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

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

精準治療
Precision Treatment

精準檢測
Precision Diagnosis

癌症診療生物技術平台
Cancer Diagnostic & Treatment Innotech Platform

ANNUAL REPORT
2022

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Liu Xiaolin *(Chairman)*
Mr. He Xun
Mr. Huang Song
Ms. Chui Hoi Yam *(appointed on 5 December 2022)*

NON-EXECUTIVE DIRECTOR
Mr. Wang Zheng *(re-designated on 26 May 2022 and resigned on 5 December 2022)*

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

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

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

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

COMPLIANCE OFFICER
Mr. Wang Zheng *(ceased on 26 May 2022)*
Mr. Liu Xiaolin *(appointed on 26 May 2022)*

COMPANY SECRETARY
Ms. Wong Miu Shun, HKICPA

AUTHORISED REPRESENTATIVES
Mr. Liu Xiaolin
Mr. Wang Zheng *(ceased on 26 May 2022)*
Ms. Wong Miu Shun *(appointed on 26 May 2022)*

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

COMPANY WEBSITE
www.cbshhk.com

STOCK CODE
8037

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of China Biotech Services Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022 ("**2022 Year**") to the shareholders of the Company.

REVIEW OF THE 2022 YEAR

It had been a sensational year for everyone under threat of the novel coronavirus (the "**COVID-19**") in 2022. The Group had to deploy a large part of its resources in the year to provide COVID-19 rapid nucleic acid testing ("**NAT**") services to help the public and the Hong Kong Government to combat the rampant COVID-19 pandemic.

In the 2022 Year, the Group's revenue from the provision of medical laboratory testing services and health check services segment posted a record high at all times. For the 2022 Year, the Group recorded total revenues of approximately HK$1,851,532,000, representing a remarkable growth of more than 1.97 times as compared with the corresponding period in 2021 ("**2021 Year**"). The Group recorded a gross profit of approximately HK$1,100,957,000, representing a year-on-year increase of 2.08 times, and a gross profit margin of 59.46% (2021 Year: 57.40%).

Although the Central Government of China and Government of Hong Kong have relaxed the COVID-19 quarantine and/or related restrictions in December 2022, the tail demand for COVID-19 NAT services is likely to hang on for a while in 2023.

As the society ushered in the post pandemic era, the Group had already engaged in different business diversification and expansion initiatives which involved the research, development and commercialisation works of a selected range of services, products and offerings related to medical laboratory testing, healthcare and cancer treatment. By launching one by one of these medical and healthcare related products and services, the Group is seeking to achieve further breakthroughs in business performance in the years ahead.

Let us walk through the key milestones we had achieved in the 2022 Year below.

DEEP PLOWING OF THE COVID-19 NAT SERVICE MARKET

The fifth wave of the COVID-19 pandemic that brought chaos and lockdown to Hong Kong had abruptly driven up the demand of COVID-19 RT-PCR testing services in 2022 Year. Sunrise Diagnostic Centre Limited ("**SDCL**"), a non-wholly owned subsidiary of the Group, was awarded contracts to provide COVID-19 RT-PCR testing services at the Hong Kong International Airport, and subsequently boundary control points at Shenzhen Bay, Hong Kong-Zhuhai-Macau Bridge and Heung Yuen Wai. In October 2022, SDCL became one of the contractors to provide NAT services at the community testing centres or stations at various locations in Hong Kong.

SDCL's NAT services also extended to public and private corporations and it also supported and cooperated with BGI Health (HK) Company Limited ("**BGI**") in the provision of COVID-19 testing services to the community. Ushering into the post pandemic era, SDCL has been focusing more on the self-paid users for the NAT testing services and will explore other business opportunities in connection with public healthcare as well as other disease prevention and control services.

Directly related to the outbreak of the fifth wave of COVID-19, SDCL cumulatively completed the NAT for COVID-19 of over 10.0 million samples in the 2022 Year, representing more than 1.83 times growth in volume compared to the 3.6 million samples completed in 2021.

With its accurate testing capability, excellent corporate management and outstanding social contribution, SDCL was honoured to receive the "Hong Kong's Most Outstanding Business Awards 2022" as organised by CorpHub.

MORE MEDICAL LABORATORY TESTING AND HEALTH CHECK SERVICES HAD BEEN LAUNCHED

In pursuance of the Group's strategy to broaden its scope of diagnostic services for enhancing competitiveness in the post pandemic era, the Group had launched pre-vaccination health check services and other new services such as cervical cell (ultra-thin smear) screening, HPV vaccination and cPass™ test for COVID-19 neutralizing antibodies in 2021.

Understanding that regular checkup and cancer screening are important in safeguarding public health as early diagnosis allows early treatment and thus increases the survival rate of patients, SDCL launched the Free Colorectal Cancer DNA Test Programme (免費糞便大腸癌基因測試) with certain partners in 2022 Year to provide funding and support for colorectal cancer screening for Hong Kong citizens and the Colotect Colorectal Screening Programme (健康惠港 Colotect 大腸健康檢查計劃) with a local medical group in Hong Kong to provide colorectal cancer screening test service for eligible persons aged 50 to 75.

The Group also participates proactively in the Primary Healthcare Blueprint (the "**Blueprint**") released by the Hong Kong Government in December 2022. Under the Blueprint, various district health centres (the "**DHCs**" or each a "**DHC**") have been established as the hubs for coordinating primary health services for Hong Kong residents. The appointed operators of the DHCs will partner with private healthcare sector to promote the concept of "family doctor for all" and collaborate with various healthcare professions to provide comprehensive, sustainable and people-centric primary health services in the community. Such concept is in line with the mission and business model of SDCL for extending its high throughput health screening services to the Hong Kong community by building collaboration with the operators of the DHCs.

As at the date of this report, SDCL entered into six service agreements with the relevant operators of the DHCs for providing laboratory testing services for the diagnosis of diseases including, but not limited to, diabetes mellitus, hypertension, HPV, colon cancer and cardiovascular disease.

As part of our plan to expand and to take our precision diagnostic test services to a new level for more precisive treatment, we have established a high-standard molecular biology laboratory at the Hong Kong Science and Technology Park with the support of and in collaboration with Pillar Biosciences, Inc. ("**Pillar**") of the United States. The laboratory is owned by Asia Molecular Diagnostics Laboratory Limited ("**AMDL**") which is formed between the Group and Pillar in 2019.

