Annual Report.

BOARD DIVERSITY POLICY

1. Vision

The Company sees diversity at the Board level as an important element in maintaining a high standard of corporate governance. The Company is committed to a diverse Board, so Directors from diverse backgrounds could present the Company effectively to various constituencies and bring different and inspiring perspectives into the Board.

CORPORATE GOVERNANCE REPORT

2. Policy Statement

- 2.1 The Company aspires to maintain an appropriate range and balance of skills, experience and background on the Board. In determining the optimum composition of the Board, differences in the skills, regional and industry experience, background, ethnicity, gender and other qualities of Directors shall be considered. All Board appointments are made on merits, in the context of the skills and experience the Board as a whole requires to be effective, with due regard for the benefits of diversity on the Board.
- 2.2 The Nomination Committee will review and assess Board composition and its effectiveness on an annual basis. When there is a vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

3. Measurable Objectives

The selection of candidates will be based on a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

4. Monitoring and Reporting

- 4.1 The Nomination Committee will report annually in the Corporate Governance Report contained in the Annual Report on the composition of the Board (including gender, age, length of service, education background, working experience) and monitor the implementation of the Board Diversity Policy.
- 4.2 The Nomination Committee will monitor the implementation of the Board Diversity Policy by conducting a review of the Board's composition at least once annually, taking into account the benefits of all relevant diversity aspects, and adhering to the Board Diversity Policy when making recommendations any Board appointments.

The Nomination Committee reviewed the Board's composition and considered the Board Diversity Policy during the year ended 31 December 2023. The Board currently comprises experts from diversified professions such as accounting, finance and management, and was diversified in terms of gender, age, duration of service, which effectively improved the ability of the Board in decision making and strategic management.

Based on the current composition of the Board, the Company is of the view that the Board has achieved gender diversity. Among the workforce, the gender ratio is 31 male employees (including senior management) to 26 female employees (including senior management). Accordingly, the Company considers that gender diversity is also achieved in its workforce generally.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

1. The Dividend Policy sets out the structure of dividend payout to the shareholders of the Company.
2. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:
 - (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.
3. The Company may distribute dividends by way of (1) Cash; (2) Shares.
4. The Board may, from time to time, pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company.
5. According to the Bye-Laws, the Company in GM may declare dividends in any currency, but no dividends shall exceed the amount recommended by the Board.
6. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules and all relevant applicable laws, rules and regulations in Bermuda, Hong Kong and the Bye-Laws.
7. In proposing any dividend payout, the Board shall also take into account, inter alia:
 - (a) the Company's actual and expected financial performance;
 - (b) retained earnings of the Company and each of the members of the Group;
 - (c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
 - (d) any restrictions on the payment of dividends that may be imposed by the Group's lenders, if any;
 - (e) the Group's expected working capital requirements and future expansion plans;
 - (f) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
 - (g) any other factors that the Board deem appropriate.
8. Any final dividend for a financial year will be subject to shareholders' approval.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary, Mr. Li Shu Pai, is responsible for advising the Board on governance matters and also facilitates induction and professional development of Directors. The Company Secretary reports to the Co-Chairman. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable laws, rules and regulations are followed. The Company Secretary's biography is set out in the section headed "Biography of Directors and Senior Management" of this Annual Report.

The Company Secretary has taken no less than 15 hours of relevant professional training to comply with Rule 3.29 of the Listing Rules for the year ended 31 December 2023.

ANTI-CORRUPTION AND BRIBERY POLICY AS WELL AS WHISTLEBLOWING POLICY

The Group has established (i) policy and measures that promote and support anti-corruption and bribery laws and regulations; and (ii) whistleblowing policy and measures for employees, suppliers and business partners to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Group. For further details of the Group's anti-corruption and bribery policy, and whistleblowing policy and/or measures, please refer to the ESG Report 2023 published on the websites of the Company and the Stock Exchange.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Board from time to time. Each department is also required to keep the Board informed of material developments of the department's business and the implementation of the policies and strategies set by the Board on a regular basis.

Our risk management activities are performed by management on an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

Pursuant to D.2.1 of the CG Code, the Group engages an independent professional advisor to conduct an annual review of the effectiveness of the Group's risk management and internal control system in various material aspects, including financial, operational and compliance controls. The risk management report and internal control report are submitted and reviewed by the Audit Committee at least once a year. Summary of findings and recommendations are discussed at the Audit Committee meeting with a view to improving the Group's operations.

CORPORATE GOVERNANCE REPORT

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that there is no immediate need to set up an internal audit function within the Group in light of the relatively simple corporate and operation structure of the Group, it is adequate for the Group to appoint independent external professionals to perform the internal audit function for the Group in order to meet its needs currently. Nevertheless, the Board will continue to review at least annually the need for an internal audit function. The Board has conducted a review of the effectiveness the systems of risk management and internal control for the year ended 31 December 2023. Such review shall be conducted annually. The Company considers that our risk management and internal control systems were effective and adequate for the year ended 31 December 2023.

Main features of the risk management and internal control systems

Highlights of the Group's internal control measures include the following:

the Group has improved the existing internal control framework by adopting a set of internal control manual and policies, which cover corporate governance, risk management, operation and legal matters;

- the Directors have received trainings conducted by the Company's legal advisor as to Hong Kong laws on the continuing obligations, duties and responsibilities of directors of publicly listed companies under the applicable laws of Hong Kong;
- each of the Directors is aware of the fiduciary duties as a director which require, among other things, that he or she must act for the benefit and in the best interest of the Company and must not allow any conflict between his duties as a director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and Directors or their respective associates, any interested Director will be abstained from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;
- the Group has adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management and information disclosure;
- the Group has appointed external legal advisor to advise on the compliance requirements of the Listing Rules and ensure the compliance with relevant regulatory requirements and applicable laws, where necessary;
- the Group will assess and monitor the implementation of the internal control manual and policies by the relevant departments and companies in the Group through regular audits and inspections;
- the Group will provide internal training to employees as appropriate in order to enable them to follow the internal control and corporate governance procedures;
- the Group will provide anti-corruption and anti-bribery compliance policies in the manual and implement a whistle-blower program under which the employees are encouraged to report instances of bribes directly to the finance department; and
- the Group will keep implementing updated policies to the extent necessary to ensure future compliance with applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

The process used to identify, evaluate and manage significant risks

The Company has established a risk management system consisting of relevant policies and procedures that the Company believes are appropriate for our business operations. Pursuant to the Company's risk management policy, the key risk management objectives include: (i) identifying different types of risks; (ii) assessing and prioritizing the identified risks; (iii) developing appropriate risk management strategies for different types of risks; (iv) identifying, monitoring and managing risks and risk tolerance level; and (v) execution of risk response measures.

Internal audit function

For the year ended 31 December 2023, the Board appoint an independent external professional to perform the internal audit function for the Group. The internal auditor has carried out an overview on the effectiveness of the risk management and internal control systems of the Group. Based on the risk-based approach, the internal auditor review the adequacy and effectiveness of the risk control measures of material business unit of the Group and to examine if relevant measures have been implemented. The internal auditor attended the Audit Committee meeting to explain the results of the internal audit and responded to the questions of the members of the Audit Committee. The Company considers its risk management and internal control systems to be effective and adequate.

Handling and dissemination of inside information

The Group regulates the handling and dissemination of inside information according to the inside information policy of the Company and the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees apprised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at GM of the Company shall at all times have the right, by written requisition sent to the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

(i) Shareholder(s) of the Company holding not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the GM; or (ii) not less than 100 shareholders can submit a written request to the Company Secretary stating the resolution intended to be moved at the GM or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular GM.

The above procedures are subject to the Bye-Laws, the Bermuda Companies Act 1981 and applicable legislation and regulation (as amended from time to time). Shareholders who have enquiries about the above procedures or have enquiries to put to the Board may write to the Company Secretary at the principal place of business of the Company at Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong or by e-mail to information@meilleure.com.cn for the attention of the Company Secretary.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

To enhance transparency and effectively communicate with the investment community, the Executive Directors and senior management of the Company actively maintain close communications with various institutional investors, financial analysts and financial media. Investors are welcome to share their views with the Board by sending enquiries to information@meilleure.com.cn.

The Company has in place a Shareholders' communication policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the website of Stock Exchange in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules using electronic means. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Hong Kong Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate website

Any information or documents of the Company published on the website of Stock Exchange will also be published on the Company's website (www.meilleure.com.cn). Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management will also be available on the website of the Company.

CORPORATE GOVERNANCE REPORT

(d) Shareholders' Meetings

The AGM and other GMs of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a GM in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in GM or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any).

(e) Shareholders' Enquiries

For enquires about shareholding, Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office, Tricor Standard Limited, or call its hotline at (852) 2980-1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

For enquiries about corporate governance or other Matters to be put to the Board and the Company, the Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries by email to information@meilleure.com.cn or by post to Unit 2906, Tower 1, Lippo Center, 89 Queensway, Admiralty, Hong Kong for the attention of Mr. Li Shu Pai, Company Secretary.

Having considered and reviewed the various existing channels of communication, the Company considers that the Shareholders' communication policy has been properly implemented and effective for the year ended 31 December 2023.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year, the Company has amended its Bye-Laws to conform to the amendments to Listing Rules for shareholder protections and to incorporate certain housekeeping amendments. The Board has also adopted the second amended and restated Bye-Laws incorporating and consolidating all the amendments. Details of the amendments were set out in the Company's circular to Shareholders dated 28 April 2023. A copy of the latest version of the Bye-Laws is available on the websites of the Company and the Stock Exchange. Save for the aforesaid, there had been no change in the Bye-Laws for the year ended 31 December 2023.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Xuzhou, aged 68, was appointed as an Executive Director on 30 August 2013, was appointed as the chairman of the Board on 23 September 2013 and was re-designated as a Co-Chairman on 20 June 2019. He is the chairman of the Nomination Committee and a member of the Strategic Committee.

Mr. Zhou obtained a master's degree from Wuhan University in 1985. Mr. Zhou is primarily responsible for leading the strategic planning and financial planning of the Group. Mr. Zhou is the father of Ms. Zhou Wen Chuan.

Dr. Zeng Wentao, aged 60, was appointed as an Independent Non-Executive Director on 18 October 2017, was re-designated as an Executive Director on 27 May 2019 and was appointed as a Co-Chairman on 20 June 2019. He is a member of the Remuneration Committee and the Strategic Committee.

Dr. Zeng graduated from Wuhan University with a doctoral degree in Economics. Dr. Zeng founded Hainan Sanyou Real Estate Company Limited (海南三友房地產有限公司) in Hainan in 1990 and acted as its general manager. In 1995, he founded Wuhan Yin Hai Property Company Limited (武漢銀海置業有限公司), which was principally engaged in real estate development and technology investment, and acted as its chief executive officer. He has been the chief executive officer of Zhongjia Capital (Wuhan) Investment Management Company Limited (中珈資本(武漢)投資管理有限公司) since March 2017. He is a part-time professor of Zhongnan University of Economics and Law, a member of Zhongnan University of Economics and Law Educational Development Fund and a standing council member of Dong Fureng Foundation (董輔初基金會). He was the vice-chairman of the 12th and 13th Federation of Industry and Commerce of Wuhan City (武漢市工商聯) and a member of the 11th and 12th People's Consultative Conference of Wuhan City. Dr. Zeng has been a Counselor of the Healthcare Industry Union of Wuhan University Alumni Entrepreneur Association (武漢大學校友企業家聯誼會健康產業聯盟), an organisation dedicated to the promotion of co-operations in the healthcare industry among entrepreneurs who are alumni of Wuhan University, since July 2017. By taking this position, Dr. Zeng has gained an understanding of the healthcare business and has built good relationships with certain entrepreneurs and market players in the healthcare industry. In 2018, Dr. Zeng was appointed as a researcher in health economics of Dong Fureng Economic & Social Development School of Wuhan University, which demonstrated the recognition of Dr. Zeng's knowledge in health economics by the said organisation and has enabled Dr. Zeng to use his managerial experience to contribute to the research work in the health economics area.

Ms. Zhou Wen Chuan, aged 40, was appointed as an Executive Director on 30 August 2013 and the Chief Executive Officer on 23 September 2013.

Ms. Zhou obtained a master's degree in Business Administration from the Chinese University of Hong Kong in 2011. Also, she obtained a master's degree in Science and a dual bachelor's degree in Food Nutrition and Health from the University of British Columbia in 2008 and 2007, respectively. Ms. Zhou is currently a PhD student. Ms. Zhou is the daughter of Mr. Zhou Xuzhou.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Dr. Mao Zhenhua, aged 60, was appointed as a Non-Executive Director on 5 October 2015. He is the chairman of the Strategic Committee and a member of the Audit Committee.

Dr. Mao is currently the chairman of China Chengxin Credit Management Co., Ltd. ("**China Chengxin**"), professor of the Renmin University of China, chairman of the Institute of Economic Research of the Renmin University of China, professor of Wuhan University, Dean of Dong Fureng Economic & Social Development School of Wuhan University and professor of Business School at the University of Hong Kong. Dr. Mao graduated from Wuhan University with a doctoral degree in Economics. Dr. Mao had carried out economic analysis and policies research for the Hubei Provincial Government, Hainan Provincial Government and Research Office of the State Council.

Dr. Mao founded China Chengxin in 1992. Since then, he acted as its general manager, chairman as well as general manager, chief executive officer, and chairman. He was the major shareholder and controller of China Cheng Xin International Credit Rating Co., Ltd. Under the leadership of Dr. Mao, China Chengxin has become a company specialising in credit services and a comprehensive enterprise group principally engaging in the business of investing in finance, real estate and industries.

Dr. Mao is currently an independent non-executive director of China Infrastructure & Logistics Group Ltd (a company listed on the Stock Exchange, stock code: 1719), China Bohai Bank Co., Ltd. (a company listed on the Stock Exchange, stock code: 9668), China SCE Group Holdings Ltd (a company listed on the Stock Exchange, stock code: 1966), Airstar Bank Limited and Gravitation Fintech HK Limited. Dr. Mao was appointed as a member of the Research Strategy Expert Group of the Policy Unit of the Chief Executive of the Hong Kong Special Administrative Region on 30 May 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Chau Chi Wai, Wilton, aged 62, was appointed as an Independent Non-Executive Director on 30 August 2013. He is the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee.

Professor Chau obtained a doctoral degree in business administration, a master's degree in business administration, a bachelor's degree in laws and a bachelor's degree in science. He is a fellow member of the Chartered Association of Certified Accountants (UK). Professor Chau is currently the chairman of Pan Asia Venture Development Platform and a vice-chairman of Hong Kong Biotechnology Organisation. He is also an adjunct professor of the Chinese University of Hong Kong, City University of Hong Kong, National University of Singapore and Shenzhen Finance Institute. Professor Chau is currently an independent non-executive director of China Three Gorges International Limited and Digital Hollywood Interactive Limited (a company listed on the Stock Exchange, stock code: 2022). Professor Chau has over 30 years of experience in direct investment and venture capital.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Shi, aged 62, was appointed as an Independent Non-Executive Director on 10 April 2024. He is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Chen obtained a bachelor's degree and a master's degree in Economics from Wuhan University in August 1982 and July 1985, respectively. He later obtained a doctorate in Economics from the Graduate School of Chinese Academy of Social Sciences in July 1989. Mr. Chen has over 30 years of working experience. Mr. Chen served as deputy head and then the head of the Policy Division of Social and Economic Development Research Center of the People's Government of Hainan Province from July 1989 to November 1994. He served as a deputy general manager of Yat Chau Holdings Limited from December 1994 to February 1998. He then served as a deputy general manager of Cityford Dyeing & Printing Industrial Limited from March 1998 to December 2001. From January 2002 to February 2013, Mr. Chen served as the president of Caricom Limited. He was previously a director of Partners Financial Holdings Limited from November 2012 to July 2013 and a non-executive director of LDK Solar Co., Ltd. (a company listed on the New York Stock Exchange Inc.) from March 2014 to May 2016. He has been a director of Mountain China Resorts (Holdings) Limited (a former company listed on the TSX Venture Exchange in Canada and delisted on 19 January 2023) since February 2012 and an executive director and chief executive office of Good Resources Holdings Limited (a former company listed on the Main Board of the Stock Exchange, stock code: 109 and delisted on 4 May 2022) since July 2019. Mr. Chen was first appointed as a non-executive director of Shunfeng International Clean Energy Limited (stock code: 1165), a company listed on the Stock Exchange, from March 2013 to September 2013 and has later been appointed as an executive director since 1 August 2017.

Mr. Wu Peng, aged 42, was appointed as an Independent Non-Executive Director on 27 May 2019. He is a member of the Nomination Committee.

Mr. Wu graduated from Tsinghua University with a bachelor's degree in information systems in July 2004 and a doctoral degree (with supply chain management as a key research area) in January 2010. From September 2005 to January 2010, Mr. Wu worked as a research assistant in the Humanities Key Research Base of the Ministry of Education (教育部人文社科重點研究基地) of the PRC and the Research Centre for Contemporary Management Tsinghua University (清華大學現代管理研究中心), where he participated in the study of pharmaceutical products supply chain management strategies. In this position, Mr. Wu conducted investigations and research on the production and operation processes of a number of large-sized pharmaceutical companies in the PRC and gained a good understanding of their supply chain management. From March 2010 to November 2012, Mr. Wu was a lecturer at the school of Business Administration of South China University of Technology and was mainly involved in teaching and researching green supply chain management. During this period, from November 2010 to April 2012, Mr. Wu was also a postdoctoral researcher at The Martin Centre for Architectural and Urban Studies of the University of Cambridge, where he was engaged in low-carbon supply chain and low-carbon urban planning and design research work. Since December 2012, Mr. Wu has been teaching green supply chain management and engaging in the research work in this area in the Business School of Sichuan University, first as an associate professor from December 2012 to September 2017 and subsequently as a professor since September 2017. During a five-year period from 2012 to 2017, Mr. Wu was involved in an industrial chain optimisation consulting project, through which he further gained experience in the supply chain management research area. Mr. Wu has been a Counselor of the Society of Management Science and Engineering of China (中國管理科學與工程學會理事) since October 2018. Mr. Wu is currently an independent director of LightInTheBox Holding Co., Ltd. (a company listed on the New York Stock Exchange, stock code: LITB).

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Shu Pai, aged 47, was appointed as the Chief Financial Officer and the Company Secretary on 30 July 2019. He has over 20 years of experience in auditing, corporate finance and financial management. Mr. Li had been the chief financial officer and company secretary of Perfectech International Holdings Limited (a company listed on the Stock Exchange, stock code: 765). Also, Mr. Li had been a chief financial officer and joint company secretary of Chutian Dragon Corporation Limited. Before that, Mr. Li served as a chief financial officer in R2Game Co., Limited and earlier the deputy chief financial officer in Beijing Tong Ren Tang Chinese Medicine Company Limited (a company listed on the Stock Exchange, stock code: 3613). In addition, Mr. Li had worked for an international audit firm and various investment banks.