In July 2022, AMDL launched the FDA approved OncoReveal Dx lung and colon cancer next generation sequencing ("**NGS**") NGS companion diagnostic ("**CDx**") test in Hong Kong. During the 2022 Year, AMDL performed a total of 15 NGS based CDx tests in lung and colon cancers for validation and marketing purpose. In November 2022, AMDL was awarded the College of American Pathologists ("**CAP**") accreditation. AMDL's laboratory is compatible with the CAP laboratory accreditation program standards for performing services including general laboratory testing services, molecular oncology (solid tumors) services and molecular-based COVID-19 testing services. The accreditation is valid for the period ending November 2024.

CHAIRMAN'S STATEMENT

STAGE I CLINICAL TRIAL ON THE FIRST APPROVED INVESTIGATIONAL NEW CELL THERAPY DRUG IS IN PROGRESS

上海隆耀生物科技有限公司 (in English, for identification purpose only, Shanghai Longyao Biotech Company Limited) ("**Shanghai Longyao**") received the approval of initiating a stage I clinical trial (the "**Trial**") on its investigational new drug ("**IND**") labelled as LY007 Cellular Injection ("**LY007 Injection**") from the National Medical Products Administration of China ("**NMPA**") in January 2021. LY007 Injection is the first CD20-targeted autologous chimeric antigen receptor T-cell ("**CAR-T**") therapy product approved by NMPA for initiating the Trial. It has been classified as a Class 1 IND for the treatment of relapsed/refractory CD20-positive B-cell non-Hodgkin lymphoma.

In January 2022, the Trial of LY007 Injection was initiated and kick-off meetings of the Trial were held, respectively in Ruijin Hospital of Shanghai ("**Ruijin Hospital**") and Jiangsu Province Hospital of Jiangsu. The first patient case enrolled in the Trial was undertaken by Ruijin Hospital in March 2022. In April 2022, the first patient's cell infusion treatment was completed and a total of 4 patients' cell infusion treatments had been completed as at the date of this report. The co-principal investigators of the Trial are working on the data collected and are expected to complete the Trial by first quarter of 2024.

THE COMMERCIALISATION AND SALES OF HEALTH SUPPLEMENTS

In August 2022, Genezone International Health Management Limited ("**Genezone IHM**"), an indirect non-wholly owned subsidiary of the Company, entered into a five-year license and distribution agreement (the "**Distribution Agreement**") with a Japanese supplier of the product "NMN powder for intravenous (IV) infusion" (the "**NMN Product**"). NMN (nicotinamide mononucleotide) is an inherent molecule in the human body, which has been found to suppress age-associated weight gain, and to enhance energy metabolism and physical activity. Pursuant to the Distribution Agreement, Genezone IHM was granted with an exclusive right to distribute the NMN Product in Hong Kong (and subsequently extended to cover such territory as Macau, Taiwan, Hainan Province and Guangdong Province of China, Dubai, Indonesia, South Africa, Switzerland, Thailand, Cambodia, Philippines, Singapore and Malaysia) for the sale and distribution to hospitals, clinics, pharmacies and qualified wholesalers.

In January 2023, Genezone Pharmaceutical Limited ("**Genezone Pharm**"), an indirect wholly-owned subsidiary of the Company, was authorized by Genezone IHM to enter into a distributorship and agency agreement with a designated agent for the exclusive distribution of the NMN Product in Hong Kong and Macau. The NMN Product has started being sold in the authorized territories through the network of the appointed agents accordingly.

In September 2022, Genezone IHM entered into a purchase agreement with the Japanese manufacturer of the product "Chisei" (智精) ("**Chisei**") for the marketing and distribution of the said product in China (including Hong Kong and Macau). Chisei is an anti-ageing healthcare product which induces high-level production of hepatocyte growth factor, a potent mitogen that plays a role in tissue protection and regeneration. Genezone IHM and Genezone Pharm plan to sell and distribute Chisei to corporate clients and retail clients through e-channels.

CHAIRMAN'S STATEMENT

THE CONSTRUCTION AND DEVELOPMENT OF A CANCER TREATMENT CENTRE PROJECT ADOPTING BNCT TECHNOLOGY IN HAINAN

On 28 February 2022, CBSH Flourish (Hong Kong) BNCT Medical Centre Limited ("**CBSH Flourish HK**"), an indirect wholly-owned subsidiary of the Company and 鵬博(海南)硼中子醫療科技有限公司 (in English, for identification purpose only, Pengbo (Hainan) Medical Technology Company Limited) ("**Pengbo (Hainan)**"), an indirect wholly-owned subsidiary of the Company, entered into a site admission and investment agreement with the Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration (the "**Administration**") in relation to the investment in construction of a Boron Neutron Capture Therapy ("**BNCT**") cancer treatment centre (the "**BNCT Centre**") in the Hainan Boao Lecheng International Medical Tourism Pilot Zone of Hainan Free Trade Port (the "**Boao Pilot Zone**").

In May 2022, Pengbo (Hainan) won a bid for the right to use a piece of state-owned construction land ("**BNCT Construction Land**") located in the Boao Pilot Zone with an area of approximately 6,171 square metres. The BNCT Construction Land is used for the construction and operation of the BNCT Centre. Pengbo (Hainan) acquired the right to use the BNCT Construction Land by signing a transfer agreement (國有建設用地使用權出讓合同) (the "**Transfer Agreement**") in June 2022 with the competent Natural Resources and Planning Bureau for a term of 50 years. An industry project development and land use agreement (產業項目發展和用地准入協議) was subsequently entered into between Pengbo (Hainan) and the Administration, setting forth terms for the land use right registration, planning and construction of the BNCT Construction Land.

On 23 June 2022, the Company and Pengbo (Hainan) entered into a series of agreements with the relevant Japanese parties for the procurement of BNCT equipment, drug and related installation and commissioning services in connection with the setup of the BNCT Centre.

In November 2022, the construction works of the BNCT Construction Land commenced. In January 2023, the Company and Pengbo (Hainan) entered into the sales contract for the purchase of the initial replacement parts and spare parts and the maintenance service contract with the Japanese supplier. The construction of the BNCT Construction Land and renovation of the BNCT Centre, followed by the installation of BNCT equipment and test run are expected to be completed in late 2024 or early 2025. It is expected the BNCT project will be funded by the Group's internal resources, debt financing and/or equity financing.

In the 2022 Year, the Group posted a record high revenue and profits due to the overwhelming demand of NAT services induced by the fifth wave of COVID-19. Following the level off of the pandemic and the gradual relaxation of quarantine measures by the governments all over the world, the Group has endeavoured to restore its focus on non-COVID-19 medical diagnostic and treatment businesses in the post pandemic era. The Group has undertaken a number of initiatives to strengthen our competitive edges in the medical testing and health check services segment. Significant progress has been made in the research and development of immune cell therapies and the clinical trial of the IND are ongoing. The construction of the BNCT Centre is duly underway. Within a foreseeable time horizon, the Group is expecting to deliver these precision therapeutic technologies into clinical uses, especially for the treatment of blood or solid tumors.

CHAIRMAN'S STATEMENT

APPRECIATION

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

Liu Xiaolin
Chairman and Executive Director

Hong Kong, 24 March, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2022 ("**2022 Year**"), the principal activities of the Group were (i) provision of medical laboratory testing services and health check services in Hong Kong; (ii) provision of tumor immune cell therapy and health management services in the People's Republic of China (the "**PRC**"); (iii) sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; and (iv) provision of insurance brokerage.

During the 2022 Year, the Group recorded a turnover of approximately HK$1,851,532,000, representing an increase of approximately 1.97 times as compared with that of approximately HK$623,761,000 for the year ended 31 December 2021 (the "**2021 Year**"). As the prevalence of coronavirus disease 2019 ("**COVID-19**") continued with outbreak of new waves of pandemic caused by mutated variants from time to time, the demand for medical laboratory testing services and health check services including nucleic acid tests ("**NAT**") for COVID-19 remained high. The introduction of compulsory testing for high risk or high exposure groups of persons under regulation (in particular, pursuant to the Prevention and Control of Disease (Compulsory Testing for Certain Persons) Regulation (Chapter 599J of the Laws of Hong Kong)) supported the demand for NAT services. In addition, the Group was one of the appointed service providers to provide passengers' rapid NAT for COVID-19 prior to departure from Hong Kong to the Mainland China or Macau at the Shenzhen Bay Port and at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port under the arrangement enacted by the government of Hong Kong in March 2022. In October 2022. the Group became one of the contractors to provide COVID-19 testing services at the community testing centres or stations at various locations in Hong Kong. Further, (i) the robust demand for rapid antigen test kits and COVID-19 test services; and (ii) the increase in demand for COVID-19 testing services from cross-border or overseas passengers due to the easing of border restrictions led to a significant increase in revenue during the 2022 Year.

Provision of medical laboratory testing services and health check services

The Group continues to offer a wide spectrum of medical laboratory testing services and quality health check diagnostic services in Hong Kong. The services of this segment were being delivered through four medical laboratories and three health check centres established in Hong Kong. The turnover of this segment increased from approximately HK$607,776,000 for the 2021 Year to approximately HK$1,619,568,000 for the 2022 Year. It marked an increase of 1.66 times as compared with the 2021 Year. During the fifth wave of COVID-19 pandemic which broke out in December 2021, the Group continued to provide NAT for COVID-19 for clients from private clinics, corporates, government offices and individuals to capture the soaring demand for the services. Also, the Group was one of the pivot service providers to provide rapid NAT for COVID-19 to passengers prior to departure from Hong Kong to the Mainland China or Macau at the Shenzhen Bay Port and at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port under the arrangement enacted by the government of Hong Kong in March 2022 and provide COVID-19 testing services at the community testing centres or stations since October 2022. The increase of segmental turnover was mainly brought by increase in demand of COVID-19 related laboratory testing services.

Provision of tumor immune cell therapy services

上海隆耀生物科技有限公司 (in English, for identification purpose only, Shanghai Longyao Biotech Company Limited) ("**Shanghai Longyao**"), an indirect non-wholly-owned subsidiary of the Company, is engaged in tumor immune cell therapy and health management services in the PRC. Shanghai Longyao received the approval for initiating a stage I clinical trial (the "**Trial**") on its investigational new drug ("**IND**") named as LY007 Cellular Injection ("**LY007 Injection**") from the National Medical Products Administration of China ("**NMPA**") in January 2021. LY007 Injection is the first CD20-targeted autologous chimeric antigen receptor T-cell ("**CAR-T**") therapy product approved by NMPA for initiating the Trial. LY007 Injection is an IND that carries Shanghai Longyao's patented novel structural design with the OX40 costimulatory molecule built-in independently for purpose of enhancing the natural T-cell activation. It has been classified as a Class 1 IND for the treatment of relapsed/refractory CD20-positive B-cell non-Hodgkin lymphoma. In January 2022, kick-off meetings of the Trial were convened in 上海交通大學醫學院附屬瑞金醫院 (in English, for identification purpose only, Ruijin Hospital affiliated to Shanghai Jiao Tong University School of Medicine) ("**Ruijin Hospital**") and 江蘇省人民醫院 (in English, for identification purpose only, Jiangsu People's Hospital). The first subject enrolled in the Trial was taken up by the Ruijin Hospital on 1 March 2022 and the same subject was dosed successfully on 7 April 2022. The first group of four patients had completed cell infusion treatment in the Trial. No turnover from this segment was generated during the 2022 Year.

Sale and distribution of health related and pharmaceutical products

Sale and distribution of health related and pharmaceutical products segment recorded a robust increase in turnover during the 2022 Year. The turnover of this segment increased significantly from approximately HK$107,000 for the 2021 Year to HK$217,179,000 for the 2022 Year. It represented an increase of 2,028.71 times as compared with that of the 2021 Year. This significant uplift was driven by the robust demand for rapid antigen test kits due to the raging fifth wave of COVID-19 pandemic during the 2022 Year.

Provision of insurance brokerage services

Provision of insurance brokerage services segment recorded a decrease in turnover during the 2022 Year. The turnover of this segment decreased from approximately HK$7,922,000 during the 2021 Year to approximately HK$6,933,000 for the 2022 Year, representing a decrease of 12.48% as compared with the 2021 Year. The decrease was mainly due to the impact of stringent travel restrictions imposed on Mainland Chinese customers from visiting Hong Kong during the fifth wave of COVID-19 pandemic.