Mr. Li graduated from the City University of Hong Kong with a bachelor's degree in business administration and obtained his executive master's degree in business and administration from the Hong Kong University of Science and Technology. He is a fellow member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Meilleure Health International Industry Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 68 to 166, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Valuation of investment properties

Refer to Note 20 to the consolidated financial statements.

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of HK\$598,509,000 as at 31 December 2023 and the fair value gains of HK\$20,086,000 for the year then ended are material to the consolidated financial statements. In addition, the Group’s fair value measurement involves application of judgement and is based on assumptions and estimates.

INDEPENDENT AUDITOR'S REPORT

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by the client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

Impairment of properties held for sale under development

Refer to Note 29 to the consolidated financial statements.

The Group tested the amount of properties held for sale under development for impairment. This impairment test is significant to our audit because the balance of properties held for sale under development of HK\$262,485,000 as at 31 December 2023 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Evaluating the Group's impairment assessment;
- Assessing the financial information of the properties held for sale under development;
- Obtaining the impairment assessment worksheet and meeting with the management of the Group to discuss and challenge the assessment process, methodologies used, and market evidence to support significant judgments and assumptions applied in the assessment;
- Obtaining and checking evidence to support the Group's impairment assessment;
- Checking key assumptions and input data in the assessment to supporting evidence; and
- Checking arithmetical accuracy of the assessment.

We consider that the Group's impairment test for properties held for sale under development is supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include 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 will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Audit Engagement Director

Practising Certificate Number P03614

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|---------------------|------------------|
| Revenue | 8 | 129,304 | 119,894 |
| Cost of goods sold and service rendered | | (51,214) | (53,133) |
| Gross profit | | 78,090 | 66,761 |
| Fair value gains on investment properties | 20 | 20,086 | 13,581 |
| Gain on disposals of investment properties | 20 | 481 | – |
| Gain on disposal of investment in a joint venture | 25 | – | 3,746 |
| Gain on deemed disposals of investments in associates | 24 | – | 6,209 |
| Gain/(loss) on disposal of investment at FVTPL | 32 | 3,419 | (520) |
| Other income and gains/(losses), net | 9 | 24,868 | (3,654) |
| Selling and distribution expenses | | (14,862) | (6,007) |
| Administrative expenses | | (24,474) | (29,682) |
| Impairment losses of assets | 12 | (3,962) | – |
| (Impairment losses)/reversal of impairment losses of receivables, net | 12 | (14,902) | 1,172 |
| Finance costs | 10 | (11,408) | (11,447) |
| Share of losses of associates | | (264) | (2,723) |
| Share of losses of joint ventures | | (4,089) | (12,051) |
| Profit before tax | | 52,983 | 25,385 |
| Income tax expense | 11 | (14,493) | (7,605) |
| Profit for the year | 12 | 38,490 | 17,780 |
| Attributable to: | | | |
| Owners of the Company | | 40,830 | 17,822 |
| Non-controlling interests | | (2,340) | (42) |
| | | 38,490 | 17,780 |
| Earnings per share | 17 | | |
| Basic and diluted | | HK1.00 cents | HK0.43 cents |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|------------------|------------------|
| Profit for the year | 12 | 38,490 | 17,780 |
| Other comprehensive (loss)/income for the year, after tax: | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Fair value changes of equity investments at FVTOCI, net of tax | | (15,585) | 5,348 |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations: | | | |
| — Subsidiaries | | (28,789) | (83,021) |
| — Associates and joint ventures | | (1,720) | (7,849) |
| Share of other comprehensive income of an associate | | — | 3 |
| | | (30,509) | (90,867) |
| Other comprehensive loss for the year, net of tax | | (46,094) | (85,519) |
| Total comprehensive loss for the year | | (7,604) | (67,739) |
| Attributable to: | | | |
| Owners of the Company | | (5,261) | (67,645) |
| Non-controlling interests | | (2,343) | (94) |
| | | (7,604) | (67,739) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 18 | 3,894 | 6,291 |
| Right-of-use assets | 19 | 332 | 5,154 |
| Investment properties | 20 | 598,509 | 560,149 |
| Goodwill | 21 | 18,500 | 18,500 |
| Other intangible assets | 22 | – | 44 |
| Investments in associates | 24 | 5,706 | 9,740 |
| Investments in a joint venture | 25 | 53,449 | 57,356 |
| Investments at FVTPL | 32 | 28,099 | 55,163 |
| Equity investments at FVTOCI | 26 | 24,470 | 46,213 |
| Derivative financial assets | 27 | 877 | 314 |
| Prepayments, deposits and other receivables | 31 | 17,748 | 10,141 |
| Deferred tax assets | 40 | 26,845 | 20,179 |
| | | 778,429 | 789,244 |
| Current assets | | | |
| Inventories | 28 | 4,354 | 6,514 |
| Properties held for sale under development | 29 | 262,485 | 256,519 |
| Trade receivables | 30 | 101,533 | 101,354 |
| Prepayments, deposits and other receivables | 31 | 432,026 | 341,134 |
| Restricted bank deposit | 33 | 12,073 | – |
| Bank and cash balances | 33 | 106,309 | 210,987 |
| | | 918,780 | 916,508 |
| Investment properties held for sale | 20 | – | 5,509 |
| | | 918,780 | 922,017 |
| Current liabilities | | | |
| Trade payables | 34 | 20 | 43 |
| Contract liabilities | 35 | 10,158 | 5,518 |
| Accruals and other payables | 36 | 26,577 | 29,488 |
| Amounts due to related parties | 37 | 12,245 | 6,901 |
| Bank borrowings | 38 | 159,298 | 78,235 |
| Lease liabilities | 39 | 450 | 1,710 |
| Current tax liabilities | | 15,246 | 15,043 |
| | | 223,994 | 136,938 |
| Net current assets | | 694,786 | 785,079 |
| Total assets less current liabilities | | 1,473,215 | 1,574,323 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current liabilities | | | |
| Accruals and other payables | 36 | 229 | 230 |
| Bank borrowings | 38 | 137,315 | 165,204 |
| Lease liabilities | 39 | – | 3,980 |
| Deferred tax liabilities | 40 | 81,350 | 77,824 |
| | | 218,894 | 247,238 |
| NET ASSETS | | | |
| | | 1,254,321 | 1,327,085 |
| Capital and reserves | | | |
| Share capital | 41 | 40,938 | 40,945 |
| Treasury shares | 42 | (335) | (231) |
| Reserves | 44(a) | 1,213,552 | 1,283,862 |
| Equity attributable to owners of the Company | | 1,254,155 | 1,324,576 |
| Non-controlling interests | | 166 | 2,509 |
| TOTAL EQUITY | | | |
| | | 1,254,321 | 1,327,085 |

The consolidated financial statements on pages 68 to 166 were approved and authorised for issue by the Board on 28 March 2024 and are signed on its behalf by:

Zhou Xuzhou
Director

Zhou Wen Chuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | Attributable to owners of the Company | | | | | | | | | | | | |
|--|---------------------------------------|-----------------|-----------------------|-----------------------------|-----------------------------|---------------------------|---------------------------------------|---------------|--------------------------------------|------------------|------------------|---------------------------|------------------|
| | Share capital | Treasury shares | Share premium account | Contributed surplus account | Share-based payment reserve | Statutory surplus reserve | Equity investment revaluation reserve | Other reserve | Foreign currency translation reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 |
| As at 1 January 2022 | 42,141 | (15,209) | 623,597 | 409,712 | 6,310 | 24,668 | - | 556 | 44,593 | 291,674 | 1,428,042 | 2,603 | 1,430,645 |
| Total comprehensive loss for the year | - | - | - | - | - | - | 5,348 | - | (90,815) | 17,822 | (67,645) | (94) | (67,739) |
| Reversal of equity-settled share-based payments, net | - | - | - | - | (862) | - | - | - | - | - | (862) | - | (862) |
| Share of reserve of a joint venture | - | - | - | - | - | - | - | 2,058 | - | - | 2,058 | - | 2,058 |
| Repurchase of shares (note 42) | - | (37,017) | - | - | - | - | - | - | - | - | (37,017) | - | (37,017) |
| Cancellation of shares (notes 41 and 42) | (1,196) | 51,995 | (50,799) | - | - | - | - | - | - | - | - | - | - |
| Transfer from retained profits | - | - | - | - | - | 348 | - | - | - | (348) | - | - | - |
| Changes in equity for the year | (1,196) | 14,978 | (50,799) | - | (862) | 348 | 5,348 | 2,058 | (90,815) | 17,474 | (103,466) | (94) | (103,560) |
| As at 31 December 2022 | 40,945 | (231) | 572,798 | 409,712 | 5,448 | 25,016 | 5,348 | 2,614 | (46,222) | 309,148 | 1,324,576 | 2,509 | 1,327,085 |
| As at 1 January 2023 | 40,945 | (231) | 572,798 | 409,712 | 5,448 | 25,016 | 5,348 | 2,614 | (46,222) | 309,148 | 1,324,576 | 2,509 | 1,327,085 |
| Total comprehensive loss for the year | - | - | - | - | - | - | (15,585) | - | (30,506) | 40,830 | (5,261) | (2,343) | (7,604) |
| Reversal of equity-settled share-based payments, net | - | - | - | - | (1,016) | - | - | - | - | - | (1,016) | - | (1,016) |
| Release of share-based payment reserve | - | - | - | - | (479) | - | - | - | - | 479 | - | - | - |
| Share of reserve of a joint venture | - | - | - | - | - | - | - | 1,691 | - | - | 1,691 | - | 1,691 |
| Repurchase of shares (note 42) | - | (335) | - | - | - | - | - | - | - | - | (335) | - | (335) |
| Cancellation of shares (notes 41 and 42) | (7) | 231 | (224) | - | - | - | - | - | - | - | - | - | - |
| Dividend recognised as a distribution | - | - | - | - | - | - | - | - | - | (65,500) | (65,500) | - | (65,500) |
| Changes in equity for the year | (7) | (104) | (224) | - | (1,495) | - | (15,585) | 1,691 | (30,506) | (24,191) | (70,421) | (2,343) | (72,764) |
| As at 31 December 2023 | 40,938 | (335) | 572,574 | 409,712 | 3,953 | 25,016 | (10,237) | 4,305 | (76,728) | 284,957 | 1,254,155 | 166 | 1,254,321 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 52,983 | 25,385 |
| Adjustments for: | | | |
| Finance costs | 10 | 11,408 | 11,447 |
| Share of losses of associates | | 264 | 2,723 |
| Share of losses of a joint venture | | 4,089 | 12,051 |
| Interest income | 9 | (18,824) | (26,907) |
| Dividend income from investments at FVTPL | 9 | (1,048) | (300) |
| Gain on disposal of investment in a joint venture | 25 | – | (3,746) |
| Gain on deemed disposals of investments in associates | 24 | – | (6,209) |
| Gain on disposals of investment properties | 20 | (481) | – |
| (Gain)/loss on disposal of investment at FVTPL | 32 | (3,419) | 520 |
| Depreciation of property, plant and equipment | 18 | 1,546 | 1,428 |
| Depreciation of right-of-use assets | 19 | 1,050 | 2,366 |
| Amortisation of other intangible assets | 22 | 43 | 58 |
| Reversal of equity-settled share options expenses, net | | (1,016) | (862) |
| Fair value gains on investment properties | 20 | (20,086) | (13,581) |
| Fair value gains on derivative financial instruments | 9 | (362) | (239) |
| Fair value (gains)/losses on investments at FVTPL | 9 | (6,024) | 28,670 |
| Impairment losses of assets | 12 | 3,962 | – |
| Impairment losses of trade receivables, net | 30 | 2,498 | 239 |
| Impairment losses /(reversal of impairment losses) of other receivables | 31 | 12,404 | (1,411) |
| COVID-19-related rent concessions | 19 | – | (7) |
| Gain on lease termination | 9 | (239) | – |
| Gain on disposal of property, plant and equipment | 9 | – | (2) |
| Loss on written off of property, plant and equipment | 9 | 1,544 | – |
| Loss on written off of inventories | 9 | 586 | 2 |
| Net foreign exchange losses | | (873) | 4,371 |
| Operating profit before working capital changes | | 40,005 | 35,996 |
| Decrease in inventories | | 1,475 | 4,257 |
| Increase in properties held for sale under development | | (2,262) | (6,108) |
| (Increase)/decrease in trade receivables, prepayments, deposits and other receivables | | (165,834) | 23,964 |
| Decrease in trade payables, contract liabilities, accruals and other payables | | (5,547) | (5,212) |
| Increase in amounts due to related parties | | 5,552 | 96 |
| Cash (used in)/generated from operations | | (126,611) | 52,993 |
| Income taxes paid | | (9,880) | (9,842) |
| Net cash (used in)/generated from operating activities | | (136,491) | 43,151 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|------------------|------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital injected to an associate | | (111) | – |
| Deferred considerations received in respect of partial disposal of investment in an associate in prior years | | 4,015 | 7,061 |
| Proceeds from disposal of investment in a joint venture | | – | 4,119 |
| Proceeds from disposal of investment at FVTPL | | 35,563 | 12 |
| Advances of loans to third parties | | (311,929) | (515,442) |
| Repayment of loans from third parties | | 341,891 | 268,319 |
| Interest received | | 28,809 | 6,305 |
| Dividend received from investments at FVTPL | | 1,048 | 300 |
| Purchases of property, plant and equipment | | (827) | (1,012) |
| Net proceeds from disposal of investment properties/ investment properties held for sale | | 7,497 | – |
| Proceeds from disposal of property, plant and equipment | | – | 6 |
| Purchases of intangible assets | | – | (40) |
| Purchase of investments at FVTPL (non-current) | | (188) | (8,261) |
| Acquisition of investment properties | | (39,750) | – |
| Decrease in current portion of investments at FVTPL | | – | 103,397 |
| (Increase)/decrease in restricted deposit | | (12,083) | 354 |
| Settlement of derivative contracts | | (217) | 124 |
| Net cash generated from/(used in) investing activities | | 53,718 | (134,758) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from bank borrowings | 46(b) | 94,476 | 141,220 |
| Repayment of bank borrowings | 46(b) | (34,909) | (49,663) |
| Interest paid | 46(b) | (11,231) | (11,113) |
| Repayment of lease liabilities | 46(b) | (1,398) | (1,495) |
| Payments of shares repurchase | | (335) | (37,017) |
| Dividend paid | | (65,500) | – |
| Net cash (used in)/generated from financing activities | | (18,897) | 41,932 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (101,670) | (49,675) |
| Effect of foreign exchange rate changes | | (3,008) | (11,929) |
| CASH AND CASH EQUIVALENTS AS AT 1 JANUARY | | 210,987 | 272,591 |
| CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER | | 106,309 | 210,987 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | | |
| Bank and cash balances | 33 | 106,309 | 210,987 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange.

The principal activities of the Group are operations of healthcare-related business, trading of construction materials and renewable energy products, provision of real estate agency services, property investment and leasing, development of residential properties and provision of procurement service of renewable energy products. The particulars of the subsidiaries are set out in note 23 to the consolidated financial statements.

In the opinion of the Directors, as at 31 December 2023, Shunda Investment Limited, a company incorporated in the British Virgin Islands ("**BVI**"), is the ultimate parent of the Company; and Mr. Zhou Xuzhou, a Co-Chairman and the Executive Director, is the ultimate controlling party of the Company.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not early applied any new or revised HKFRSs that is not yet effective for the current accounting year.

The application of the new or revised HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group will not have material impacts on the consolidated financial statements of the Group.

3. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivatives and investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(a) Consolidation

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

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

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

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

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

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at FVTOCI), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (ff) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units ("**CGU(s)**") that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

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

(c) Associates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

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

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Joint arrangements *(Continued)*

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation

(i) **Functional and presentation currency**

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

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

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

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

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

(iii) **Translation on consolidation**

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

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

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

| | |
|-----------------------------------|--|
| Furniture, fixtures and equipment | 10% to 33% |
| Leasehold improvements | over the shorter of lease terms or 20% |

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

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

(g) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the year in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(h) Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate is as follows:

Leased properties Over the term of leases

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below USD5,000.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(i) Intangible assets (other than goodwill)

Computer systems

Computer systems are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Properties held for sale under development

Properties held for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(k) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

(l) Inventories

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

(m) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of financial assets at FVTPL. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;
- Equity investments at FVTOCI; and
- Financial assets at FVTPL.

(i) Financial assets at amortised cost

Financial assets (including trade receivables, financial assets included in prepayments, deposits and other receivables, restricted bank deposit and bank and cash balances) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal (“**SPPI**”) amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at FVTOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at FVTOCI.

Equity investments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Financial assets *(Continued)*

(iii) Financial assets at FVTPL

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at FVTOCI unless the Group designates an equity investment that is not held for trading as at FVTOCI on initial recognition.

Financial assets at FVTPL include derivative financial assets and investments at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

(o) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

(p) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in accounting policies 3(r) to (u) below.

(r) Borrowings

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

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

(s) Trade payables and financial liabilities included in accruals and other payables

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

(t) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(u) Treasury shares

Own equity instruments which are repurchased and held by the Company of the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of the Group's own equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; 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.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

In determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal who obtains control any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then consolidates with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

(w) Other revenue

Interest income is recognised using the effective interest method.

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

Rental income is recognised on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

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

(iii) *Termination benefits*

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

(y) Share-based payments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(z) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(aa) Government grants

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

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

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

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(bb) Taxation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(bb) Taxation *(Continued)*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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

(cc) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 16 to the consolidated financial statements.

(dd) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources and assessing the performance of the Group's various lines of business.

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.

(ee) Related parties

A related party is a person or entity that is related to the Group.

- (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 Company or of a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(ee) Related parties *(Continued)*

- (B) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Company 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (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 Company or to a parent of the Company.

(ff) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties that are measured using the fair value model, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(ff) Impairment of assets *(Continued)*

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(gg) Provisions and contingent liabilities

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

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

(hh) Events after the reporting period

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

(a) Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the Directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(a) Net realisable value of properties held for sale under development

The Group's properties held for sale under development is stated at the lower of cost and net realisable value, which is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of constructing and selling properties of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(b) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation that involves certain estimates. The Directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(c) Fair values of financial instruments

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by the management of the Group in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices. Further details are given in note 6 to the consolidated financial statements.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill as at 31 December 2023 was approximately HK\$18,500,000 (2022: HK\$18,500,000). Further details are given in note 21 to the consolidated financial statements.