Provision of logistics services

The Group has been providing testing materials and specimens logistics services for local clinics and other corporate clients. The turnover of logistics services increased from approximately HK$6,712,000 for the 2021 Year to approximately HK$7,817,000 for the 2022 Year. It represented an increase of 16.46% as compared with the 2021 Year mainly due to increase in demand on testing materials and specimens logistics services.

Money lending business

Ferran Finance Limited, an indirect wholly-owned subsidiary of the Company, is a holder of money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). With the increasing market demands of the micro-financing business in Hong Kong, the Group utilised HK$7.98 million for the money lending business as at 31 December 2022. The Group's loan portfolio comprises unsecured loans granted to individual customers. The loan receivables carry an interest rate at 8% to 10% per annum and are repayable within one year. The money lending business recorded an interest income of approximately HK$35,000 for the 2022 Year (2021 Year: HK$1,244,000).

Trading of financial assets at fair value through profit or loss

The Group's investment portfolio comprises investments in listed securities in Hong Kong. This business segment recorded a net gain on financial assets at fair value through profit or loss of approximately HK$2,707,000 for the 2022 Year (2021 Year: net gain of HK$489,000) due to the disposal of some marketable shares and a fair value change of the investment portfolio.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK$1,100,957,000 for the 2022 Year, representing an increase of approximately HK$742,937,000 when compared with that of approximately HK$358,020,000 in the 2021 Year. Also, the gross profit margin for the 2022 Year was approximately 59.46%, representing a slight increase of approximately 2.06 percentage points when compared with the gross profit margin of approximately 57.40% for the 2021 Year. The Group maintained a stable level of gross profit margin.

Selling and distribution expenses

Selling and distribution expenses for the 2022 Year were approximately HK$13,726,000 (2021 Year: HK$11,724,000), representing an increase of approximately HK$2,002,000 or 17.08% when compared with such expenses for the 2021 Year. The increase was primarily due to more aggressive strategic marketing and promotion campaign adopted for promoting the sales of health related products during the 2022 Year.

Administrative expenses

The administrative expenses mainly consisted of staff costs, share-based payment, legal and professional fees, depreciation, research and development costs, and amortisation of intangible assets. The administrative expenses for the 2022 Year were approximately HK$241,156,000, representing an increase of approximately HK$84,075,000 or 53.52%, as compared with that of approximately HK$157,081,000 for the 2021 Year. The increase in administrative expenses was mainly attributable to (i) increase in staff costs by approximately HK$67,381,000 due to expansion of medical laboratory testing services and health check services segment; and (ii) increase in legal and professional fee by approximately HK$2,700,000 and listing expenses incurred of approximately HK$8,734,000 due to corporate activities.

Finance costs

During the 2022 Year, the Group's interest expenses amounted to approximately HK$3,495,000 (2021 Year: HK$6,543,000). The decrease in the finance costs was mainly attributable to the lower finance costs arising from convertible bonds subsequent to the partial redemption of convertible bonds on 11 May 2021.

Profit for the year

The Group recorded a net profit attributable to the owners of the Company of approximately HK$258,087,000 for the 2022 Year (2021 Year: HK$19,385,000). The increase in net profit for the 2022 Year was mainly attributable to (i) the robust demand for rapid antigen test kits for COVID-19 and COVID-19 testing services due to the fifth wave of COVID-19 pandemic in Hong Kong; and (ii) the increase in demand for COVID-19 testing services from cross-border or overseas passengers due to the easing of border restrictions.

NON-FULFILLMENT OF TARGET/PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF SHANGHAI LONGYAO AND FORTSTONE

Acquisition of Shanghai Longyao

As disclosed in the announcements of the Company dated 22 July 2018, 8 August 2018, 31 October 2018, 31 January 2019 and 29 March 2019 in relation to, among other matters, the acquisition of 67% equity interest in Shanghai Longyao, up to 58.2 million new shares may be issued by the Company as total incentive shares to the vendors ("**Vendors**") and two core members ("**Members**") of Shanghai Longyao (the "**Total Incentive Shares**"), subject to a first target achievement and a second target achievement being fulfilled on or before 31 December 2022. One of the target achievements was that the annual audited revenue of Shanghai Longyao shall be not less than RMB150 million and its annual audited net profit (subject to adjustments) shall be no less than RMB30 million. According to the audited reports of Shanghai Longyao prepared in accordance with accounting principles generally accepted in the PRC, Shanghai Longyao recorded audited revenue of RMB1.8 million, RMB0.9 million, RMB0.5 million and nil; and net loss of RMB6.2 million, RMB22.1 million, RMB29.0 million and RMB33.1 million, for the years ended 31 December 2019, 2020, 2021 and 2022, respectively. Accordingly, the relevant shortfall of revenue and net profit would be RMB150 million and RMB30 million respectively, and both the first target achievement and the second target achievement have not been fulfilled on or before 31 December 2022. Hence, the rights to receive the Total Incentive Shares had lapsed and no new shares will be issued as Total Incentive Shares to the Vendors nor the Members. Details were disclosed in the announcement of the Company dated 28 February 2023.

Acquisition of Fortstone

As disclosed in the announcement and the circular of the Company dated 3 June 2019 and 30 August 2019, respectively, the consideration for the Group's acquisition of 51% equity interest in Fortstone International (Hong Kong) Limited (富石國際(香港)有限公司) ("**Fortstone**") shall be an aggregate sum of HK$12,240,000, of which HK$6,120,000 shall be paid as second tranche consideration (the "**Second Tranche Consideration**"). In this connection, the actual accumulated profit of Fortstone for the (a) period from 31 October 2019 to 31 December 2019; (b) two financial years ended 31 December 2020 and 2021; and (c) period from 1 January 2022 to 31 October 2022 collectively (the "**Actual Accumulated Profit**") shall be no less than HK$9,000,000. In the event that the Actual Accumulated Profit is a positive figure but less than HK$9,000,000 upon the third anniversary of the completion date of the acquisition, the Second Tranche Consideration shall be adjusted to the figure calculated according to the formula below:

Actual Accumulated Profit multiplied by HK$6,120,000 and divided by HK$9,000,000.