(e) Allowance for expected credit loss for financial assets at amortised cost

The Group makes loss allowance on financial assets at amortised cost based on various factors, including the ageing of the receivables, historical write-off experience and forward-looking information. The identification of impairment of financial assets at amortised cost requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying amounts of the financial assets, and the allowance for credit losses on financial assets is recognised in the years in which such estimates have been changed. See note 5(c) to the consolidated financial statements for further discussion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in AUD, RMB, USD, EUR and CHF which are currencies other than the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table details the sensitivity of the Group to a 5% increase and decrease in HK\$ against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the reporting date on a 5% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in consolidated profit after tax for the year where HK\$ strengthens 5% against the relevant foreign currencies. For a weakening of HK\$ against the relevant foreign currency, there would be an equal but opposite impact on consolidated profit after tax for the year.

| | 2023 HK\$'000 | 2022 HK\$'000 |
|------|------------------|------------------|
| USD* | (324) | (3,742) |
| AUD | 704 | (3,060) |
| RMB | (1,283) | (1,324) |
| CHF | 1,053 | (90) |
| EUR | 1,677 | (83) |

* HK\$ is pegged with USD between the range of 7.75 to 7.85 (USD: HK\$). The above analysis on 5% change in HK\$ against USD is for illustrative purposes only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Price risk

The Group's listed equity investment in investments at FVTPL are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The Directors manage this exposure by maintaining a portfolio of investments with difference risk profiles. There is no listed equity investment in investments at FVTPL as at 31 December 2023.

At 31 December 2022, if the share prices of the listed equity investment increase/decrease by 10%, profit after tax for the year would have been HK\$3,259,000 higher/lower, arising as a result of the fair value gain/loss of the listed equity investment.

(c) Credit risk

The carrying amounts of trade receivables and non-trade receivables, including bank and cash balances, restricted bank deposit and financial assets included in prepayments, deposits, and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group limits its exposure to credit risk by rigorously selecting the counterparties. Credit risk on receivables is minimised as the Group performs ongoing evaluation on the financial condition of its debtors and tightly monitors the ageing of its receivable balances. Follow-up action is taken in the case of overdue balances. In addition, the management of the Group reviews the recoverability of receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

(i) Trade receivables

In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of customers.

For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix and details of the quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 30 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

(ii) **Non-trade receivables**

At the end of each reporting period, the Group measures the loss allowance for non-trade receivables at an amount equal to the lifetime expected credit losses if the credit risk on that non-trade receivables has increased significantly since initial recognition.

The Group considers whether there has been a significant increase in credit risks of non-trade receivables on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Non-trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a non-trade receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where non-trade receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

(ii) Non-trade receivables (Continued)

Restricted bank deposit and bank and cash balances

The Group has concentrations of credit risk comprising deposits placed at two financial institutions of HK\$95,754,000 (2022: HK\$142,902,000), which represents approximately 81% (2022: 68%) of the aggregate balance of restricted bank deposit and bank and cash balances (2022: bank and cash balances). The Directors considered that the credit risk on restricted bank deposit and bank and cash balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Financial assets included in prepayments, deposits and other receivables

For financial assets included in prepayments, deposits and other receivables, the Directors make periodic individual assessments on the recoverability of such financial assets based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increases in credit risks of these amounts since initial recognition, and the Group provided impairment based on 12-month expected credit losses. During the year ended 31 December 2023, impairment losses of financial assets included in prepayments, deposits and other receivables amounting to HK\$12,404,000 (2022: reversal of impairment loss of HK\$1,411,000) was recognised in the profit or loss.

The Group had a concentration of credit risk as 25% (2022: 20%) of the total financial assets included in prepayments, deposits and other receivables as at 31 December 2023 was due from one counterparty.

The Group uses three categories for non-trade receivables, which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward-looking data.

| Category | Definition | Loss provision |
|-----------------|--|--------------------------|
| Low risk | Low risk of default and strong capacity to pay | 12-month expected losses |
| Doubtful | Significant increase in credit risk | Lifetime expected losses |
| Loss | Credit-impaired | Lifetime expected losses |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

(ii) *Non-trade receivables (Continued)*

| | Financial assets included in prepayments, deposits and other receivables HK\$'000 | Restricted bank deposit HK\$'000 | Bank and cash balances HK\$'000 | Total HK\$'000 |
|-------------------------------|--|---|--|-------------------|
| As at 31 December 2023 | | | | |
| Gross carrying amounts | 237,468 | 12,073 | 106,309 | 355,850 |
| Provision for loss allowance | (13,917) | – | – | (13,917) |
| Net carrying amounts | 223,551 | 12,073 | 106,309 | 341,933 |
| As at 31 December 2022 | | | | |
| Gross carrying amounts | 295,900 | – | 210,987 | 506,887 |
| Provision for loss allowance | (2,844) | – | – | (2,844) |
| Net carrying amounts | 293,056 | – | 210,987 | 504,043 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

(ii) Non-trade receivables (Continued)

All of these non-trade receivables are considered to have low risk and are under the 'Low risk' category because they have a low risk of default and have strong abilities to meet their obligations.

| | Financial assets included in prepayments, deposits and other receivables HK\$'000 | Restricted bank deposit HK\$'000 | Bank and cash balances HK\$'000 | Total HK\$'000 |
|--|---|--|---|--------------------------|
| Weighted average expected credit loss rate | | | | |
| 2023 | 5.86% | – | – | 3.91% |
| 2022 | 0.96% | – | – | 0.56% |
| Loss allowance as at | | | | |
| 1 January 2022 | 4,557 | – | – | 4,557 |
| Decrease in provision in 2022 | (1,411) | – | – | (1,411) |
| Exchange differences | (302) | – | – | (302) |
| Loss allowance as at | | | | |
| 31 December 2022 and 1 January 2023 | 2,844 | – | – | 2,844 |
| Amounts written off | (1,106) | – | – | (1,106) |
| Increase in provision in 2023 | 12,404 | – | – | 12,404 |
| Exchange differences | (225) | – | – | (225) |
| Loss allowance as at | | | | |
| 31 December 2023 | 13,917 | – | – | 13,917 |

The increase in loss allowance for financial assets included in prepayments, deposits and other receivables is due to an increase in expected credit loss rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

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

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

| | Less than 1 year or on demand HK\$'000 | Between 1 and 5 years HK\$'000 | Over 5 years HK\$'000 | Total HK\$'000 |
|--|--|--|-------------------------------------|--------------------------|
| As at 31 December 2023 | | | | |
| Bank borrowings | 166,846 | 134,125 | 31,308 | 332,279 |
| Lease liabilities | 461 | – | – | 461 |
| Trade payables | 20 | – | – | 20 |
| Financial liabilities included in accruals and other payables | 16,062 | 229 | – | 16,291 |
| Amounts due to related parties | 12,245 | – | – | 12,245 |
| | 195,634 | 134,354 | 31,308 | 361,296 |
| As at 31 December 2022 | | | | |
| Bank borrowings | 80,666 | 146,085 | 57,712 | 284,463 |
| Lease liabilities | 1,761 | 4,604 | – | 6,365 |
| Trade payables | 43 | – | – | 43 |
| Financial liabilities included in accruals and other payables | 11,907 | 230 | – | 12,137 |
| Amounts due to related parties | 6,901 | – | – | 6,901 |
| | 101,278 | 150,919 | 57,712 | 309,909 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits, bank borrowings and lease liabilities.

The Group's bank deposits and bank borrowings, which bear interests at fixed interest rates, as well as lease liabilities, are subject to fair value interest rate risks.

The Group's bank deposits and bank borrowings, which bear interests at variable rates varied with the then prevailing market condition, are subject to cash flow interest rate risks. However, such exposure of bank deposits is minimal to the Group as these bank deposits are all short-term in nature.

At 31 December 2023, if interest rates at that date had been 1% lower with all other variables held constant, consolidated profit after tax for the year would have been HK\$1,657,000 (2022: HK\$1,080,000) higher, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 1% higher, with all other variables held constant, consolidated profit after tax for the year would have been HK\$1,657,000 (2022: HK\$1,080,000) lower, arising mainly as a result of higher interest expense on bank borrowings.

(f) Categories of financial instruments

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Financial assets: | | |
| Financial assets at FVTPL: | | |
| — Mandatorily measured | 877 | 314 |
| — Designated as such upon initial recognition | 28,099 | 55,163 |
| Equity investments at FVTOCI: | | |
| — Designated as such upon initial recognition | 24,470 | 46,213 |
| Financial assets at amortised cost (including cash and cash equivalents) | 443,466 | 605,397 |
| Financial liabilities: | | |
| Financial liabilities at amortised cost | 325,619 | 268,210 |

(g) Fair values

Except as disclosed in note 6 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(h) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, raise new debt financing or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the current financial year and last year. Management regards total equity as capital for capital management purposes.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the Company plus net debt. Net debt includes bank borrowings, trade payables, contract liabilities, accruals and other payables and amounts due to related parties, less cash and cash equivalents and restricted bank deposit. The gearing ratios as at the end of the reporting periods were as follows:

| | 2023 | 2022 |
|--|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Bank borrowings | 296,613 | 243,439 |
| Trade payables | 20 | 43 |
| Contract liabilities | 10,158 | 5,518 |
| Accruals and other payables | 26,806 | 29,718 |
| Amounts due to related parties | 12,245 | 6,901 |
| Less: Bank and cash balances | (106,309) | (210,987) |
| Less: Restricted bank deposit | (12,073) | – |
| Net debt | 227,460 | 74,632 |
| Equity attributable to owners of the Company | 1,254,155 | 1,324,576 |
| Capital and net debt | 1,481,615 | 1,399,208 |
| Gearing ratio | 15.4% | 5.3% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs: unobservable inputs for the asset or liability

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

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

| Description | Fair value measurements using: | | | Total 2023 HK\$'000 |
|--|--------------------------------|---------------------|---------------------|---------------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | |
| Recurring fair value measurements: | | | | |
| <i>Financial assets at FVTOCI</i> | | | | |
| — Unlisted equity investments | – | – | 24,470 | 24,470 |
| <i>Financial assets at FVTPL</i> | | | | |
| — Unlisted equity investments | – | 188 | 27,911 | 28,099 |
| — Derivative financial assets | | | | |
| — Call options | – | – | 877 | 877 |
| <i>Investment properties</i> | | | | |
| — Investment properties in PRC | – | – | 598,509 | 598,509 |
| Total recurring fair value measurements | – | 188 | 651,767 | 651,955 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS *(Continued)*

(a) *(Continued)*

Disclosures of level in fair value hierarchy at 31 December 2022:

| Description | Fair value measurements using: | | | Total |
|---|--------------------------------|---------------------|---------------------|------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | 2022 HK\$'000 |
| Recurring fair value measurements: | | | | |
| <i>Financial assets at FVTOCI</i> | | | | |
| — Unlisted equity investments | – | – | 46,213 | 46,213 |
| <i>Financial assets at FVTPL</i> | | | | |
| — Listed equity investment | 32,588 | – | – | 32,588 |
| — Unlisted equity investments | – | 6,503 | 16,072 | 22,575 |
| — Derivative financial assets | | | | |
| — Call options | – | – | 314 | 314 |
| <i>Investment properties/ investment properties held for sale</i> | | | | |
| — Investment properties in PRC | – | – | 565,658 | 565,658 |
| Total recurring fair value measurements | 32,588 | 6,503 | 628,257 | 667,348 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS (Continued)

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

| Description | Unlisted equity investments (classified as equity investments at FVTOCI) | Unlisted equity investments (classified as financial assets at FVTPL) | Derivative financial assets – Call options (classified as financial assets at FVTPL) | Investment properties in PRC | 2023 Total |
|--|--|---|--|------------------------------|------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 1 January | 46,213 | 16,072 | 314 | 565,658 | 628,257 |
| Total gains or losses recognised | | | | | |
| in profit or loss (#) | – | 6,023 | 740 | 20,086 | 26,849 |
| in other comprehensive loss | (20,780) | – | – | – | (20,780) |
| Transfer into level 3 | – | 6,415 | – | – | 6,415 |
| Purchases | – | – | – | 39,750 | 39,750 |
| Disposal | – | – | – | (11,122) | (11,122) |
| Exchange differences | (963) | (599) | (177) | (15,863) | (17,602) |
| As at 31 December | 24,470 | 27,911 | 877 | 598,509 | 651,767 |
| (#) Include gains or losses for assets held at end of Reporting Period | – | 6,023 | 740 | 20,086 | 26,849 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS (Continued)

(b) (Continued)

| Description | Unlisted equity investments (classified as equity investments at FVTOCI) HK\$'000 | Unlisted equity investments (classified as financial assets at FVTPL) HK\$'000 | Derivative financial assets – Call options (classified as financial assets at FVTPL) HK\$'000 | Investment properties in PRC HK\$'000 | 2022 Total HK\$'000 |
|--|---|--|---|---------------------------------------|---------------------|
| As at 1 January | – | 29,508 | 225 | 599,625 | 629,358 |
| Total gains or losses recognised | | | | | |
| in profit or loss (#) | – | (11,044) | 111 | 13,581 | 2,648 |
| in other comprehensive loss | 7,130 | – | – | – | 7,130 |
| Reclassified from investments in associates | 40,968 | – | – | – | 40,968 |
| Disposal | – | (532) | – | – | (532) |
| Exchange differences | (1,885) | (1,860) | (22) | (47,548) | (51,315) |
| As at 31 December | 46,213 | 16,072 | 314 | 565,658 | 628,257 |
| (#) Include gains or losses for assets held at end of Reporting Period | – | (11,044) | 111 | 13,581 | 2,648 |

The total gains or losses recognised in other comprehensive loss are presented in “Fair value changes of equity investments at FVTOCI, net of tax” in the consolidated statement of comprehensive income.

During the year ended 31 December 2023, unlisted equity investment classified as financial assets at FVTPL amounting to HK\$6,415,000 was transferred from measurement based on Level 2 to Level 3 as a result of a lack of observable market data.

Other than the transfer disclosed above, there were no transfers of fair value measurements between Level 1 and Level 2 and no other transfers into or out of Level 3 for financial assets during the both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS *(Continued)*

- (c) Disclosure of valuation processes used by the Group and valuation techniques and inputs used in fair value measurements:

The management of the Group is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The management of the Group reports directly to the Board for these fair value measurements. Discussions of valuation processes and results are held between the management of the Group and the Board at least twice a year for interim and annual financial reporting.

For Level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements Fair value

| Description | Valuation technique and key input | Fair value | |
|---|--|------------------|------------------|
| | | 2023 HK\$'000 | 2022 HK\$'000 |
| Unlisted equity investments classified as financial assets at FVTPL | Recent transaction prices of similar deals | 188 | 6,503 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS (Continued)

(c) (Continued)

Level 3 fair value measurements

| Description | Valuation technique | Unobservable inputs | Range | Effect on fair value for increase of inputs | Fair value | |
|--|------------------------------------|--|--|---|------------------|------------------|
| | | | | | 2023 HK\$'000 | 2022 HK\$'000 |
| Unlisted equity investments classified as financial assets at FVTOCI | Valuation multiples | Average price-to-sales multiple of peers | 2023: 0.04 to 3.12 (2022: 0.21 to 26.03) | Increase | 24,470 | 46,213 |
| | | Discount for lack of marketability | 2023: 15.7% (2022: 15.8%) | Decrease | | |
| Unlisted equity investments classified as financial assets at FVTPL | Valuation multiples | Average price-to-sales multiple of peers | 2023: 0.26 to 3.12 (2022: N/A) | Increase | 27,911 | 16,072 |
| | | Average price-to-earnings multiple of peers | 2023: 13.9 to 48.39 (2022: 11.4 to 17.9) | Increase | | |
| | | Discount for lack of marketability | 2023: 15.7% (2022: 10%) | Decrease | | |
| Derivative financial assets — Call options (classified as financial assets at FVTPL) | Black-Scholes option pricing model | Expected volatility | 2023: 89.9% (2022: 63.8%) | Increase | 877 | 314 |
| Investment properties in PRC | Term and reversionary method | Estimated rental value (per sq.m. and per month) | 2023: RMB113 to RMB236 (2022: RMB112 to RMB190) | Increase | 598,509 | 565,658 |
| | | Rent growth (p.a.) | 2023: 0% to 3% (2022: 0% to 3%) | Increase | | |
| | | Discount rate | 2023: 4.5% to 5.25% (2022: 4.0% to 5.5%) | Decrease | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. SEGMENT INFORMATION

The Group has four (2022: four) reportable segments as follows:

- (a) Healthcare-related business — Health management services, aesthetic medical services and sale of healthcare-related and CBD downstream products
- (b) Trading business — Trading of construction materials and renewable energy products, provision of procurement service of renewable energy products and healthcare-related products sale agency services
- (c) Property-related business — Real estate agency services, leasing of investment properties and development and selling of residential properties
- (d) Equity investment business — Management of investment portfolio

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include interest income, reversal of equity-settled share options expenses, net, finance costs as well as other unallocated corporate income and expenses. Segment assets do not include deferred tax assets as well as other unallocated corporate assets. Segment liabilities do not include deferred tax liabilities, current tax liabilities as well as other unallocated corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenues and results from reportable and operating segments:

| | Healthcare-related business HK\$'000 | Trading business HK\$'000 | Property-related business HK\$'000 | Equity investment business HK\$'000 | Total HK\$'000 |
|--|---|------------------------------|---------------------------------------|--|-------------------|
| For the year ended 31 December 2023 | | | | | |
| Revenue from external customers | 48,148 | 62,568 | 18,588 | - | 129,304 |
| Segment profit/(loss) | 14,991 | 11,125 | 34,792 | (4,411) | 56,497 |
| Interest income | | | | | 18,824 |
| Reversal of equity-settled share options expenses, net | | | | | 1,016 |
| Finance costs | | | | | (11,408) |
| Unallocated income | | | | | 36 |
| Unallocated expenses | | | | | (11,982) |
| Profit before tax | | | | | 52,983 |
| | Healthcare-related business HK\$'000 | Trading business HK\$'000 | Property-related business HK\$'000 | Equity investment business HK\$'000 | Total HK\$'000 |
| For the year ended 31 December 2022 | | | | | |
| Revenue from external customers | 53,784 | 37,127 | 28,983 | - | 119,894 |
| Segment profit/(loss) | 25,774 | 859 | 31,464 | (32,065) | 26,032 |
| Interest income | | | | | 26,907 |
| Reversal of equity-settled share options expenses, net | | | | | 862 |
| Finance costs | | | | | (11,447) |
| Unallocated income | | | | | 185 |
| Unallocated expenses | | | | | (17,154) |
| Profit before tax | | | | | 25,385 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

| | 2023 | 2022 |
|-------------------------------------|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Healthcare-related business | 63,250 | 69,630 |
| Trading business | 411,093 | 388,929 |
| Property-related business | 1,068,344 | 923,559 |
| Equity investment business | 120,902 | 187,595 |
| Total assets of reportable segments | 1,663,589 | 1,569,713 |
| Deferred tax assets | 26,845 | 20,179 |
| Unallocated corporate assets | 6,775 | 121,369 |
| Consolidated total assets | 1,697,209 | 1,711,261 |