If the Actual Accumulated Profit is a negative figure, the Second Tranche Consideration shall be zero.

The actual audited financial statements of Fortstone revealed (a) a net profit (after tax) of HK$451,000 for the period from 31 October 2019 to 31 December 2019; (b) a net loss (after tax) of HK$169,000 and HK$77,000 for the two financial years ended 31 December 2020 and 2021 respectively; and (c) a net loss (after tax) of HK$1,197,000 for the period from 1 January 2022 to 31 October 2022. As a result, the Actual Accumulated Profit is a negative figure, and the Second Tranche Consideration shall be zero.

Disclosure pursuant to Rule 19.36B of the GEM Listing Rules

With reference to the above paragraphs, the Board is of the opinion that in respect of (i) the acquisition of Shanghai Longyao; and (ii) the acquisition of Fortstone (collectively, the "**Acquisitions**"), the target/profit guarantee obligations have not been fulfilled.

The Company does not have any options or other rights referred in Rule 19.36B(2)(c) of the GEM Listing Rules in respect of the non-fulfillment of the target/profit guarantee obligations in relation to the Acquisitions.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Equity investment term sheet entered into between a subsidiary and an industry investor

On 26 January 2022, Shanghai Longyao entered into a non-legally binding term sheet (the "**Term Sheet**") with 前海德潤資本管理(深圳)有限公司 (in English, for identification purpose only, Qianhai Devin Capital Management (Shenzhen) Company Limited) (the "**Investor**") in relation to the Investor's proposed investment of RMB20,000,000 in Shanghai Longyao. No legally binding formal agreement has been entered into by both parties as at the date of this report. Details were disclosed in the announcement of the Company dated 26 January 2022.

Revision of annual cap for continuing connected transaction in relation to the master supply agreement

On 15 February 2022, Sunrise Diagnostic Centre Limited ("**SDCL**"), an indirect non-wholly-owned subsidiary of the Company, and BGI Health (HK) Company Limited ("**BGI**"), a company incorporated in Hong Kong with limited liability and the holder of 40% of the issued share capital of SDCL, entered into a supplemental master supply agreement to increase the annual cap for continuing connected transaction between the signing parties from HK$80,000,000 to HK$400,000,000 for the year ended 31 December 2022 with explicit specification that supply of COVID-19 rapid antigen test kits would be covered. Details were disclosed in the announcement of the Company dated 15 February 2022.

Entering into a site admission and investment agreement in relation to the Boao Pilot Zone for a BNCT cancer treatment project

On 28 February 2022, CBSH Flourish (Hong Kong) BNCT Medical Centre Limited, an indirect wholly-owned subsidiary of the Company and 鵬博(海南)硼中子醫療科技有限公司 (in English, for identification purpose only, Pengbo (Hainan) Medical Technology Co., Ltd.) ("**Pengbo (Hainan)**"), an indirect wholly-owned subsidiary of the Company, entered into a site admission and investment agreement with the Hainan Boao Lecheng International Medical Tourism Pilot Zone Administration in relation to the investment in and construction of a Boron Neutron Capture Therapy ("**BNCT**") cancer treatment centre ("**BNCT centre**") in Hainan Boao Lecheng International Medical Tourism Pilot Zone (the "**Boao Pilot Zone**"). Details were disclosed in the announcement of the Company dated 28 February 2022.

Formation of a joint venture between a subsidiary of the Company and a leading healthcare group in Hong Kong

On 11 March 2022, SDCL entered into a joint venture agreement ("**JV Agreement**") with Sure Metro Limited ("**SML**"), a wholly-owned subsidiary of Town Health International Medical Group Limited, a company with its shares (stock code: 3886) listed on the Main Board of the Stock Exchange. Under the JV Agreement, SDCL and SML shall, respectively, subscribe for 51 and 48 shares of Hong Kong Medical Test Centre Limited (the "**JV Company**"), a wholly-owned subsidiary of SML immediately before the signing of the JV Agreement. Upon completion of the JV Agreement, SDCL and SML hold 51% and 49% shareholding of the JV Company respectively. The completion took place on 27 May 2022. The JV Company is engaged in the operation of a medical laboratory in Hong Kong. Details were disclosed in the announcement of the Company dated 11 March 2022.

Letter of intent of strategic cooperation signed with a leading pharmaceutical group

On 23 March 2022, the Company and CSPC Pharmaceutical Group Limited ("**CSPC Group**"), a company listed on the Main Board of the Stock Exchange (stock code: 1093), entered into a non-legally binding letter of intent in relation to seeking strategic cooperation in one or more of the equity-based investments or projects initiated by the Company, among which CSPC Group intended to make a direct equity investment of 10% to 20% shareholding of the Company. The letter of intent expired on 22 March 2023. No legally binding agreement has been entered into by both parties as at the date of this report. Details were disclosed in the announcement of the Company dated 23 March 2022.

Extension of maturity date of convertible bonds and issuance of convertible bonds under general mandate with existing convertible bonds being surrendered and cancelled and use of proceeds

On 10 May 2022, the Company and Guoyuan Securities Investment (Hong Kong) Limited (the "**Subscriber**"), being the subscriber of the convertible bonds issued by the Company on 11 May 2020 (the "**2020 Convertible Bonds**") entered into an amendment agreement for the purpose of extending the maturity date of the 2020 Convertible Bonds, with a total outstanding principal amount of US$5,000,000, for two years from 10 May 2022 to 10 May 2024 (the "**Proposed Amendments**"). The Proposed Amendments have taken effect on 24 June 2022. Details were disclosed in the announcements of the Company dated 10 May 2022 and 24 June 2022.

On 20 December 2022, the Company entered into a subscription agreement with the Subscriber, pursuant to which the Subscriber subscribed for convertible bonds in the aggregate principal amount of US$10,000,000 (equivalent to approximately HK$77,800,000) (the "**2022 Convertible Bonds**"). Based on the initial conversion price of HK$1.45 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2022 Convertible Bonds, if any) at the exchange rate of HK$7.85 to US$1.00, a maximum number of 54,137,931 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the 2022 Convertible Bonds in full assuming there is no adjustment to the conversion price, which represent approximately 5.62% of the existing issued share capital of the Company and approximately 5.32% of the issued share capital of the Company as enlarged by the issue of the conversion shares. Half of the total subscription amount of the 2022 Convertible Bonds, being US$5,000,000, was satisfied by the Subscriber by surrendering the 2020 Convertible Bonds with a total outstanding principal amount of US$5,000,000 to the Company for cancellation, and the remaining subscription amount of US$5,000,000 (after deduction of expenses to be borne by the Company) was paid by the Subscriber in cash. Accordingly, the gross and net proceeds from the subscription (after deducting related expenses) were approximately US$5,000,000 (equivalent to approximately HK$38,900,000) and US$4,944,000 (equivalent to approximately HK$38,464,000) respectively. The Company intended to use the net proceeds as to (i) US$3,000,000 (equivalent to approximately HK$23,340,000) for the investment in BNCT project; and (ii) the remaining balance of US$1,944,000 (equivalent to approximately HK$15,124,000) for funding research and development costs and general working capital of the Group. Completion of subscription of the 2022 Convertible Bonds took place on 30 December 2022. Details were disclosed in the announcements of the Company dated 20 December 2022 and 30 December 2022.

Continuing connected transactions in relation to the 2022 master services agreement and the 2022 referral services agreement and revision of annual cap of the 2022 master referral services agreement

On 27 May 2022, SDCL and BGI entered into a master services agreement in respect to the provision of COVID-19 testing services through RT-PCR method by BGI to SDCL and a referral services agreement ("**2022 Referral Services Agreement**") in respect of which SDCL will refer customers who require COVID-19 testing services to BGI and provide several services from 27 May 2022 to 31 December 2022. On 13 October 2022, SDCL entered into a supplemental agreement to increase the annual cap for the continuing connected transactions under the 2022 Referral Services Agreement from HK$400,000,000 to HK$550,000,000 for the year ended 31 December 2022. Details were disclosed in the announcements of the Company dated 27 May 2022, 24 August 2022 and 13 October 2022.

Land use rights of a piece of state-owned construction land in Boao Pilot Zone

On 27 May 2022, Pengbo (Hainan) entered into a confirmation letter (掛牌出讓成交確認書) with the Public Resource Trading Centre of Qionghai City Land Reserve Sorting Out and Exchange Centre (瓊海市土地儲備整理交易中心), confirming that Pengbo (Hainan) successfully won a bid for the right to use of a piece of state-owned construction land located in Boao Pilot Zone with an area of 6,171.03 square metres (Land Lot No.: LC07-18-01-03) for a term of 50 years for the construction and operation of the BNCT Centre. Details were disclosed in the announcement of the Company dated 27 May 2022.

Major transaction in relation to the acquisition of BNCT equipment, the provision of technical advisory service and the acquisition of BNCT parts

On 23 June 2022, the Company (as guarantor) and Pengbo (Hainan) entered into the sales contract, memorandum of understanding ("**MOU**") and the service contract with Sumitomo Heavy Industries, Ltd. ("**Sumitomo**") pursuant to which Pengbo (Hainan) will purchase BNCT equipment and BNCT parts from Sumitomo ("**Proposed Supply**"), and receive technical advisory service from Sumitomo for the installation and tuning of the BNCT equipment ("**Proposed Provision**"), respectively.

On 28 December 2022, the Company, Pengbo (Hainan) and Sumitomo entered in the addendum ("**Addendum**") to the MOU to the extend the term of the MOU, from the date of the Addendum and remain in effective until either (i) 31 January 2023; or (ii) the conclusion and execution of definitive contracts for both Proposed Supply and Proposed Provision, whichever comes first.

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

Details were disclosed in the announcements of the Company dated 23 June 2022, 28 December 2022 and 17 January 2023 and the circular of the Company dated 22 August 2022.

Disposal of subsidiaries

(a) Disposal of Lustrous Pearl Group

Having taken into consideration that the performance of the Lustrous Pearl International Limited and its subsidiaries (collectively, the "**Lustrous Pearl Group**"), which was principally engaged in investment holding, for the past financial years was not satisfactory, the Directors determined that the disposal of the Lustrous Pearl Group would enable the Company to free up the resources devoted to this business and redirect the resources to the Group's other existing businesses which might have higher growth potential to maximise the benefit of the shareholders of the Company. The completion of the disposal of the Lustrous Pearl Group took place on 4 April 2022. For details, please refer to the disclosure made in note 42(a) to the audited consolidated financial statements.

(b) Disposal of Dynasty Well Group

Having taken into consideration that Dynasty Well Limited and its subsidiaries (collectively, the "**Dynasty Well Group**") had been inactive in recent years, the Directors considered that the disposal of the Dynasty Well Group would enable the Company to save administrative costs. The completion of the disposal of the Dynasty Well Group took place on 31 May 2022. For details, please refer to the disclosure made in note 42(b) to the audited consolidated financial statements.

Possible transfer of listing

On 1 September 2022, the Company announced that it has appointed professional parties to evaluate the possibility of transferring the listing of the securities in the Company from GEM to the Main Board of the Stock Exchange. Details were disclosed in the announcement of the Company dated 1 September 2022.

Share award scheme

During the 2022 Year, the trustee of the Company purchased an aggregate of 2,325,000 ordinary shares of nominal value of HK$0.10 each in the share capital of the Company ("**Shares**") with consideration of approximately HK$2,985,000 on the Stock Exchange for the purpose of the Share Award Scheme (the "**Share Award Scheme**") adopted by the Company in accordance with the scheme rules on 18 August 2021. No award shares have been granted to any selected participants pursuant to the Share Award Scheme up to the date of this report.

Grant of share options

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

OUTLOOK

Throughout the COVID-19 pandemic in the past three years, our laboratory staff in Hong Kong have been fully engaged in the COVID-19 testing business. We have provided more than 15 million NAT to the Hong Kong government, communities, residents, and travelers. Additionally, we have strongly supported the Hong Kong government's Universal Community Testing Programme, including the provision of NAT services to passengers at the Hong Kong International airport and boundary control points. With the help of the Hong Kong government in defeating the epidemic, resulting in the lifting of quarantine measures, the social life and economy of the Hong Kong have entered the stage of comprehensive recovery.