Segment liabilities

| | 2023 | 2022 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Healthcare-related business | 32,465 | 31,376 |
| Trading business | 116,442 | 126,759 |
| Property-related business | 195,200 | 130,914 |
| Total liabilities of reportable segments | 344,107 | 289,049 |
| Deferred tax liabilities | 81,350 | 77,824 |
| Current tax liabilities | 15,246 | 15,043 |
| Unallocated corporate liabilities | 2,185 | 2,260 |
| Consolidated total liabilities | 442,888 | 384,176 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. SEGMENT INFORMATION *(Continued)*

Other segment information

The following is an analysis of other segment information:

| | Healthcare-related business HK\$'000 | Trading business HK\$'000 | Property-related business HK\$'000 | Equity investment business HK\$'000 | Reportable segment total HK\$'000 | Unallocated HK\$'000 | Consolidated total HK\$'000 |
|--|---|------------------------------|---------------------------------------|--|--------------------------------------|-------------------------|--------------------------------|
| For the year ended 31 December 2023 | | | | | | | |
| Depreciation and amortisation | (2,549) | - | (86) | - | (2,635) | (4) | (2,639) |
| Fair value gains on investment properties | - | - | 20,086 | - | 20,086 | - | 20,086 |
| Gain on lease termination | 239 | - | - | - | 239 | - | 239 |
| Loss on written off of property, plant and equipment | (1,544) | - | - | - | (1,544) | - | (1,544) |
| Loss on written off of inventories | (586) | - | - | - | (586) | - | (586) |
| Impairment losses of investment in an associate | - | - | - | (3,672) | (3,672) | - | (3,672) |
| Impairment losses of inventories | (290) | - | - | - | (290) | - | (290) |
| Impairment losses of trade receivables, net | (995) | (1,503) | - | - | (2,498) | - | (2,498) |
| Impairment losses of other receivables | (225) | (5,577) | - | (6,602) | (12,404) | - | (12,404) |
| Additions to segment non-current assets* | 824 | 1 | - | - | 825 | 2 | 827 |
| As at 31 December 2023 | | | | | | | |
| Investments in associates | - | - | - | 5,706 | 5,706 | - | 5,706 |
| Investments in a joint venture | - | - | - | 53,449 | 53,449 | - | 53,449 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

| | Healthcare-related business HK\$'000 | Trading business HK\$'000 | Property-related business HK\$'000 | Equity investment business HK\$'000 | Reportable segment total HK\$'000 | Unallocated HK\$'000 | Consolidated total HK\$'000 |
|--|---|------------------------------|---------------------------------------|--|--------------------------------------|-------------------------|--------------------------------|
| For the year ended 31 December 2022 | | | | | | | |
| Depreciation and amortisation | (2,969) | – | (90) | – | (3,059) | (793) | (3,852) |
| Fair value gains on investment properties | – | – | 13,581 | – | 13,581 | – | 13,581 |
| Loss on written off of inventories | (2) | – | – | – | (2) | – | (2) |
| Impairment losses of trade receivables, net | (69) | (170) | – | – | (239) | – | (239) |
| Reversal of impairment losses of other receivables | – | – | – | 1,411 | 1,411 | – | 1,411 |
| Additions to segment non-current assets* | 4,820 | – | – | – | 4,820 | 7 | 4,827 |
| As at 31 December 2022 | | | | | | | |
| Investments in associates | – | – | – | 9,740 | 9,740 | – | 9,740 |
| Investments in a joint venture | – | – | – | 57,356 | 57,356 | – | 57,356 |

This segment information has been included in the measures of segment results or assets.

* Additions to segment non-current assets consist of additions to property, plant and equipment and intangible assets.

Geographical information

| | Revenue | | Non-current assets | |
|--------------------|------------------|------------------|--------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 |
| PRC | 110,370 | 118,066 | 680,348 | 657,180 |
| Hong Kong | – | – | 11 | 13 |
| Europe | 18,934 | 286 | 31 | 41 |
| Others | – | 1,542 | – | – |
| Consolidated total | 129,304 | 119,894 | 680,390 | 657,234 |

In presenting the geographical information, revenue is based on the locations of the customers and non-current asset is based on the locations of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. SEGMENT INFORMATION *(Continued)*

Revenue from major customers

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|--------------------------------|------------------|
| Trading business segment | | |
| Customer A | 18,963 | N/A ² |
| Healthcare-related business and property-related business segments | | |
| Customer B ¹ | N/A² | 19,750 |

¹ Customer B is a group of entities known to be under the control of Mr. Zhou Xuzhou.

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. REVENUE

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|--------------------------------|------------------|
| Sale of healthcare-related products | 37,791 | 44,647 |
| Healthcare management service income | 3,948 | 4,934 |
| Aesthetic medical service income | 6,368 | 3,824 |
| Sale of CBD downstream products | 41 | 379 |
| Sale of construction materials | 40,944 | 33,518 |
| Procurement service income of renewable energy products | 20,841 | – |
| Sale of renewable energy products | 783 | 2,221 |
| Healthcare-related products sale agency service income | – | 1,388 |
| Property sales and consultancy service income | 1,484 | 7,274 |
| Revenue from contracts with customers | 112,200 | 98,185 |
| Rental income | 17,104 | 21,709 |
| Total revenue | 129,304 | 119,894 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. REVENUE (Continued)

Disaggregation of revenue from contracts with customers

Year ended 31 December 2023

| Segments | Healthcare-related business HK\$'000 | Trading business HK\$'000 | Property related business HK\$'000 | Total HK\$'000 |
|--|---|------------------------------|---------------------------------------|-------------------|
| Major products/services | | | | |
| Sale of healthcare-related products | 37,791 | – | – | 37,791 |
| Healthcare management services | 3,948 | – | – | 3,948 |
| Aesthetic medical services | 6,368 | – | – | 6,368 |
| Sale of CBD downstream products | 41 | – | – | 41 |
| Sale of construction materials | – | 40,944 | – | 40,944 |
| Procurement service of renewable energy products | – | 20,841 | – | 20,841 |
| Sale of renewable energy products | – | 783 | – | 783 |
| Property sales and consultancy services | – | – | 1,484 | 1,484 |
| Total | 48,148 | 62,568 | 1,484 | 112,200 |
| Geographical markets | | | | |
| PRC | 46,967 | 44,814 | 1,484 | 93,265 |
| Europe | 1,181 | 17,754 | – | 18,935 |
| Total | 48,148 | 62,568 | 1,484 | 112,200 |
| Timing of revenue recognition | | | | |
| At a point in time | 44,200 | 62,568 | 1,484 | 108,252 |
| Over time | 3,948 | – | – | 3,948 |
| Total | 48,148 | 62,568 | 1,484 | 112,200 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

Year ended 31 December 2022

| Segments | Healthcare-related business HK\$'000 | Trading business HK\$'000 | Property related business HK\$'000 | Total HK\$'000 |
|--|---|------------------------------|---------------------------------------|-------------------|
| Major products/services | | | | |
| Sale of healthcare-related products | 44,647 | – | – | 44,647 |
| Healthcare management services | 4,934 | – | – | 4,934 |
| Aesthetic medical services | 3,824 | – | – | 3,824 |
| Sale of CBD downstream products | 379 | – | – | 379 |
| Sale of construction materials | – | 33,518 | – | 33,518 |
| Sale of renewable energy products | – | 2,221 | – | 2,221 |
| Healthcare-related products sale agency services | – | 1,388 | – | 1,388 |
| Property sales and consultancy services | – | – | 7,274 | 7,274 |
| Total | 53,784 | 37,127 | 7,274 | 98,185 |
| Geographical markets | | | | |
| PRC | 53,344 | 35,739 | 7,274 | 96,357 |
| Europe | 286 | – | – | 286 |
| Others | 154 | 1,388 | – | 1,542 |
| Total | 53,784 | 37,127 | 7,274 | 98,185 |
| Timing of revenue recognition | | | | |
| At a point in time | 48,850 | 37,127 | 7,274 | 93,251 |
| Over time | 4,934 | – | – | 4,934 |
| Total | 53,784 | 37,127 | 7,274 | 98,185 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. REVENUE *(Continued)*

Provision of healthcare management services

The Group provides healthcare management services to the customers. The customers would generally pay a fixed amount of package fee and generally be entitled to specific healthcare management services throughout the contractual service period. The Group satisfied the performance obligation by providing healthcare management services to the customers within the contractual service period, and these customers would be entitled to consume healthcare management services throughout the contract period. As the Directors considered that the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised over time in a pattern which approximates to the time elapsed. The Group receives three to twelve months of healthcare management service fees in advance from the customers. This gives rise to the contract liabilities, which will be recognised as revenue throughout the period of services.

Provision of healthcare-related products sale agency services

The Group provides healthcare-related products (such as anesthetics) sale agency services to the customer (i.e. the supplier and the buyer of healthcare-related products). Service income is recognised for transactions where the Group is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices. Service income is recognised on a net basis which is based on a fixed percentage of the sales amount. Service income is recognised when the buyer has accepted the goods and the related risks and rewards of ownership. Service income is due for payment upon rendering of services.

Sale of healthcare-related products

The Group sells healthcare-related products to the customers. Sales are recognised when control of the products has been transferred, being when the products are delivered to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products, and the customer has obtained legal titles to the products. Payment of the transaction price is due immediately at the point the customer purchases the products. Sale is made on an advance payment or cash on delivery basis.

Provision of aesthetic medical services

The Group provides aesthetic medical services to the customers. Aesthetic medical service income is recognised in the accounting year when the services have been rendered to customers. Receipt of proceeds in respect of treatment packages for which the relevant services have not been rendered is deferred and recognised as contract liabilities.

Sale of construction materials and renewable energy products

The Group sells construction materials and renewable energy products to the customers. Sales are recognised when control of the products has been transferred, being when the products are delivered to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products, and the customer has obtained legal titles to the products. Sales to customers are normally made with credit terms of 0 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as contract liabilities. A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. REVENUE *(Continued)*

Provision of property sales and consultancy services

The Group provides property sales and consultancy services in primary markets to its customers (i.e. property developers). Service income is recognised at a point in time when the service is rendered, and the property buyer has executed the sale and purchase agreement and made the required payments according to the terms and conditions stated in different agency contracts since only by that time the Group has an enforceable right to payment from the property developer for the services performed. Service income is recognised on a net basis which is based on a fixed percentage of the sales amount. The Group generally allows a credit period of not exceeding 1 month to its customers.

Sale of residential properties

The Group sells residential properties to the customers. Sales are recognized when control of the property has been transferred, being when the following conditions are fulfilled: (i) the construction of the property is completed; (ii) the significant risks and rewards of ownership of the completed property are passed to the customer, or when customer has taken physical possession or obtained legal title of the completed property; and (iii) the Group has present right to payment and the collection of the consideration is probable. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities.

Provision of procurement service of renewable energy products

The Group has certain contracts with customers to acquire renewable energy products produced by certain suppliers. Under these contracts, The Group determines that it does not have control of the renewable energy products before they are being transferred to the customer and is in substance providing procurement services to its customers. The Group is acting as an agent and recognises revenue at the net amount that is retained for these arrangements. Revenue is recognised at a point in time (i.e., upon receipt of the customer of the renewable energy products) because this is when the customer benefits from the Group's procurement services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

| | 2023 | 2022 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Other income | | |
| Interest income | 18,824 | 26,907 |
| Dividend income from investments at FVTPL | 1,048 | 300 |
| Government grants (Note a) | 610 | 2,611 |
| COVID-19-related rent concessions | – | 7 |
| Others | 128 | 517 |
| | 20,610 | 30,342 |
| Gains/(Losses), net | | |
| Fair value gains/(losses) on investments at FVTPL | | |
| — Designated as such upon initial recognition | 6,024 | (28,670) |
| Gain on lease termination | 239 | – |
| Fair value gains on derivative financial instruments | 362 | 239 |
| Gain on disposal of property, plant and equipment | – | 2 |
| Loss on written off of inventories | (586) | (2) |
| Loss on written off of property, plant and equipment | (1,544) | – |
| Net foreign exchange losses | (237) | (5,565) |
| | 4,258 | (33,996) |
| | 24,868 | (3,654) |

Note:

- (a) Government grants of HK\$610,000 represented the subsidies received from the local government in support of the business operation. There were no unfulfilled conditions or contingencies relating to these subsidies (2022: government grants of HK\$2,467,000 represented the subsidies received from the local government in support of the business operation. There were no unfulfilled conditions or contingencies relating to these subsidies. The remaining government grants of HK\$144,000 represented grants obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the HKSAR Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses and not reduce employee headcount below prescribed levels for a specified period of time. The Group does not have unfulfilled obligations relating to this program).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. FINANCE COSTS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-------------------------------|--------------------------------|------------------|
| Interest on bank loans | 11,231 | 11,113 |
| Interest on lease liabilities | 177 | 334 |
| | 11,408 | 11,447 |

11. INCOME TAX EXPENSE

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|--------------------------------|------------------|
| Current tax — PRC | | |
| Provision for the year | 10,058 | 9,981 |
| Over-provision in prior years | (507) | (294) |
| Withholding tax on interest income — Australia | | |
| Provision for the year | 918 | 1,136 |
| Deferred tax (<i>Note 40</i>) | 4,024 | (3,218) |
| | 14,493 | 7,605 |

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising from Hong Kong for the year, except for one group entity operating in Hong Kong, which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK\$2 million of assessable profits are taxed at the rate of 8.25% (2022: 8.25%), and the remaining assessable profits are taxed at the rate of 16.5% (2022: 16.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. INCOME TAX EXPENSE (Continued)

Enterprise Income Tax of the PRC has been provided at the rate of 25% (2022: 25%) on the estimated assessable profits arising from the PRC for the year, except for certain group entities operating in PRC, which are taxed at preferential tax rates. Group entities operating in PRC that are qualified as small and thin-profit enterprises with assessable profits of RMB1 million or less, the assessable profits are taxed at the effective rate of 2.5% (2022: 2.5%). Where the assessable profits exceed RMB1 million but do not exceed RMB3 million (inclusive), the RMB1 million portion will be taxed at the effective rate of 2.5% (2022: 2.5%), whereas the excess portion will be taxed at the effective rate of 10% (2022: 10%). In addition, group entities operating in the PRC that are qualified as high and new technology enterprises are subject to income tax at a preferential tax rate of 15% (2022: 15%).

Australia corporate income tax has been provided at the rate of 30% (2022: 30%) on the estimated assessable profits for arising from Australia for the year.

A group entity, which is a non-tax resident enterprise in Australia, is subject to Australia withholding tax at the tax rate of 10% (2022: 10%) on the gross interest income arising from its loans provided to another group entity, which is a tax resident enterprise in Australia.

Corporate income tax in other jurisdictions has been provided at the rates of taxation prevailing in the jurisdictions in which the group entities operate on the estimated assessable profits arising from those jurisdictions for the both years.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the weighted average tax rate of the consolidated companies is as follows:

| | 2023 | 2022 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Profit before tax | 52,983 | 25,385 |
| Tax at the weighted average tax rate of 2.5% to 30% (2022: 2.5% to 30%) | 9,107 | 1,855 |
| Tax effect of share of losses of joint ventures and associates | 1,088 | 3,694 |
| Tax effect of expenses that are not deductible | 3,649 | 2,598 |
| Tax effect of income that is not taxable | (3,713) | (3,815) |
| Tax effect of tax losses not recognised | 5,130 | 2,689 |
| Tax effect of utilisation of tax losses not previously recognised | (5) | (6) |
| Tax effect of reversal of tax losses previously recognised | (249) | – |
| Tax effect of reversal of deductible temporary difference previously recognised | 19 | 895 |
| Over-provision in prior years | (507) | (294) |
| Others | (26) | (11) |
| Income tax expense | 14,493 | 7,605 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. PROFIT FOR THE YEAR

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

| | 2023 | 2022 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Amortisation of other intangible assets | 43 | 58 |
| Depreciation of property, plant and equipment | 1,546 | 1,428 |
| Depreciation of right-of-use assets | 1,050 | 2,366 |
| Gain on lease termination | (239) | – |
| Gain on disposal of property, plant and equipment | – | (2) |
| Loss on written off of property, plant and equipment | 1,544 | – |
| Loss on written off of inventories | 586 | 2 |
| Gain on disposals of investment properties | (481) | – |
| Gain on disposal of investment in a joint venture | – | (3,746) |
| Gain on deemed disposals of investments in associates | – | (6,209) |
| (Gain)/loss on disposal of investment at FVTPL | (3,419) | 520 |
| Fair value gains on investment properties | (20,086) | (13,581) |
| Auditor's remuneration: | | |
| Audit services | 1,240 | 1,200 |
| Non-audit services | 190 | 100 |
| | 1,430 | 1,300 |
| Cost of inventories sold | 43,734 | 33,279 |
| Impairment losses of assets: | | |
| Investment in an associate | 3,672 | – |
| Inventories | 290 | – |
| | 3,962 | – |
| Impairment losses/(reversal of impairment losses) of receivables, net: | | |
| Trade receivables | 2,498 | 239 |
| Other receivables | 12,404 | (1,411) |
| | 14,902 | (1,172) |
| Staff costs, including directors' emoluments: | | |
| Salaries, bonus and allowances | 14,496 | 18,851 |
| Reversal of equity-settled share options expenses, net | (1,016) | (862) |
| Retirement benefits scheme contributions | 666 | 940 |
| | 14,146 | 18,929 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

13. DIRECTORS' EMOLUMENTS

The emoluments of each director were as follows:

| Name of director | Fees HK\$'000 | Salaries and allowances HK\$'000 | Equity- settled share-based payments HK\$'000 | Retirement benefit scheme contributions HK\$'000 | Total HK\$'000 |
|--|------------------|--|---|--|-------------------|
| Executive directors | | | | | |
| Mr. Zhou Xuzhou | - | 800 | - | - | 800 |
| Dr. Zeng Wentao | - | - | (299) | - | (299) |
| Ms. Zhou Wen Chuan | - | 1,200 | (557) | 18 | 661 |
| Non-executive director | | | | | |
| Dr. Mao Zhenhua | 180 | - | - | - | 180 |
| Independent non-executive directors | | | | | |
| Professor Chau Chi Wai, Wilton | 180 | - | - | - | 180 |
| Dr. Yang Yu (Note a) | - | - | - | - | - |
| Mr. Gao Guanjiang (Note b) | 51 | - | - | - | 51 |
| Mr. Wu Peng | 120 | - | - | - | 120 |
| Total for 2023 | 531 | 2,000 | (856) | 18 | 1,693 |
| Executive directors | | | | | |
| Mr. Zhou Xuzhou | - | 800 | - | - | 800 |
| Dr. Zeng Wentao | - | 300 | (133) | - | 167 |
| Ms. Zhou Wen Chuan | - | 1,200 | (231) | 18 | 987 |
| Non-executive director | | | | | |
| Dr. Mao Zhenhua | 180 | - | - | - | 180 |
| Independent non-executive directors | | | | | |
| Professor Chau Chi Wai, Wilton | 180 | - | - | - | 180 |
| Mr. Gao Guanjiang | 180 | - | - | - | 180 |
| Mr. Wu Peng | 120 | - | - | - | 120 |
| Total for 2022 | 660 | 2,300 | (364) | 18 | 2,614 |

Notes:

(a) Appointed on 11 April 2023.