MANAGEMENT DISCUSSION AND ANALYSIS

To lay a strong foundation for our medical laboratory testing and health check services business in the post-pandemic era, we have been expanding our high throughput health screening services to the Hong Kong community by continuing to step up our effort in collaborating with the operators of various district health centres ("**DHCs**") for the provision of health check-up and laboratory test services to members of the DHCs. Under the Primary Healthcare Blueprint released by the Hong Kong Government in December 2022, DHCs have been established as the hub for coordinating primary health services for Hong Kong residents, and they will partner with private healthcare sector to promote the concept of "family doctor for all" and collaborate with various healthcare professions to provide comprehensive, sustainable and people-centric primary health services in the community. So far, a total of HK$1,900 million was allocated to the development of the DHC programme and more government subsidies are expected to be granted periodically to support the future operation of the DHCs by their respective authorised operators thereafter. As at the date of this report, we have entered into six services agreements with the relevant operators of DHCs.

Due to the rising awareness and health concerns of the general public post COVID-19, the growing trend of aging population, larger demand for private medical services and increasing number of life insurance policies, it is expected that demand for health check and related medical services in Hong Kong will continue to grow. To seize this opportunity, we have been aggressively seeking cooperations with different medical platforms, insurance companies and corporate entities to promote our healthcare services and expand our reach into the Greater Bay Area. At the same time, we have continued to strengthen and broaden our scope of services to cope with the expected demand. For instance, we have introduced several new tests, such as HPV (human papillomavirus, a type of virus that can cause abnormal tissue growth (for example, warts) and other changes to cells) DNA test, colorectal cancer DNA test and cPass™ test (neutralizing antibodies screening) etc. On the other hand, we will seek cooperation with the Hong Kong government, medical specialists, non-profit organisations and other institutes to achieve rapid entry into the early screening of colorectal cancer and HPV DNA test market.

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

To further strengthen our sale of health related and pharmaceutical product segment and to expand our product portfolio, we have become a distributor of a Japanese-made nicotinamide mononucleotide ("**NMN**") powder. NMN is an inherent molecule in the human body, which has been found suppressive to age-associated weight gain and enhance energy metabolism and physical activity. As part of our distribution strategy, we have appointed a sub-distributor to help expand our reach into different markets. In addition, we have become a distributor of a Japanese health product "Chisei" (智精), which is an anti-aging product we intend to distribute through e-channels. The said arrangements are in line with our mission to provide high-quality health supplements and health related products to the Hong Kong and PRC community.

MANAGEMENT DISCUSSION AND ANALYSIS

Simultaneously, we have not stopped the development of our anti-tumor cell therapy products during the past three years of the pandemic, and the clinical trials of our CAR-T drug have been progressing as planned. The stage I Trial of the first CD20-targeted investigational new drug, namely LY007 Cellular Injection, begun in the first quarter of 2022. The first group of three patients had completed cell infusion treatment in the Trial and we are confident to have enrolled sufficient patients to participate in the Trial by the end of 2023.

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations and capital expenditures requirements through internally generated resources and other borrowings.

Liquidity and Financial Resources

As at 31 December 2022, the Group held cash and bank balances of approximately HK$92,770,000 (2021: HK$150,554,000), all were principally denominated in Renminbi and Hong Kong dollars. The decrease in cash and bank balances of approximately HK$57,784,000 is mainly due to outlays used for dividend payment made to the non-controlling shareholders of a subsidiary during the 2022 Year and prepayment paid for acquisition of BNCT equipment.

As at 31 December 2022, the Group had outstanding convertible bonds in principal amount of US$10,000,000 with carrying amount of approximately US$7,108,000 (equivalent to approximately HK$55,796,000) (31 December 2021: US$5,000,000 with carrying amount of US$4,987,000 (equivalent to approximately HK$38,651,000)) which carried a fixed interest rate of 8.25% (2021: 8.5%) per annum and is repayable on 30 December 2024 (2021: 11 May 2022).

As at 31 December 2022, the Group had unsecured other borrowings of approximately HK$5,641,000 (equivalent to approximately RMB5,000,000) (31 December 2021: unsecured other borrowing of approximately HK$17,387,000 (equivalent to approximately RMB14,200,000)), which carried a fixed interest rate at 10% (31 December 2021: 8% to 10%) per annum and is repayable within one year.

The increase in the other borrowings were mainly due to issue of convertible bonds during the 2022 Year.

As at 31 December 2022, total assets of the Group were approximately HK$1,470,491,000 (31 December 2021: HK$706,782,000), whereas total liabilities were approximately HK$643,971,000 (31 December 2021: HK$240,887,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 43.79% (31 December 2021: 34.08%). Current ratio (defined as total current assets divided by total current liabilities) was 1.61 times (31 December 2021: 1.22 times).

Fortstone, an indirect non-wholly-owned subsidiary of the Company, is a holder of insurance broker company licence under the Insurance Ordinance (Chapter 41, Laws of Hong Kong). As an insurance brokerage company, Fortstone is subject to capital and net assets requirement under the Insurance Ordinance. Fortstone shall maintain a minimum net assets value and a minimum paid up share capital of HK$500,000 at all times. Fortstone oversees its compliance with the capital and net assets requirement by monitoring Fortstone's liquid asset and ranking liabilities at all times to ensure they are well above the minimum required level (i.e. HK$500,000). As at 31 December 2022, Fortstone has complied with the capital and net assets requirement during the 2022 Year.

Capital Structure

As at 31 December 2022, the total issued share capital of the Company was HK$96,323,115 (2021: HK$96,323,115) divided into 963,231,150 (2021: 963,231,150) ordinary shares of HK$0.10 each.

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

Intended use	**Net proceeds** *HK$'000*	**Utilisation up to 31 December 2022** *HK$'000*	**Remaining balance as at 31 December 2022** *HK$'000*
Investment in BNCT project	23,340 (equivalent to approximately US$3.000 million)	Nil	23,340 (equivalent to approximately US$3.000 million)
Research and development costs and general working capital	15,124 (equivalent to approximately US$1.944 million)	Nil	15,124 (equivalent to approximately US$1.944 million)

SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

As at 31 December 2022, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$82,942,000 (31 December 2021: HK$122,021,000) including one (31 December 2021: one) investment in unlisted equity securities and one (31 December 2021: one) investment in listed equity securities. It mainly consisted an investment of approximately HK$69,270,000 in Pillar Biosciences, Inc. ("**Pillar**") (which represented 4.71% of the total asset of the Group as at 31 December 2022) and an investment of HK$13,672,000 in Broncus Holding Corporation ("**Broncus**") (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 2216) (which represented 0.93% of the total asset of the Group as at 31 December 2022). It is the Group's investment strategy to hold the investments in Pillar and Broncus as long-term investments for the creation of synergy and long term shareholder value.