(b) Resigned on 11 April 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

13. DIRECTORS' EMOLUMENTS (Continued)

During the year, Dr. Zeng Wentao, executive directors of the Company, have agreed to waive his emoluments of HK\$300,000 (2022: HK\$Nil). Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

In prior years, certain directors were granted share options, in respect of their services to the Group, under the 2019 Share Option Scheme, further details of which are set out in note 45 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' emoluments disclosures.

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included two (2022: two) directors, whose emoluments are set out in note 13 to the consolidated financial statements. The emoluments of the remaining three (2022: three) individuals are set out below:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Salaries and allowances | 3,160 | 3,102 |
| Reversal of equity-settled share options expenses, net | (9) | (63) |
| Retirement benefit scheme contributions | 142 | 121 |
| | 3,293 | 3,160 |

The emoluments fell within the following bands:

| | Number of individuals | |
|--------------------------------|-----------------------|------|
| | 2023 | 2022 |
| Nil to HK\$1,000,000 | 1 | 2 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | – |
| HK\$1,500,001 to HK\$2,000,000 | 1 | 1 |

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

In prior years, share options were granted to the above non-directors highest paid individuals in respect of their services to the Group, under the 2019 Share Option Scheme, further details of which are included in the disclosures in note 45 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the year is included in the above non-director highest paid individuals' emoluments disclosure.

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK\$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The Group also operates several defined contribution retirement plans for its overseas subsidiaries and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. Contributions to the schemes by the Group and employees are calculated at fixed percentages of employees' basic salaries or at agreed fixed amounts.

16. DIVIDENDS

| | 2023 | 2022 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Proposed 2023 final dividend of HK0.4 cents (2022: HK1.6 cents) per share | 16,375 | 65,513 |

The Board recommend the payment of a 2023 final dividend of HK0.4 cents (2022: HK1.6 cents) per share, totalling approximately HK\$16,375,000 (2022: HK\$65,513,000). Such dividend is subject to approval by the shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|--------------------------------|------------------|
| Earnings | | |
| Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation | 40,830 | 17,822 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 4,093,234,915 | 4,109,387,935 |
| Effect of dilutive potential ordinary shares arising from share options (Note a) | – | 584,402 |
| Weighted average number of ordinary shares used in diluted earnings per share calculation | 4,093,234,915 | 4,109,972,337 |

Note:

- (a) For the year ended 31 December 2023, as the average market share price of the Company's share was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, accordingly, there would be no dilutive impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. PROPERTY, PLANT AND EQUIPMENT

| | Furniture, fixtures and equipment HK\$'000 | Leasehold improvements HK\$'000 | Total HK\$'000 |
|---|--|---|--------------------------|
| Cost | | | |
| As at 1 January 2022 | 3,388 | 3,467 | 6,855 |
| Additions | 2,820 | 1,967 | 4,787 |
| Disposal | (6) | – | (6) |
| Exchange differences | (362) | (349) | (711) |
| As at 31 December 2022 and 1 January 2023 | 5,840 | 5,085 | 10,925 |
| Additions | 596 | 231 | 827 |
| Written-off | (2,795) | – | (2,795) |
| Exchange differences | (115) | (140) | (255) |
| As at 31 December 2023 | 3,526 | 5,176 | 8,702 |
| Accumulated depreciation | | | |
| As at 1 January 2022 | 1,001 | 2,529 | 3,530 |
| Charge for the year | 833 | 595 | 1,428 |
| Disposal | (2) | – | (2) |
| Exchange differences | (100) | (222) | (322) |
| As at 31 December 2022 and 1 January 2023 | 1,732 | 2,902 | 4,634 |
| Charge for the year | 736 | 810 | 1,546 |
| Written-off | (1,251) | – | (1,251) |
| Exchange differences | (32) | (89) | (121) |
| As at 31 December 2023 | 1,185 | 3,623 | 4,808 |
| Carrying amount | | | |
| As at 31 December 2023 | 2,341 | 1,553 | 3,894 |
| As at 31 December 2022 | 4,108 | 2,183 | 6,291 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|--------------------------------|------------------|
| As at 31 December: | | |
| Right-of-use assets | | |
| — Properties | 332 | 5,154 |
| Lease commitments of short-term leases | 25 | – |
| The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows: | | |
| — Less than 1 year | 461 | 1,761 |
| — Between 1 and 5 years | – | 4,604 |
| | 461 | 6,365 |
| Year ended 31 December: | | |
| Depreciation charge of right-of-use assets | | |
| — Properties | 1,050 | 2,366 |
| Interest on lease liabilities | 177 | 334 |
| Expenses related to short-term leases | 69 | 109 |
| Total cash outflow for leases | 1,467 | 1,604 |
| Additions to right-of-use assets | – | 5,441 |
| COVID-19-related rent concessions | – | 7 |

The Group leases various items of properties and other equipment. Lease agreements are typically made for fixed periods of 1 year (2022: 2 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, and the leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR SALE

| | Investment properties HK\$'000 | Investment properties held for sale HK\$'000 | Total HK\$'000 |
|---|--------------------------------------|---|-------------------|
| As at 1 January 2022 | 593,647 | 5,978 | 599,625 |
| Fair value gains | 13,581 | – | 13,581 |
| Exchange differences | (47,079) | (469) | (47,548) |
| As at 31 December 2022 and 1 January 2023 | 560,149 | 5,509 | 565,658 |
| Additions (Note a) | 39,750 | – | 39,750 |
| Disposals (Note b) | (5,688) | (5,434) | (11,122) |
| Fair value gains | 20,086 | – | 20,086 |
| Exchange differences | (15,788) | (75) | (15,863) |
| As at 31 December 2023 | 598,509 | – | 598,509 |
| | | 2023 HK\$'000 | 2022 HK\$'000 |
| Analysed as: | | | |
| Current assets | | – | 5,509 |
| Non-current assets | | 598,509 | 560,149 |
| | | 598,509 | 565,658 |

Notes:

- (a) During the year ended 31 December 2023, the Group acquired three investment properties situated in the PRC with a cash consideration of RMB35,640,000 (equivalent to HK\$39,750,000).
- (b) During the year ended 31 December 2023, the Group disposed of three of the investment properties and investment properties held for sale at a consideration (net of tax) of RMB10,404,000 (equivalent to HK\$11,603,000), resulting in a gain on disposal of HK\$481,000.
- (c) As at 31 December 2023, the investment properties with the fair value of HK\$598,509,000 (2022: the investment properties and investment properties held for sale with the fair value of HK\$565,658,000) were situated in the PRC and were held under medium-term lease. As at 31 December 2023, the fair value of the investment properties situated in the PRC was arrived at on the basis of a valuation carried out by Roma Appraisals Limited (2022: Avista Valuation Advisory Limited), an independent professional valuer. The fair values were determined by using the income approach — term and reversionary approach, in which fair value was estimated by taking into account the rental amount in existing agreements of the properties and the reversionary potentials of the tenancies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR SALE (Continued)

Notes: (Continued)

- (d) The Group leases out certain of its investment properties under operating leases. The lease terms are ranged from 1 to 12 years (2022: 1 to 12 years). All leases are on a fixed rental basis and do not include variable lease payments.

The minimum rent receivables under non-cancellable operating leases are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Not later than one year | 18,070 | 19,415 |
| Later than one year and not later than two years | 15,168 | 16,656 |
| Later than two years and not later than three years | 13,797 | 15,129 |
| Later than three years and not later than four years | 13,725 | 14,178 |
| Later than four years and not later than five years | 14,031 | 14,104 |
| Later than five years | 10,523 | 25,233 |
| | 85,314 | 104,715 |

- (e) As at 31 December 2023, the investment properties situated in the PRC with a carrying amount of HK\$441,079,000 (2022: HK\$452,828,000) were pledged as security for the banking facilities granted to the Group (Note 38).

21. GOODWILL

| | HK\$'000 |
|---|----------|
| Cost | |
| As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023 | 47,508 |
| Accumulated impairment losses | |
| As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023 | 29,008 |
| Carrying amount | |
| As at 31 December 2023 | 18,500 |
| As at 31 December 2022 | 18,500 |

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU that are expected to benefit from that business combination. As at 31 December 2023 and 2022, the carrying amount of goodwill had been allocated to the CGU within the business segment of healthcare-related business in the PRC.

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method, performed by an independent professional valuer who has staff members with appropriate experience and qualifications. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on the long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations of market development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

21. GOODWILL (Continued)

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 2.2% (2022: 2.5%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's healthcare-related business is 17.65% (2022: 21.3%).

22. OTHER INTANGIBLE ASSETS

| | Computer systems HK\$'000 |
|---|---|
| Cost | |
| As at 1 January 2022 | 240 |
| Additions — acquired separately | 40 |
| Exchange differences | (21) |
| As at 31 December 2022 and 1 January 2023 | 259 |
| Exchange differences | (7) |
| As at 31 December 2023 | 252 |
| Accumulated amortisation | |
| As at 1 January 2022 | 173 |
| Amortisation for the year | 58 |
| Exchange differences | (16) |
| As at 31 December 2022 and 1 January 2023 | 215 |
| Amortisation for the year | 43 |
| Exchange differences | (6) |
| As at 31 December 2023 | 252 |
| Carrying amount | |
| As at 31 December 2023 | — |
| As at 31 December 2022 | 44 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2023 are as follows:

| Name | Place of incorporation/ registration and business | Issued/ registered capital | Percentage of ownership interest/ voting power/ profit sharing | | Principal activities |
|--|---|-------------------------------|--|----------|-------------------------------------|
| | | | Direct | Indirect | |
| Meilleure Hemp International Holdings Limited | BVI | USD50,000 | 100% | – | Investment holding |
| Meipro Biological Technology Company Limited | Hong Kong | HK\$10,000,000 | – | 71% | Investment holding |
| Base Affirm International Limited | BVI | USD1,000 | – | 100% | Investment holding |
| Meilleure Hemp Health Europe SA | Switzerland | CHF100,000 | – | 100% | Industrial hemp-related business |
| Green Gold Health SA | Switzerland | CHF100,000 | – | 100% | Industrial hemp-related business |
| Jiwa International Limited | Hong Kong | HK\$1,000,000 | – | 100% | Provision of management services |
| Meilleure Hemp Holding Limited | Hong Kong | HK\$1,000,000 | – | 100% | Investment holding |
| Shenzhen Ruima Technology Co., Ltd. (深圳瑞麻科技有限公司) ^{1,5} | PRC | RMB10,000,000 | – | 100% | Investment holding |
| Shenzhen Meilleure Health Technology Co., Ltd. (深圳市美瑞健康科技有限公司) ^{2,5} | PRC | RMB30,000,000 | – | 100% | Sale of healthcare-related products |
| Shenzhen Jixiaojian Hanking Aesthetic Medical Clinic (深圳肌小簡漢京醫療美容診所) ^{2,5} | PRC | RMB5,000,000 | – | 100% | Aesthetic medical services |
| Shenzhen Jixiaojian Beauty Technology Services Co., Ltd. (深圳肌小簡美容科技服務有限公司) (formerly known as Ruima Huanuo (Shenzhen) Management Co., Ltd. (瑞麻華諾(深圳)管理有限公司)) ^{2,5} | PRC | RMB100,000 | – | 100% | Investment holding |
| Shenzhen Ruima Biotechnology Co., Ltd. (深圳市瑞麻生物科技有限公司) ^{2,5} | PRC | RMB1,000,000 | – | 100% | Investment holding |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and business | Issued/ registered capital | Percentage of ownership interest/ voting power/ profit sharing | | Principal activities |
|---|---|-------------------------------|--|----------|--|
| | | | Direct | Indirect | |
| Wuhu Ruima Tianyu Investment Co., Ltd. ("Wuhu Ruima") (蕪湖瑞麻天宇投資有限公司) ^{2,3,5} | PRC | RMB20,000,000 | – | 100% | Investment holding |
| Meilleure Group Development Company Ltd | BVI | USD1 | 100% | – | Investment holding |
| Meilleure Enterprise Development Company Limited | Hong Kong | HK\$100 | – | 100% | Investment holding |
| Wuhu Meilleure Health Management Co., Ltd. (蕪湖美瑞健康管理有限公司) ^{1,5} | PRC | RMB150,000,000 | – | 100% | Property leasing, trading of construction materials and agency services |
| Meilleure Property Management and Consultancy Co. Limited | Hong Kong | HK\$100 | – | 100% | Investment holding |
| Nanjing Tuoyu Property Management Co., Ltd. (南京拓宇置業管理有限公司) ^{1,5} | PRC | RMB2,000,000 | – | 100% | Agency services |
| U-Home International Enterprises Limited | BVI | USD1,000 | 100% | – | Investment holding |
| U-Home Oceania Pty Limited | Australia | AUD100 | – | 100% | Property development |
| Australia Hemp Health Pty Ltd | Australia | AUD100 | – | 100% | Industrial hemp-related business |
| Meilleure Group Health Service Company Limited | Hong Kong | HK\$10,000,000 | – | 100% | Investment holding |
| Bairui (Shenzhen) Health Management Company Limited (柏瑞(深圳)健康管理有限公司) ^{1,5} | PRC | RMB5,000,000 | – | 100% | Health management |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and business | Issued/ registered capital | Percentage of ownership interest/ voting power/ profit sharing | | Principal activities |
|--|---|-------------------------------|--|----------|--|
| | | | Direct | Indirect | |
| Nanjing Bairui Medical Health Management Co., Ltd. (南京柏瑞醫療健康管理有限公司) ^{2,5} | PRC | RMB10,000,000 | – | 100% | Health management |
| Shenzhen Jibenfenxi Aesthetic Medical Clinic (深圳肌本分析醫療美容診所) ^{2,5} | PRC | RMB10,000,000 | – | 80% | Health management and aesthetic medical services |
| Meilleure Health Investment Limited | Hong Kong | HK\$10,000 | – | 100% | Investment holding |
| Wuhu Jinmeng Health Management Co., Ltd. (蕪湖金萌健康管理有限公司) ^{1,5} | PRC | RMB10,000,000 | – | 100% | Investment holding |
| Nanjing Mei Jia Rui Business Information Consulting Co., Ltd. (南京美加瑞商務信息諮詢有限公司) ^{2,5} | PRC | RMB8,000,000 | – | 100% | Property leasing and agency services |
| Wuhu Xiaozhou Investment Co., Ltd. (蕪湖曉舟投資有限公司) ^{2,5} | PRC | RMB1,000,000 | – | 100% | Investment holding |
| Meilleure Group Health Service Company Limited | BVI | USD1 | 100% | – | Investment holding |
| Meilleure Healthcare Company Limited | Hong Kong | HK\$10,000 | – | 100% | Investment holding |
| Shenzhen Qianhai Meilleure Health Management Consulting Co., Ltd (深圳市前海美瑞健康管理諮詢有限公司) ^{1,5} | PRC | RMB20,000,000 | – | 100% | Health management |
| U-Seraphim Company Limited ³ | Hong Kong | HK\$29,000,000 | – | 100% | Trading of renewable energy products |
| U-home Solar SA ³ | Switzerland | CHF100,000 | – | 100% | Trading of renewable energy products |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and business | Issued/ registered capital | Percentage of ownership interest/ voting power/ profit sharing | | Principal activities |
|--|---|-------------------------------|--|----------|---------------------------|
| | | | Direct | Indirect | |
| Wuhu Ruimei Kuncheng Industrial Investment Co., Ltd. (蕪湖瑞美昆城產業有限公司) ^{2,4,5} | PRC | RMB5,000,000 | – | 100% | Property leasing services |
| Wuhu Ruimei Kunhe Industrial Investment Co., Ltd. (蕪湖瑞美昆和產業投資有限公司) ^{2,4,5} | PRC | RMB6,000,000 | – | 100% | Property leasing business |
| Kunshan Ruimei Kunrun Industrial Investment Co., Ltd. (昆山瑞美昆潤產業投資有限公司) ^{2,4,5} | PRC | RMB5,000,000 | – | 100% | Property leasing business |

¹ These are registered as wholly foreign-owned and limited liability companies under PRC law.

² These are registered as limited liability companies under PRC law.

³ The subsidiaries were established by the Group in 2022.

⁴ The subsidiaries were established by the Group in 2023.

⁵ English company names are translated for identification purposes only.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries of the Group had any debt securities outstanding at the end of the Reporting Period or at any time during the year.

The Directors are of the opinion that none of the Group's subsidiaries that have non-controlling interests is material to the consolidated financial statements as a whole; therefore, the financial information in respect of those subsidiaries that have non-controlling interests are not presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. INVESTMENTS IN ASSOCIATES

| | 2023 | 2022 |
|------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Unlisted investments in PRC: | | |
| Share of net assets | 1,276 | 1,465 |
| Goodwill | 8,052 | 8,275 |
| Impairment | (3,622) | – |
| | 5,706 | 9,740 |

Notes:

- (a) During the year ended 31 December 2023, the Group has established Guangdong U-light with a 10% contribution. The Group appointed a representation on the board of directors of Guangdong U-light. With the Group's presence on the board of directors of Guangdong U-light and participation in the financial and operating policies of Guangdong U-light, the Directors considered that the Group could exercise significant influence over Guangdong U-light despite the fact that the interest held by the Group is below 20%. Accordingly, Guangdong U-light was accounted for as an associate.
- (b) During the year ended 31 December 2020, the Group disposed of 4.55% equity interest in Yunnan Hansu for cash consideration of RMB36,000,000 (equivalent to HK\$39,876,000), resulting in a gain on partial disposal of investment in an associate in the amount of HK\$31,713,000. After the disposal, the Group's equity interest in Yunnan Hansu was decreased from 25.55% to 21%. During the year ended 31 December 2021, the Group received cash consideration of RMB3,500,000 (equivalent to HK\$4,224,000). Pursuant to the relevant sale and purchase agreement amended by the first supplementary agreement dated 31 December 2020 and the second supplementary agreement dated 30 November 2021 entered into between the Group and the relevant purchaser, undiscounted cash consideration of RMB16,500,000 (equivalent to HK\$20,244,000) as at 31 December 2021 shall be received by 11 instalments from 2022 to 2024. During the year ended 31 December 2023, the Group received cash consideration of RMB3,000,000 (equivalent to HK\$3,346,000) (2022: RMB6,000,000 (equivalent to HK\$7,060,000)).

In September 2022, the Group disposed of 1.5% equity interest in Yunnan Hansu for cash consideration of RMB2,100,000 (equivalent to HK\$2,471,000), resulting in a gain on deemed disposal of investment in an associate in the amount of HK\$3,093,000. After the disposal, the Group's equity interest in Yunnan Hansu was decreased from 21% to 19.5% and therefore ceased to have significant influence over Yunnan Hansu. Yunnan Hansu ceased to be an associate of the Group and thus the Group discontinued the use of the equity method on its investment in Yunnan Hansu, and accordingly, the investment in Yunnan Hansu at the date when significant influence is lost was recognised at fair value and this amount was regarded as the fair value on initial recognition of equity investment at FVTOCI (note 26(c)).

- (c) As at 31 December 2020, the Group held 13.81% equity interest of Shenzhen Gippro and this investment was recorded as equity investments at FVTOCI. During the year ended 31 December 2021, the Group appointed a representation on the board of directors of Shenzhen Gippro. With the Group's presence on the board of directors of Shenzhen Gippro and participation in the financial and operating policies of Shenzhen Gippro, the Directors considered that the Group could exercise significant influence over Shenzhen Gippro despite the fact that the interest held by the Group is below 20%. Accordingly, Shenzhen Gippro was accounted for as an associate since then. In April 2021, Shenzhen Gippro effected an increase in registered capital whereby a new investor injected additional capital to Shenzhen Gippro. As a result of such an increase in registered capital, the Group's equity interest in Shenzhen Gippro was diluted from 13.81% to 13.54%, and a dilution gain of HK\$343,000 was recognised. Despite the dilution in equity interest, the Group was still able to exert significant influence over Shenzhen Gippro. Accordingly, the Group continues to account for such investment as an associate.

In September 2022, the Group ceased to have significant influence over Shenzhen Gippro as a result of resignation of the representation of the Group on the board of directors of Shenzhen Gippro. Shenzhen Gippro ceased to be an associate of the Group and thus the Group discontinued the use of the equity method on its investment in Shenzhen Gippro, and accordingly, the investment in Shenzhen Gippro at the date when significant influence is lost was recognised at fair value and this amount was regarded as the fair value on initial recognition of equity investment at FVTOCI (note 26(d)).

Immediately after the loss of significant influence over Shenzhen Gippro, it was accounted for as a deemed disposal of the entire interest in Shenzhen Gippro, with a resulting gain of approximately HK\$3,116,000 on deemed disposal of investment in an associate being recognised in profit or loss during the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. INVESTMENTS IN ASSOCIATES (Continued)

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

| Name | Yunnan Hansu | Mei Ai Kang | |
|--|-----------------|------------------|----------|
| | 2022 | 2023 | 2022 |
| Principal place of business/country of incorporation | PRC | PRC | |
| Principal activities | Hemp processing | Immune cells R&D | |
| % of ownership interests/ voting rights held by the Group | – | 20.83% | 20.83%/ |
| | – | 20.83% | 20.83% |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 31 December: | | | |
| Non-current assets | – | 1,576 | 1,767 |
| Current assets | – | 4,122 | 5,382 |
| Current liabilities | – | (102) | (114) |
| Net assets | – | 5,596 | 7,035 |
| Group's share of net assets | – | 1,166 | 1,465 |
| Goodwill | – | 8,052 | 8,275 |
| Impairment | – | (3,622) | – |
| Group's share of carrying amount of interests | – | 5,596 | 9,740 |
| Year ended 31 December: | | | |
| Revenue | 5,417 | – | – |
| Loss for the year | (8,964) | (1,267) | (1,533) |
| Other comprehensive loss | – | (172) | (664) |
| Total comprehensive loss | (8,964) | (1,439) | (2,197) |
| Dividends received from associates | – | – | – |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. INVESTMENTS IN ASSOCIATES (Continued)

| Name | Guangdong U-light | Shenzhen Gipro |
|--|--|---|
| | 2023 | 2022 |
| Principal place of business/country of incorporation | PRC | PRC |
| Principal activities | Investment, construction and operation of zero-carbon parks | Manufacturing and sales of electronic cigarettes and other nicotine- free atomised devices |
| % of ownership interests/ voting rights held by the Group | 10% 10% | – – |
| | HK\$'000 | HK\$'000 |
| As at 31 December: | | |
| Non-current assets | – | – |
| Current assets | 1,100 | – |
| Non-current liabilities | – | – |
| Current liabilities | – | – |
| Net assets | 1,100 | – |
| Group's share of net assets | 110 | – |
| Goodwill | – | – |
| Group's share of carrying amount of interests | 110 | – |
| Period from 13 November 2023 (date of commencement equity method accounting) to 31 December 2023: | | |
| Revenue | – | 23,807 |
| Loss for the period | – | (3,850) |
| Other comprehensive loss | – | (1,323) |
| Total comprehensive loss | – | (5,173) |
| Dividends received from associates | – | – |

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24. INVESTMENTS IN ASSOCIATES *(Continued)*

Mei Ai Kang is a strategic investment of the Group, enabling the Group to establish its presence in the immune cells R&D and related business.

As at 31 December 2023, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to HK\$1,303,000 (2022: HK\$119,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

25. INVESTMENT IN A JOINT VENTURE

| | 2023 HK\$'000 | 2022 HK\$'000 |
|------------------------------|------------------|------------------|
| Unlisted investments in PRC: | | |
| Share of net assets | 18,789 | 21,738 |
| Goodwill | 34,660 | 35,618 |
| | 53,449 | 57,356 |

Notes:

- (a) In November 2022, the Group disposed of all of its 45% equity interest in Meiray Vap at a cash consideration of RMB3,500,000 (equivalent to HK\$4,119,000), resulting in a gain on disposal of HK\$3,746,000. Upon completion of the disposal, Meiray Vap ceased to be classified as a joint venture.

The following tables show information of joint ventures that are material to the Group. The joint venture is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint ventures.

| Name | Wingor Bio | | Meiray Vap |
|--|--------------------------------|---------|--|
| | 2023 | 2022 | 2022 |
| Principal place of business/country of incorporation | PRC | | PRC |
| Principal activities | Biological service and storage | | Manufacturing of CBD atomisation products and other supplies |
| % of ownership interests/ voting rights held by the Group | 35.20% | 35.20%/ | – |
| | 35.20% | 35.20% | – |

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25. INVESTMENT IN A JOINT VENTURE (Continued)

| Name | Wingor Bio | | Meiray Vap |
|---|------------------|------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2022 HK\$'000 |
| As at 31 December: | | | |
| Non-current assets | 25,504 | 26,047 | – |
| Current assets | 39,542 | 46,752 | – |
| Non-current liabilities | (6,689) | (7,946) | – |
| Current liabilities | (5,979) | (4,033) | – |
| Net assets | 52,378 | 60,820 | – |
| Non-controlling interests | 997 | 934 | – |
| | 53,375 | 61,754 | – |
| Group's share of net assets | 18,789 | 21,738 | – |
| Goodwill | 34,660 | 35,618 | – |
| Group's share of carrying amount of interests | 53,449 | 57,356 | – |
| Cash and cash equivalents included in current assets | 13,514 | 27,710 | – |
| Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities | 1,957 | 1,472 | – |
| Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities | 5,624 | 6,652 | – |

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25. INVESTMENT IN A JOINT VENTURE *(Continued)*

| Name | Wingor Bio | Meiray Vap | |
|--|------------------|------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2022 HK\$'000 |
| Year ended 31 December: | | | |
| Revenue | 24,619 | 23,844 | 6,440 |
| Depreciation and amortisation | (4,668) | (4,224) | (820) |
| Interest income | 169 | 244 | 1 |
| Interest expense | (512) | (540) | (101) |
| Income tax income | 3,998 | 2,434 | – |
| Loss for the year | (11,705) | (27,246) | (5,789) |
| Other comprehensive loss | (1,542) | (6,085) | – |
| Total comprehensive loss | (13,247) | (33,331) | (5,789) |
| Dividends received from joint ventures | – | – | – |

Wingor Bio is a strategic investment of the Group, enabling the Group to solidify its existing competitive position in the health management service field.

As at 31 December 2023, the bank and cash balances of the Group's joint ventures in the PRC denominated in RMB amounted to HK\$13,514,000 (2022: HK\$27,710,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. EQUITY INVESTMENTS AT FVTOCI

| | 2023 | 2022 |
|-----------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Unlisted equity investments | 24,470 | 46,213 |

- (a) The above investments amounting to HK\$24,470,000 as at 31 December 2023 (2022: HK\$46,213,000) were intended to be held for the medium to long-term. Designation of these investments as equity investments at FVTOCI could avoid the volatility of the fair value changes of these investments to the profit or loss.
- (b) During the year ended 31 December 2023, the Group did not receive any dividends from its investments (2022: Nil).
- (c) As disclosed in note 24(b) to the consolidated financial statements, during the year ended 31 December 2022, Yunnan Hansu became an unlisted equity investment at FVTOCI of the Group as a result of loss of significant influence over Yunnan Hansu.
- (d) As disclosed in note 24(c) to the consolidated financial statements, during the year ended 31 December 2021, Shenzhen Gippro, one of the unlisted equity investments at FVTOCI became an associate of the Group as a result of obtaining significant influence over Shenzhen Gippro. The cumulative loss on deemed disposal of previously held equity investment at FVTOCI of HK\$17,233,000 has been transferred from the equity investment revaluation reserve to retained profits.

During the year ended 31 December 2022, Shenzhen Gippro became an unlisted equity investment at FVTOCI of the Group as a result of loss of significant influence over Shenzhen Gippro.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

27. DERIVATIVE FINANCIAL ASSETS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------|--------------------------------|------------------|
| Call Options | 877 | 314 |

Note:

- (a) The balance represents the call option arising from a subscription of certain equity interest in Mei Ai Kang (Note 24). Pursuant to the Capital Injection Agreement (amended by the supplementary agreement dated 28 December 2020 entered into between the Group, Mei Ai Kang and the controlling shareholder of Mei Ai Kang), Mei Ai Kang granted the Group the following rights:
1. right to inject not more than RMB10,000,000 into Mei Ai Kang upon the fulfilment of certain conditions, which resulted in the increase in the Group's equity interest in Mei Ai Kang to 30%; and
 2. right to further inject RMB10,000,000 into Mei Ai Kang as the operation requires and the funding needs of Mei Ai Kang, which resulted in the further increase in the Group's equity interest in Mei Ai Kang to 37%.

The amount of derivative financial assets expected to be recovered after more than one year is HK\$877,000 (2022: HK\$314,000).

The derivative financial assets are not designated for hedge purposes and are measured at FVTPL. Fair value gains on derivative financial assets amounting to HK\$580,000 (2022: HK\$111,000) were charged to profit or loss during the year.

28. INVENTORIES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|--------------------------------|------------------|
| Renewable energy products for sale | 3,289 | 1,278 |
| Medicines, consumables and other supplies for healthcare-related business | 593 | 1,740 |
| CBD downstream products for sales and other supplies | 472 | 853 |
| Construction materials for sale | – | 2,643 |
| | 4,354 | 6,514 |

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For the year ended 31 December 2023

29. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

| | 2023 | 2022 |
|-------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| As at 1 January | 256,519 | 259,064 |
| Capitalised expenditure | 6,401 | 13,626 |
| Exchange differences | (435) | (16,171) |
| As at 31 December | 262,485 | 256,519 |

Note:

- (a) As at 31 December 2023, the properties held for sale under development situated in Australia with a carrying amount of HK\$201,169,000 (2022: N/A) were pledged as security for the banking facilities granted to the Group (Note 38).

According to the accounting policy of the Group, properties held for sale under development are classified as current assets as the construction period of the relevant property development project is expected to be completed in the normal operating cycle.

The carrying amount of properties held for sale under development of approximately HK\$262,485,000 (2022: HK\$256,519,000) as at 31 December 2023 is expected not to be realised within the next twelve months from the end of the reporting period.

30. TRADE RECEIVABLES

| | 2023 | 2022 |
|------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Trade receivables | 106,589 | 103,992 |
| Provision for loss allowance | (5,056) | (2,638) |
| | 101,533 | 101,354 |

The Group generally allows a credit period of 0 to 180 days (2022: 0 to 180 days) to its customers in trading business and agency service business. Overdue balances are reviewed regularly by the management of the Group. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from (i) fellow subsidiaries of the Group and (ii) one of the Directors of the Group of HK\$300,000 (2022: HK\$7,248,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

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For the year ended 31 December 2023

30. TRADE RECEIVABLES (Continued)

The ageing analysis of the trade receivables, based on the invoice date, and net of allowance, is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---------------|--------------------------------|------------------|
| 0 to 30 days | 25,945 | 17,696 |
| 31 to 90 days | 24,456 | 8,859 |
| Over 90 days | 51,132 | 74,799 |
| | 101,533 | 101,354 |

Reconciliation of loss allowance for trade receivables:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|--------------------------------|------------------|
| As at 1 January | 2,638 | 2,534 |
| Increase in loss allowance for the year | 2,498 | 239 |
| Exchange differences | (80) | (135) |
| As at 31 December | 5,056 | 2,638 |

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information.

| | Past due | | | | Total |
|-------------------------------------|-----------------|------------------------------|--------------------------|-------------------------|----------------|
| | Current | Less than 30 days | 30 to 90 days | Over 90 days | |
| As at 31 December 2023 | | | | | |
| Weighted average expected loss rate | 3.96% | 0.87% | 0.02% | 6.88% | 4.74% |
| Receivable amount (HK\$'000) | 49,970 | 3,317 | 9,067 | 44,235 | 106,589 |
| Loss allowance (HK\$'000) | 1,981 | 29 | 2 | 3,044 | 5,056 |
| As at 31 December 2022 | | | | | |
| Weighted average expected loss rate | 2.59% | 0.11% | 0.00% | 2.76% | 2.54% |
| Receivable amount (HK\$'000) | 36,727 | 1,851 | 4,363 | 61,051 | 103,992 |
| Loss allowance (HK\$'000) | 953 | 2 | – | 1,683 | 2,638 |

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For the year ended 31 December 2023

31. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2023 | 2022 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Prepayments (Note a) | 224,582 | 56,540 |
| Loan receivables (Note b) | 203,556 | 239,003 |
| Consideration receivables in relation to: | | |
| — Partial disposal of investment in an associate (Note c) | 9,805 | 13,971 |
| — Partial disposal of investment in a joint venture (Note d) | 6,267 | 6,288 |
| Other receivables | 6,443 | 3,010 |
| Loan interest income receivables (Note b) | 5,713 | 17,610 |
| Performance bond receivable (Note e) | 5,501 | 15,830 |
| Other tax receivables | 1,641 | 1,679 |
| Deposits paid | 183 | 188 |
| | 463,691 | 354,119 |
| Provision for loss allowance (Note f) | (13,917) | (2,844) |
| | 449,774 | 351,275 |
| Analysed as: | | |
| Current assets | 432,026 | 341,134 |
| Non-current assets | 17,748 | 10,141 |
| | 449,774 | 351,275 |

Notes:

- (a) The amounts mainly represented the advance payment to suppliers for renewable energy products and construction materials.
- (b) As at 31 December 2023, loan receivables with carrying amounts of HK\$203,556,000 are denominated in RMB, unsecured and bear fixed interest rates at 4% per annum (2022: loan receivables with carrying amounts of HK\$199,003,000 are denominated in RMB, unsecured and bear fixed interest rates ranging from 3% to 8% per annum. The remaining loan receivables of HK\$40,000,000 are denominated in HKD, unsecured and bear fixed interest rate of 12.5% per annum). The entire amount of principals and interests shall be received in full in or before the second half of 2024.
- (c) The amount represented the consideration receivable in relation to the partial disposal of investment in Yunnan Hansu during the year ended 31 December 2020. Pursuant to the relevant sale and purchase agreement amended by the first supplementary agreement dated 31 December 2020 and the second supplementary agreement dated 30 November 2021 entered into between the Group and the relevant purchaser, undiscounted consideration receivable of RMB16,500,000 (equivalent to HK\$20,244,000) as at 31 December 2021 shall be received by 11 instalments from 2022 to 2024. Details of the partial disposal of investment in Yunnan Hansu are set out in note 24 to the consolidated financial statements.
- (d) The amount represented the consideration receivable in relation to the partial disposal of investment in Wingor Bio during the year ended 31 December 2021. Pursuant to the relevant sale and purchase agreement, the cash consideration shall be received in or before 2028.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

- (e) The amount represented performance bond receivable from an associate of a fellow subsidiary of the Group.
- (f) The movements in the loss allowance for other receivables during the year are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|--------------------------------|------------------|
| As at 1 January | 2,844 | 4,557 |
| Amounts written off | (1,106) | – |
| Increase/(decrease) in loss allowance for the year | 12,404 | (1,411) |
| Exchange differences | (225) | (302) |
| As at 31 December | 13,917 | 2,844 |

32. INVESTMENTS AT FVTPL

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|--------------------------------|------------------|
| Equity investment listed in PRC (Note a) | – | 32,588 |
| Unlisted equity investments | 28,099 | 22,575 |
| | 28,099 | 55,163 |
| Analysed as: | | |
| Current assets | – | – |
| Non-current assets | 28,099 | 55,163 |
| | 28,099 | 55,163 |

Note:

- (a) During the year ended 31 December 2023, the Group disposed of the equity investment at FVTPL listed in PRC at cash consideration RMB33,563,000 (equivalent to HK\$35,599,000), resulting in a gain on disposal of HK\$3,419,000.

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33. RESTRICTED BANK DEPOSIT AND BANK AND CASH BALANCES

The Group's restricted bank deposit amounted to HK\$12,073,000 as at 31 December 2023 represented a deposit placed with a bank to secure the bank borrowing of the Group in the relevant financial institution. The deposit was denominated in AUD and therefore was subject to foreign currency risk.

As at 31 December 2023, the aggregated amount of restricted bank deposit and bank and cash balances (2022: bank and cash balances) of the Group denominated in RMB amounted to HK\$97,677,000 (2022: HK\$131,492,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

34. TRADE PAYABLES

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------|--------------------------------|------------------|
| 0 to 90 days | 16 | 16 |
| Over 90 days | 4 | 27 |
| | 20 | 43 |

35. CONTRACT LIABILITIES

Disclosures of revenue-related items:

| | As at 31 December 2023 HK\$'000 | As at 31 December 2022 HK\$'000 | As at 1 January 2022 HK\$'000 |
|---|--|--|--|
| Contract liabilities — Healthcare management services | 387 | 920 | 2,946 |
| Contract liabilities — Aesthetic medical services | 3,810 | 2,526 | 1,277 |
| Contract liabilities — Sales of CBD downstream products | 39 | 74 | 80 |
| Contract liabilities — Sales of healthcare-related products | 1,858 | 487 | – |
| Contract liabilities — Sales of residential properties | 4,009 | 1,511 | – |
| Contract liabilities — Sales of renewable energy products | 55 | – | – |
| Total contract liabilities | 10,158 | 5,518 | 4,303 |
| Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in: | | | |
| — 2023 | – | 4,007 | |
| — 2024 | 6,149 | – | |
| — 2025 | – | 1,511 | |
| — 2027 | 15,036 | – | |
| | 21,185 | 5,518 | |

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For the year ended 31 December 2023

35. CONTRACT LIABILITIES (Continued)

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Year ended 31 December | | |
| Revenue recognised in the year that was included in contract liabilities at beginning of year | 4,007 | 4,303 |

Significant changes in contract liabilities during the year:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Increase due to operations in the year | 20,470 | 10,515 |
| Transfer of contract liabilities to revenue | (15,709) | (8,913) |

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

Included in the Group's contract liabilities balance are aggregate amount of HK\$441,000 (2022: HK\$240,000) received from related parties, which are (i) one of the Directors of the Group; (ii) three of the members of key management personnel of the Group; (iii) a close family member of one of the Directors; and (iv) fellow subsidiaries of the Group (2022: (i) one of the Directors of the Group; (ii) five of the members of key management personnel of the Group; (iii) a close family member of one of the Directors; and (iv) fellow subsidiaries of the Group).

36. ACCRUALS AND OTHER PAYABLES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Construction cost payable | 13,366 | 9,247 |
| Other tax payables | 1,441 | 5,696 |
| Deposit received for disposal of investment property held for sale | – | 4,069 |
| Rental income received in advance | 6,033 | 4,059 |
| Accruals and other payables | 3,050 | 3,634 |
| Construction retention payables | 1,320 | 1,322 |
| Rental deposits received | 1,010 | 863 |
| Payroll payables | 586 | 828 |
| | 26,806 | 29,718 |
| Analysed as: | | |
| Current liabilities | 26,577 | 29,488 |
| Non-current liabilities | 229 | 230 |
| | 26,806 | 29,718 |

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37. AMOUNTS DUE TO RELATED PARTIES

The balances are unsecured, interest-free and have no fixed terms of repayable.

38. BANK BORROWINGS

| | 2023 | 2022 |
|---|------------------|----------|
| | HK\$'000 | HK\$'000 |
| Secured bank loans | 296,613 | 243,439 |
| The carrying amounts of bank loans are repayable*: | | |
| Within one year | 159,298 | 78,235 |
| In the second year | 30,175 | 31,279 |
| In the third to fifth years, inclusive | 76,495 | 84,292 |
| Beyond five years | 30,645 | 49,633 |
| | 296,613 | 243,439 |
| Less: Amounts due within one year shown under current liabilities | (159,298) | (78,235) |
| Amounts shown under non-current liabilities | 137,315 | 165,204 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2023, certain of the Group's bank loans were secured by:

- (a) the Group's investment properties situated in the PRC with a carrying amount of HK\$441,079,000 (2022: HK\$452,828,000) (Note 20);
- (b) a personal guarantee provided by Mr. Zhou Xuzhou (2022: a personal guarantee provided by Mr. Zhou Xuzhou) (Note 48(b)(i));
- (c) a personal guarantee provided by Ms. Zhou Wen Chuan (2022: a personal guarantee provided by Ms. Zhou Wen Chuan) (Note 48(b)(i));
- (d) a personal guarantee provided by a close family member of one of the Directors (2022: a personal guarantee provided by a close family member of one of the Directors) (Note 48(b)(i));
- (e) certain buildings owned by a related company controlled by one of the Directors (2022: certain buildings owned by a related company controlled by one of the Directors) (Note 48(b)(i));
- (f) a corporate guarantee provided by a related company controlled by one of the Directors (2022: a corporate guarantee provided by a related company controlled by one of the Directors) (Note 48(b)(i));
- (g) the Group's restricted bank deposit of HK\$12,073,000 (2022: N/A) (Note 33); and
- (h) the Group's properties held for sale under development with a carrying amount of HK\$201,169,000 (2022: N/A) (Note 29).

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38. BANK BORROWINGS (Continued)

Secured bank loans comprise:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Fixed-rate borrowings: | | |
| RMB bank loan at 4.45% p.a. ¹ | 79,222 | 90,456 |
| RMB bank loan at 4% p.a. ² | 33,009 | 33,921 |
| RMB bank loan at 4.15% p.a. ² | 7,702 | 11,081 |
| RMB bank loan at 4.5% p.a. ² | 11,003 | – |
| Floating-rate borrowings: | | |
| RMB bank loan at 22.449% higher than the benchmark interest rate for RMB loans for more than five years published by People's Bank of China for the same period ^{3,4} | 90,224 | 107,981 |
| AUD bank loan at benchmark interest rate published by Australia's central bank ^{2,4} | 75,453 | – |
| | 296,613 | 243,439 |

¹ Repayable by instalments commencing in 2022 to 2032.

² Repayable in full in 2024.

³ Repayable by instalments commencing in 2019 to 2029.

⁴ The interest rate will be reset every month.

39. LEASE LIABILITIES

| | Lease payments | | Present value of lease payments | |
|--|------------------|------------------|---------------------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 |
| Within one year | 461 | 1,761 | 450 | 1,710 |
| In the second year | – | 1,711 | – | 1,569 |
| In the third to fifth years, inclusive | – | 2,893 | – | 2,411 |
| Less: Future finance charges | 461 (11) | 6,365 (675) | | |
| Present value of lease liabilities | 450 | 5,690 | 450 | 5,690 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (450) | (1,710) |
| Amount due for settlement after 12 months | | | – | 3,980 |

As at 31 December 2023, the average effective borrowing rate ranged from 2% to 6% (2022: from 2% to 6%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

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40. DEFERRED TAX

The following is the major deferred tax liabilities and assets recognised by the Group:

| | Fair value change of financial instruments | Fair value change of investment properties | Withholding tax | Impairment of assets | Depreciation charge of right-of-use assets | Tax losses | Total |
|--|---|---|--------------------|-------------------------|---|-----------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 1 January 2022 | 4,291 | 71,784 | 1,624 | (588) | (35) | (12,753) | 64,323 |
| Charge/(credit) to profit or loss for the year (Note 11) | | | | | | | |
| — origination and reversal of temporary differences | (5,642) | 7,294 | (13) | (49) | (106) | (4,702) | (3,218) |
| Charge to other comprehensive loss | | | | | | | |
| — origination and reversal of temporary differences | 1,782 | — | — | — | — | — | 1,782 |
| Exchange differences | (185) | (5,915) | (127) | 48 | 7 | 930 | (5,242) |
| As at 31 December 2022 and 1 January 2023 | 246 | 73,163 | 1,484 | (589) | (134) | (16,525) | 57,645 |
| Charge/(credit) to profit or loss for the year (Note 11) | | | | | | | |
| — origination and reversal of temporary differences | 3,151 | 6,929 | (750) | (2,766) | 103 | (2,643) | 4,024 |
| Charge to other comprehensive loss | | | | | | | |
| — origination and reversal of temporary differences | (5,195) | — | — | — | — | — | (5,195) |
| Exchange differences | 21 | (2,060) | (30) | 54 | 2 | 44 | (1,969) |
| As at 31 December 2023 | (1,777) | 78,032 | 704 | (3,301) | (29) | (19,124) | 54,505 |

The following is the analysis of the deferred tax balances for the consolidated statement of financial position purposes:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax liabilities | 81,350 | 77,824 |
| Deferred tax assets | (26,845) | (20,179) |
| | 54,505 | 57,645 |

At the end of the Reporting Period, the Group has unused tax losses of HK\$120,276,000 (2022: HK\$96,075,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$64,620,000 (2022: HK\$55,814,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$55,656,000 (2022: HK\$40,261,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses arising from the PRC and Switzerland of HK\$24,122,000 (2022: HK\$11,960,000) that will expire within 5 years. Other tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. DEFERRED TAX (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. As at 31 December 2023, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK\$45,553,000 (2022: HK\$39,699,000). No liability has been recognised in respect of these differences because the Group controls the dividend policy of these subsidiaries, and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.

41. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|--|---------------------|--------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.01 each | | |
| As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023 | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each | | |
| As at 1 January 2022 | 4,214,086,636 | 42,141 |
| Cancellation of shares (Note 42) | (119,538,000) | (1,196) |
| As at 31 December 2022 and 1 January 2023 | 4,094,548,636 | 40,945 |
| Cancellation of shares (Note 42) | (792,000) | (7) |
| As at 31 December 2023 | 4,093,756,636 | 40,938 |

42. TREASURY SHARES

| | Number of shares | Amount HK\$'000 |
|---------------------------------|---------------------|--------------------|
| As at 1 January 2022 | 33,684,000 | 15,209 |
| Repurchase of shares (Note a) | 86,646,000 | 37,017 |
| Cancellation of shares (Note a) | (119,538,000) | (51,995) |
| As at 31 December 2022 | 792,000 | 231 |
| Repurchase of shares (Note a) | 1,194,000 | 335 |
| Cancellation of shares (Note a) | (792,000) | (231) |
| As at 31 December 2023 | 1,194,000 | 335 |

Note:

- (a) During the year ended 31 December 2023, the Group repurchased a total of 1,194,000 (2022: 86,646,000) ordinary shares listed on the Stock Exchange. The total amount paid to repurchase these ordinary shares was approximately HK\$335,000 (2022: HK\$37,017,000). As of 31 December 2023, 792,000 (2022: 119,538,000) shares repurchased during the prior reporting periods had been cancelled. Upon the cancellation of the 792,000 (2022: 119,538,000) ordinary shares repurchased, the issued share capital of the Company was reduced by the par value of approximately HK\$7,000 (2022: HK\$1,196,000), and the premium paid on the repurchase of these cancelled shares of HK\$224,000 (2022: HK\$50,799,000), including transaction costs, was deducted from share premium of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Investments in subsidiaries | | 85,498 | 85,659 |
| | | 85,498 | 85,659 |
| Current assets | | | |
| Prepayments, deposits and other receivables | | 534 | 529 |
| Amounts due from subsidiaries | | 1,084,000 | 997,476 |
| Bank and cash balances | | 4,866 | 75,501 |
| | | 1,089,400 | 1,073,506 |
| Current liabilities | | | |
| Accruals and other payables | | 2,020 | 2,134 |
| Amounts due to subsidiaries | | 276,031 | 196,619 |
| | | 278,051 | 198,753 |
| Net current assets | | 811,349 | 874,753 |
| NET ASSETS | | 896,847 | 960,412 |
| Equity | | | |
| Share capital | 41 | 40,938 | 40,945 |
| Treasury shares | 42 | (335) | (231) |
| Reserves | 44(b) | 856,244 | 919,698 |
| TOTAL EQUITY | | 896,847 | 960,412 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. RESERVES

(a) Nature and purpose of reserves of the Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 72 of the consolidated financial statements.

(i) *Share premium*

This represents the premium arising from the issue of shares at a price in excess of their par value per share, less expense incurred in connection with the issue of shares.

(ii) *Contributed surplus*

The contributed surplus of the Group consists of:

- Pursuant to the corporate reorganisation of the Group during the period from 2002 to 2003 (the "Reorganisation"), the Company became the holding company of the Group on 24 September 2003. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in the exchange under the Reorganisation was transferred to contributed surplus.
- In the AGM held on 24 May 2017, shareholders duly passed a special resolution to adopt a share premium reduction. Accordingly, the share premium of HK\$408,621,000 was credited to the contributed surplus.

According to Bermuda law, the Company can make a distribution out of the contributed surplus, provided that the Company is, or would after the payment be, able to pay its liabilities as they become due, or the realisable value of the Company's assets exceeds the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) *Share-based payment reserve*

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(y) to the consolidated financial statements.

(iv) *Statutory surplus reserve*

In accordance with the Company Law of the PRC, certain subsidiaries of the Group, which are domestic enterprises, are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase the share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. RESERVES (Continued)

(a) Nature and purpose of reserves of the Group (Continued)

(v) Equity investment revaluation reserve

The equity investment revaluation reserve comprises the cumulative net change in the fair value of equity investments at FVTOCI held at the end of the Reporting Period and is dealt with in accordance with the accounting policy in note 3(n)(ii) to the consolidated financial statements.

(vi) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(e)(iii) to the consolidated financial statements.

(vii) Other reserve

This represents the share of reserves of an associate and a joint venture of the Group. The reserve is dealt with in accordance with the accounting policies set out in notes 3(c) and 3(d) to the consolidated financial statements.

(b) Reserves of the Company

| | Share premium account HK\$'000 | Contributed surplus account HK\$'000 | Share-based payment reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|---|-----------------------------------|---|---|--------------------------------|-------------------|
| As at 1 January 2022 | 623,597 | 490,801 | 6,310 | (129,585) | 991,123 |
| Total comprehensive loss for the year | – | – | – | (19,764) | (19,764) |
| Cancellation of shares | (50,799) | – | – | – | (50,799) |
| Reversal of equity-settled share-based payments | – | – | (862) | – | (862) |
| As at 31 December 2022 | 572,798 | 490,801 | 5,448 | (149,349) | 919,698 |
| As at 1 January 2023 | 572,798 | 490,801 | 5,448 | (149,349) | 919,698 |
| Total comprehensive income for the year | – | – | – | 3,286 | 3,286 |
| Cancellation of shares | (224) | – | – | – | (224) |
| Reversal of equity-settled share-based payments | – | – | (1,016) | – | (1,016) |
| Release of share-based payment reserve | – | – | (479) | 479 | – |
| Payment of dividend | – | – | – | (65,500) | (65,500) |
| As at 31 December 2023 | 572,574 | 490,801 | 3,953 | (211,084) | 856,244 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

45. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The 2019 Share Option Scheme was adopted pursuant to a resolution passed on 20 June 2019, which will expire on 19 June 2029, for the primary purpose of providing incentives to employees, executives, officers or directors of the Group, its invested entities and substantial shareholders; and advisors, consultants, agents, suppliers, customers, distributors, contractors, business partners and joint venture partners of the Group (collectively the “**Eligible Participants**”). Accordingly, the remaining life of the 2019 Share option Scheme is approximately 5.5 years.

The maximum number of shares which may be issued upon exercise of all outstanding share options to be granted and yet to be exercised under the 2019 Share Option Scheme and other schemes of the Company at any time shall not exceed 30% of the total number of the shares of the Company in issue from time to time. The total number of shares issued and may fall to be issued upon exercise of the share options granted under the 2019 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a GM.

Any grant of share options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is the grantee of the share options). In addition, any share options granted to a substantial shareholder of the Company or any Independent Non-Executive Directors, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a GM.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. A share option may be exercised in accordance with the terms of the 2019 Share Option Scheme at any time after the date upon which the share option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which a share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted and accepted.

The exercise price in relation to each share option offered to an Eligible Participant shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Company’s shares as stated in the daily quotation sheets of the Stock Exchange on the date of the grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing price of the Company’s shares as stated in the daily quotation sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of the Company’s share.

Share options do not confer rights on the holder to dividends or to vote at shareholders’ meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

45. SHARE-BASED PAYMENTS *(Continued)*

Details of the movements of share options outstanding during the year are as follows:

| Category of participants | Date of grant (Note a) | Exercise period | Exercise price HK\$ | Number of share options | | |
|---|---------------------------|--------------------------------|------------------------|----------------------------|------------------------|------------------------------|
| | | | | Outstanding as at 1/1/2023 | Lapsed during the year | Outstanding as at 31/12/2023 |
| Directors | 12.5.2020 (Note b) | 12.5.2021 – 11.5.2030 (Note d) | 0.33 | 7,501,500 | (2,500,500) | 5,001,000 |
| | 24.6.2020 (Note c) | 24.6.2021 – 23.6.2030 (Note e) | 0.33 | 13,500,000 | (4,500,000) | 9,000,000 |
| Employees | 12.5.2020 (Note b) | 12.5.2021 – 11.5.2030 (Note d) | 0.33 | 1,503,000 | (501,000) | 1,002,000 |
| | 12.5.2020 (Note b) | 12.5.2022 – 11.5.2030 (Note g) | 0.33 | 1,503,000 | (501,000) | 1,002,000 |
| | 12.5.2020 (Note b) | 12.5.2021 – 11.5.2030 (Note h) | 0.33 | 6,228,000 | (606,000) | 5,622,000 |
| | 12.5.2020 (Note b) | 12.5.2022 – 11.5.2030 (Note i) | 0.33 | 804,000 | (804,000) | – |
| | 12.5.2020 (Note b) | 12.5.2020 – 11.5.2030 (Note j) | 0.33 | 996,000 | – | 996,000 |
| Others | 12.5.2020 (Note b) | 12.5.2021 – 11.5.2030 (Note d) | 0.33 | 3,753,000 | (2,253,000) | 1,500,000 |
| | 12.5.2020 (Note b) | 12.5.2022 – 11.5.2030 (Note f) | 0.33 | 1,332,000 | (1,332,000) | – |
| | 12.5.2020 (Note b) | 12.5.2021 – 11.5.2030 (Note h) | 0.33 | 2,010,000 | (2,010,000) | – |
| | 12.5.2020 (Note b) | 12.5.2022 – 11.5.2030 (Note i) | 0.33 | 555,000 | (51,000) | 504,000 |
| | 12.5.2020 (Note b) | N/A (Note j) | 0.33 | 5,004,000 | – | 5,004,000 |
| Total for Scheme | | | | 44,689,500 | (15,058,500) | 29,631,000 |
| Exercisable at the end of the year | | | | 14,749,500 | | 13,716,000 |
| Weighted average exercise price (HK\$) | | | | 0.33 | 0.33 | 0.33 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

45. SHARE-BASED PAYMENTS (Continued)

Details of the movements of share options outstanding during the prior year are as follows:

| Category of participants | Date of grant (Note a) | Exercise period | Exercise price HK\$ | Number of share options | | | |
|---|---------------------------|--------------------------------|------------------------|----------------------------|------------------------|---|------------------------------|
| | | | | Outstanding as at 1/1/2022 | Lapsed during the year | Transfer from employees to others during the year | Outstanding as at 31/12/2022 |
| Directors | 12.5.2020 (Note b) | 12.5.2021 – 11.5.2030 (Note d) | 0.33 | 10,002,000 | (2,500,500) | – | 7,501,500 |
| | 24.6.2020 (Note c) | 24.6.2021 – 23.6.2030 (Note e) | 0.33 | 18,000,000 | (4,500,000) | – | 13,500,000 |
| Employees | 12.5.2020 (Note b) | 12.5.2021 – 11.5.2030 (Note d) | 0.33 | 3,507,000 | (2,004,000) | – | 1,503,000 |
| | 12.5.2020 (Note b) | 12.5.2022 – 11.5.2030 (Note f) | 0.33 | 3,000,000 | (3,000,000) | – | – |
| | 12.5.2020 (Note b) | 12.5.2022 – 11.5.2030 (Note g) | 0.33 | 2,004,000 | (501,000) | – | 1,503,000 |
| | 12.5.2020 (Note b) | 12.5.2021 – 11.5.2030 (Note h) | 0.33 | 6,528,000 | (300,000) | – | 6,228,000 |
| | 12.5.2020 (Note b) | 12.5.2022 – 11.5.2030 (Note i) | 0.33 | 2,016,000 | (1,161,000) | (51,000) | 804,000 |
| | 12.5.2020 (Note b) | 12.5.2020 – 11.5.2030 (Note j) | 0.33 | 996,000 | – | – | 996,000 |
| Others | 12.5.2020 (Note b) | 12.5.2021 – 11.5.2030 (Note d) | 0.33 | 5,004,000 | (1,251,000) | – | 3,753,000 |
| | 12.5.2020 (Note b) | 12.5.2022 – 11.5.2030 (Note f) | 0.33 | 1,998,000 | (666,000) | – | 1,332,000 |
| | 12.5.2020 (Note b) | 12.5.2021 – 11.5.2030 (Note h) | 0.33 | 6,277,500 | (4,267,500) | – | 2,010,000 |
| | 12.5.2020 (Note b) | 12.5.2022 – 11.5.2030 (Note i) | 0.33 | 804,000 | (300,000) | 51,000 | 555,000 |
| | 12.5.2020 (Note b) | N/A (Note j) | 0.33 | 6,006,000 | (1,002,000) | – | 5,004,000 |
| Total for Scheme | | | | 66,142,500 | (21,453,000) | – | 44,689,500 |
| Exercisable at the end of the year | | | | 15,394,500 | | | 14,749,500 |
| Weighted average exercise price (HK\$) | | | | 0.33 | 0.33 | 0.33 | 0.33 |

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- On 12 May 2020, the Company granted 61,248,000 share options to certain Eligible Participants pursuant to the 2019 Share Option Scheme. Further details are set out in the announcement of the Company dated 12 May 2020 and the circular of the Company dated 3 June 2020.
- On 12 May 2020, the Company proposed to grant 18,000,000 share options to Ms. Zhou Wen Chuan pursuant to the 2019 Share Option Scheme. At the 2020 SGM, the resolution in respect of approving the proposed grant of share options to Ms. Zhou Wen Chuan was duly passed by the independent shareholders of the Company by way of poll. Further details are set out in the announcements of the Company dated 12 May 2020 and 24 June 2020 and the circular of the Company dated 3 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

45. SHARE-BASED PAYMENTS *(Continued)*

Notes: *(Continued)*

- (d) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.
- (e) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the date of 2020 SGM; (ii) another 25% of which shall be vested after 24 months of the date of 2020 SGM; (iii) another 25% of which shall be vested after 36 months of the date of 2020 SGM; and (iv) the remaining 25% of which shall be vested after 48 months of the date of 2020 SGM.
- (f) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 3 tranches: (i) one-third of which shall be vested after 24 months of the Date of Acceptance; (ii) another one-third of which shall be vested after 36 months of the Date of Acceptance; and (iii) the remaining one-third of which shall be vested after 48 months of the Date of Acceptance.
- (g) Subject to the fulfilment of certain annual performance targets as determined by the Board, the share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.
- (h) The share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 12 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 24 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 36 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 48 months of the Date of Acceptance.
- (i) The share option granted shall be vested during the relevant periods in 4 tranches: (i) 25% of which shall be vested after 24 months of the Date of Acceptance; (ii) another 25% of which shall be vested after 36 months of the Date of Acceptance; (iii) another 25% of which shall be vested after 48 months of the Date of Acceptance; and (iv) the remaining 25% of which shall be vested after 60 months of the Date of Acceptance.
- (j) The share option granted shall be vested immediately upon the fulfilment of certain vesting conditions, including the achievement of certain R&D milestones for certain pharmaceutical products, completion of designated tasks and satisfactory business performance of the relevant entities (subject to the Board's opinion). The share option is exercisable from the share option is vested to 11 May 2030.

No options were exercised or expired during the year ended 31 December 2022 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

45. SHARE-BASED PAYMENTS (Continued)

These fair values were calculated using the Binomial model. The inputs into the model are as follows:

| | 12 May 2020 | 24 June 2020 |
|---------------------------------------|-------------|--------------|
| Share price on grant date | HK\$0.33 | HK\$0.33 |
| Exercise price | HK\$0.33 | HK\$0.33 |
| Expected life | 10 years | 10 years |
| Expected volatility | 58.66% | 58.74% |
| Expected dividend yield | Nil | Nil |
| Annual risk-free interest rate | 0.66% | 0.70% |
| Suboptimal factor | 2.2 to 2.8 | 2.8 |
| Expected post-vesting forfeiture rate | 0% to 8.57% | 0% |

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Share options granted to consultants were incentives for their contributions or potential contributions to the Group so as to motivate them to optimise their performance efficiency for the benefit of the Group. The fair value of such benefit could not be estimated reliably, and as a result, the fair value is measured by reference to the fair value of share options granted.

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

- (i) During the year ended 31 December 2022, the Group entered into new lease agreements for the use of leased properties for 5 years. On the lease commencement, the Group recognised HK\$5,441,000 of right-of-use assets and HK\$5,441,000 of lease liabilities respectively. There was no new lease agreement during the year ended 31 December 2023.
- (ii) During the year ended 31 December 2023, the Group had a non-cash decrement to right-of-use assets and lease liabilities of HK\$3,696,000 and HK\$3,935,000, respectively, in respect of the lease termination for the Group's leased properties. No non-cash decrement to right-of-use assets and lease liabilities was noted during the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

| | Bank borrowings HK\$'000 | Interest payables HK\$'000 | Lease liabilities HK\$'000 |
|---|------------------------------------|--------------------------------------|--------------------------------------|
| As at 1 January 2022 | 168,699 | – | 1,720 |
| Change in cash flows | 91,557 | (11,113) | (1,495) |
| Non-cash changes | | | |
| — additions | – | – | 5,441 |
| — interest charged | – | 11,113 | 334 |
| — COVID-19-related rent concessions | – | – | (7) |
| — exchange differences | (16,817) | – | (303) |
| As at 31 December 2022 and 1 January 2023 | 243,439 | – | 5,690 |
| Change in cash flows | 59,567 | (11,231) | (1,398) |
| Non-cash changes | | | |
| — interest charged | – | 11,231 | 177 |
| — lease termination | – | – | (3,935) |
| — exchange differences | (6,393) | – | (84) |
| As at 31 December 2023 | 296,613 | – | 450 |

47. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the Reporting Period are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------------------------|------------------|
| Contracted, but not provided for: | | |
| Capital contribution to associates | 10,893 | 10,176 |
| Capital contribution to an unlisted long-term investment | – | 187 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

48. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|------------------|------------------|
| Fellow subsidiaries of the Group: | (i) | | |
| Purchases from the Group | (ii) | 7,769 | 12,476 |
| Property sale and consultancy service income paid to the Group | (ii) | 1,484 | 7,274 |
| Associate of the Group: | | | |
| Advisory income paid to the Group | | – | 229 |
| The Directors: | | | |
| Aesthetic medical service income paid to the Group | (ii) | 18 | 64 |
| Healthcare management service income paid to the Group | (ii) | 173 | – |
| Members of key management personnel of the Group (excluding the Directors): | | | |
| Aesthetic medical service income paid to the Group | | 24 | 33 |
| Healthcare management service income paid to the Group | | – | 23 |
| Purchases from the Group | | 1 | 17 |
| Other related parties | (i) | | |
| Purchases from the Group | (ii) | 68 | 47 |
| Aesthetic medical service income paid to the Group | (ii) | 9 | 29 |
| Healthcare management service income paid to the Group | (ii) | 66 | 14 |

Notes:

- (i) The related parties are (i) a company owned and controlled by one of the Directors; and (ii) an entity of which one of the Directors is a member of key management personnel; or (iii) a close member of the family of one of the Directors.
- (ii) The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in sub-section "Connected Transactions and Continuing Connected Transactions" of the Directors' Report contained in this Annual Report.
- (iii) The related party transactions constitute connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are sales of goods or services on normal commercial terms in the ordinary and usual course of business under Rule 14A.97 or below the de minimis threshold under Rule 14A.76(1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

48. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties:

- (i) As at 31 December 2023 and 2022, certain of the Group's bank loans were secured by certain buildings owned by a related company controlled by one of the Directors, corporate guarantee provided by a related company controlled by one of the Directors, personal guarantee provided by Mr. Zhou Xuzhou, Ms. Zhou Wen Chuan and a close family member of one of the Directors, as further detailed in note 38 to the consolidated financial statements.
- (ii) On 17 October 2023, the Group entered into an agreement with a fellow subsidiary of the Group to acquire investment properties at an aggregate consideration of RMB35,640,000 (equivalent to HK\$39,750,000).

(c) Compensation of key management personnel of the Group:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Short term employee benefits | 7,087 | 7,503 |
| Post-employment benefits | 262 | 216 |
| Reversal of Equity-settled share options expenses, net | (959) | (288) |
| Total compensation paid to key management personnel | 6,390 | 7,431 |

Further details of directors' emoluments are included in note 13 to the consolidated financial statements.

49. SUBSEQUENT EVENT

On 27 November 2023, the Company and U-light Energy entered into the Facility Agreement, pursuant to which the Company agreed, by itself or through its designated lending subsidiary(ies), to grant to U-light Energy a revolving loan facility up to a maximum of RMB200,000,000 at an interest rate of one-year LPR plus 3.05% per annum for the Drawdown Period. On the same date, Mr. Zhou (as guarantor) executed a deed of guarantee to provide the personal guarantee in favour of the Company to secure U-light Energy's repayment obligations under the Facility Agreement. The transaction has been approved by the shareholders of the Company at SGM on 31 January 2024.

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 28 March 2024.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

| | Year ended 31 December | | | | 2023 HK\$'000 |
|--|------------------------|------------------|------------------|------------------|--------------------------------|
| | 2019 HK\$'000 | 2020 HK\$'000 | 2021 HK\$'000 | 2022 HK\$'000 | |
| RESULTS | | | | | |
| Revenue | 234,779 | 265,135 | 253,031 | 119,894 | 129,304 |
| Profit/(loss) before tax | (5,344) | 103,587 | 85,704 | 25,385 | 52,983 |
| Income tax expense | (17,666) | (18,521) | (25,248) | (7,605) | (14,493) |
| Profit/(loss) for the year | (23,010) | 85,066 | 60,456 | 17,780 | 38,490 |
| Attributable to: | | | | | |
| Owners of the Company | (20,174) | 83,439 | 60,323 | 17,822 | 40,830 |
| Non-controlling interests | (2,836) | 1,627 | 133 | (42) | (2,340) |
| | (23,010) | 85,066 | 60,456 | 17,780 | 38,490 |
| As at 31 December | | | | | |
| | 2019 HK\$'000 | 2020 HK\$'000 | 2021 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 |
| ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS | | | | | |
| Total assets | 1,713,853 | 1,702,860 | 1,736,994 | 1,711,261 | 1,697,209 |
| Total liabilities | (448,193) | (299,597) | (306,349) | (384,176) | (442,888) |
| Non-controlling interests | (6,055) | (2,341) | (2,603) | (2,509) | (166) |
| | 1,259,605 | 1,400,922 | 1,428,042 | 1,324,576 | 1,254,155 |

PARTICULARS OF PROPERTIES

As at 31 December 2023

INVESTMENT PROPERTIES

| Location | Use | Tenure | Attributable interest of the Group |
|---|------------|-------------------|------------------------------------|
| Certain shops of Commercial Pedestrian Street of Dong Fang Hong County, New Zone of East Town, Wuhu City, Anhui Province, the PRC | Shop | Medium term lease | 100% |
| (i) 10/F and 11/F at Building No. 18; and (ii) part of the 1/F, 2/F to 11/F and basement at Building No. 19, Dongfanghong County Garden, 128 Yue Min Street, Qi Lin Street, Jiangning District, Nanjing City, Jiangsu Province, the PRC | Hotel/Shop | Medium term lease | 100% |
| No. 3, No. 6 and No. 8 building located in Yuye Tianyi Commercial Plaza, Zhou Shi Town, Kunshan City, Jiangsu Province, the PRC | Commercial | Medium term lease | 100% |

PROPERTIES UNDER DEVELOPMENT

| Location | Use | Site area (sq.m.) | Gross floor area (sq.m.) | Stage of completion | Expected completion date | Attributable interest of the Group |
|--|-------------|-------------------|--------------------------|---------------------------|--------------------------|------------------------------------|
| Lot A & B, 626 Heidelberg Road, Alphington, VIC, 3078, Australia | Residential | 11,488 | 18,752 | All civil works completed | 2027 | 100% |

GLOSSARY

In this Annual Report, unless the context otherwise requires, the following expressions shall have the following meanings:

| Term(s) | Definition |
|------------------------------------|--|
| "14th Five-Year Plan" | the Outline of the 14th Five-Year Plan for the National Economic and Social Development of the PRC and the Long-Range Objectives Through the Year |
| "2020 SGM" | the SGM held on Wednesday, 24 June 2020 |
| "2023 AGM" | the AGM held on Tuesday, 27 June 2023 |
| "2024 AGM" | the AGM to be held on Thursday, 27 June 2024 at 11:00 a.m. |
| "AGM(s)" | the annual general meeting(s) of the Company |
| "AlpReleaf" | the Group's brand "AlpReleaf", which launches a variety of high-end CBD health consumption goods in 22 European countries |
| "Annual Report" | the annual report of the Company |
| "AUD" | Australian dollars, the lawful currency of Australia |
| "Audit Committee" | the audit committee of the Company |
| "Board" | the board of Directors |
| "Bye-Laws" | the Bye-Laws of the Company |
| "CBD" | Cannabidiol |
| "CHF" | Swiss Franc, the lawful currency of Switzerland |
| "Chief Executive Officer" | the chief executive officer of the Company |
| "Chief Financial Officer" | the chief financial officer of the Company |
| "China", "PRC" or "mainland China" | the People's Republic of China and for the purposes of this Annual Report, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "Co-Chairman" or "Co-Chairmen" | the co-chairman/co-chairmen of the Board |
| "Company" | Meilleure Health International Industry Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange |
| "Company Secretary" | the company secretary of the Company |

GLOSSARY

| | |
|---------------------------------|--|
| “Controlling Shareholder” | the controlling shareholder of the Company |
| “Corporate Treasury Department” | the corporate treasury department of the Group |
| “COVID-19” | 2019 novel coronavirus (COVID-19) disease |
| “Date of Acceptance” | the date of acceptance of the offer of the share options granted under the 2019 Share Option Scheme |
| “Director(s)” | the director(s) of the Company |
| “Drawdown Period” | the period commencing on 1 January 2024 (or a later date subject to the fulfilment of the conditions precedent as stipulated in the Facility Agreement) and ending on but excluding the earlier of (i) 31 December 2026; and (ii) the date on which the Revolving Facility is terminated upon the occurrence of an Event of Default under the provisions of the Facility Agreement |
| “EUR” | Euro, the lawful currency of 20 European countries |
| “Event(s) of Default” | event(s) of default as set out in the Facility Agreement |
| “Executive Director(s)” | the executive director(s) of the Company |
| “Facility Agreement” | the facility agreement dated 27 November 2023 and entered into between the Company and U-light Energy in relation to the provision of a revolving loan facility up to a maximum of RMB200,000,000 |
| “FVTOCI” | fair value through other comprehensive income |
| “FVTPL” | fair value through profit or loss |
| “GDP” | gross domestic product |
| “GM(s)” | the general meeting(s) of the Company |
| “Group”, “our” or “us” | the Company and its subsidiaries |
| “Guangdong U-light” | Guangdong U-light Zhaoneng New Energy Co., Ltd.* (廣東光宇兆能新能源有限公司) |
| “Healthy China 2030” | the Outline of Healthy China 2030 Plan |
| “HKD” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKICPA” | Hong Kong Institute of Certified Public Accountants |
| “Hong Kong” or “HKSAR” | the Hong Kong Special Administrative Region of the PRC |

GLOSSARY

| | |
|---|--|
| “Independent Non-Executive Director(s)” | the independent non-executive director(s) of the Company |
| “Jixiaojian” | the Group’s brand “Jixiaojian* (肌小簡)”, which launches a variety of light medical aesthetic services targeting the young consumer market with a range of skincare products complementing the treatments to achieve optimum results in the PRC |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “LPR” | the loan prime rate (貸款市場報價利率) announced by the National Interbank Funding Center in the PRC (全國銀行間同業拆借中心) from time to time |
| “Mei Ai Kang” | Beijing Mei Ai Kang Technology Co., Ltd.* (北京美艾康科技有限公司) |
| “Meiray Vap” | Shenzhen Meiray Vap Technology Co., Ltd.* (深圳市美深瑞科技有限公司) |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules |
| “Nomination Committee” | the nomination committee of the Company |
| “Non-Executive Director(s)” | the non-executive director(s) of the Company |
| “R&D” | research and development |
| “Remuneration Committee” | the remuneration committee of the Company |
| “Reporting Period” | the year ended 31 December 2023 |
| “Revolving Facility” | the unsecured revolving loan facility up to a maximum of RMB200,000,000 to be granted by the Company to U-light Energy pursuant to the Facility Agreement |
| “RMB” | Chinese Yuan Renminbi, the lawful currency of the PRC |
| “SGM(s)” | the special general meeting(s) of the Company |
| “2019 Share Option Scheme” | the share option scheme adopted by the Company on 20 June 2019 and became effective on 28 June 2019 |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | the ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of the Share(s) |

GLOSSARY

| | |
|-----------------------|---|
| “Shenzhen Gippro” | Shenzhen Gippro Technology Innovation Ltd.* (深圳龍舞科技創新有限公司) |
| “sq.m.” | square meter(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Strategic Committee” | the strategic committee of the Company |
| “U-light Energy” | Jiangsu U-light Zhaoneng New Energy Technology Co., Ltd.* (江蘇光宇兆能新能源科技有限公司), a company established in the PRC with limited liability which is owned as to 4.8750% by Wuhu Ruima, an indirect wholly owned subsidiary of the Company |
| “USD” | United States dollars, the lawful currency of the United States of America |
| “Wingor Bio” | Shenzhen Wingor Biotechnology Co., Ltd.* (深圳市茵冠生物科技股份有限公司) |
| “Vice-Chairman” | the vice-chairman of the Board |
| “Yunnan Hansu” | Yunnan Hansu Biotechnology Co., Ltd.* (雲南漢素生物科技股份有限公司) |
| “%” | per cent |

** For identification purposes only*