(i) Investment in Pillar

As at 31 December 2022, the Group held approximately 3.11% (2021: 3.48%) of equity interest of Pillar or 1,638,216 series B preferred stock in Pillar with fair value of HK$69,270,000 (equivalent to US$8,881,000) (2021: HK$67,940,000 (equivalent to US$8,714,000)) and at an initial investment costs of US$4,999,999 (equivalent to HK$39,208,000). Pillar is a precision testing company for cancer based in Boston, Massachusetts, the United States of America with a wholly-owned subsidiary in Shanghai, the PRC. Based on the latest unaudited consolidated financial statements of Pillar for the year ended 31 December 2022, it recorded an unaudited consolidated loss of approximately US$31.2 million. A fair value gain on the Group's investment in Pillar of approximately HK$1,330,000 (2021 Year: fair value gain of approximately HK$20,934,000) has been recognised in other comprehensive income for the 2022 Year. No dividend income was received from Pillar for both years. As part of the strategic cooperation between the Group and Pillar, a company has been set up by the parties in Hong Kong, namely Asia Molecular Diagnostic Laboratory Limited ("**AMDL**"). AMDL has established a high-standard molecular biology laboratory at the Hong Kong Science and Technology Park and has been providing NGS precision cancer diagnostic services in Hong Kong since July 2022. The Group believes that the investment in Pillar will create synergies with the Group's medical laboratory testing services and heath check services.

(ii) Investment in Broncus

As at 31 December 2022, the Group held approximately 1.13% (2021: 1.25%) or 5,970,160 shares in Broncus with fair value of approximately HK$13,672,000 and at an initial investment costs of US$5,000,001.54 (equivalent to HK$39,282,000). Broncus is a company mainly engaged in research and development, and the manufacture and commercialisation of medical device and consumables. Based on the latest unaudited consolidated financial statements of Broncus for the six months ended 30 June 2022, it recorded an unaudited consolidated loss of approximately US$16.06 million. A fair value loss on the Group's investment in Broncus of approximately HK$39,358,000 (2021: fair value gain of HK$6,829,000) has been recognised in other comprehensive income for the 2022 Year. No dividend income was received from Broncus for both years. The investment in Broncus enables the Group to strategically lay out in precision diagnosis, and to enter into the field of precision treatment. Other than bringing investment return to the Group, the Group will also explore collaborative opportunity with Broncus.

The Group did not hold any other significant investments with a market value that account for more than 5% of the Group's audited total assets as at 31 December 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the formation of a joint venture and the disposal of subsidiaries as disclosed in the section headed "BUSINESS REVIEW" above, the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2022 Year.

OPERATING LEASE COMMITMENTS

Details of operating lease commitments are stated in note 45 to the consolidated financial statements.

CAPITAL COMMITMENTS

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

PLEDGED ASSETS

Details of pledged assets are stated in note 31 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2022 and 2021 the Group has no material contingent liabilities.

TREASURY POLICY

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

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2022 Year, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group is not exposed to significant foreign exchange risk and has not employed any financial instrument for hedging. When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including interest rate swaps and foreign currency forwards contract will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations as appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 260 (2021: 211) full time employees which were located in Mainland China and Hong Kong. Total staff costs for the 2022 Year was approximately HK$166,735,000 (2021 Year: HK$99,354,000).

The Group remunerates its employees based on their performance, experience and the prevailing market condition. Performance related bonuses are also granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training (including internal training on the Group's policies and procedures, and paid external training organised by third parties), participation in the Share Option Scheme and Share Award Scheme to provide further incentive and rewards to eligible participants who contribute to the success of the Group.

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

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

The total contributions payable to the above schemes by the Group and charged to the consolidated statement of profit or loss and other comprehensive income for the 2022 Year were approximately HK$3,271,000 (2021 Year: HK$2,089,000).

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

Executive Directors

Mr. Liu Xiaolin ("Mr. Liu"), aged 52, has been appointed as a chairman and executive Director since 28 August 2017 and 7 August 2017 respectively. He is also the chairman of the nomination committee and a member of remuneration committee of the Company. Mr. Liu is currently the partner of an investment company, which is mainly engaged in investments in the PRC and Hong Kong. Mr. Liu is a vice chairman of the School Council of Nanjing Medical University since November 2018. He possesses over 15 years of experience in investment, equity fund management, and mergers and acquisitions. From January 2003 to January 2008, Mr. Liu was the executive director of Shenzhen Jiuming Investment & Consulting Limited* (深圳市久名投資咨詢有限公司), a company principally engaging in investments. From February 2008 to October 2014, Mr. Liu was a partner and chief mainland China representative in an international private equity fund.

Mr. Liu graduated from The Macau University of Science and Technology in 2005 with a Master degree of Business Administration. He is also a director of a number of subsidiaries of the Company.

Mr. He Xun ("Mr. He"), aged 58, has been appointed as an executive Director on 7 August 2018. Mr. He was appointed as a member of the State Pharmacopoeia Commission of China (國家藥典委員會) from October 2002 to October 2007, and has been a member of the Science and Technology Expert Committee of the Shenzhen Municipal Government (深圳市科技專家委員會) since January 2011. Mr. He was the founding president of Shenzhen Life Science and Biotechnology Association in December 2012. Since February 2016 and May 2017 respectively, he has been appointed as the general manager of Shenzhen Sinobioway Xinpeng Biomedicine Co., Ltd.* (深圳未名新鵬生物醫藥有限公司) and Jiangsu Sinobioway Biomedicine Co., Ltd* (江蘇未名生物醫藥有限公司). From January 2017 to January 2020, he served as the vice president of Beijing Sinobioway Group Co., Ltd.* (北京北大未名生物工程集團有限公司). From January 2018 to January 2020, Mr. He had been appointed as the committee member and investment consultant of Shenzhen Fortune Link Thousand Eagle Growth Equity Investment Fund* (深圳匯富未名千鷹成長股權投資基金合夥企業(有限合夥)), which is principally engaged in trust asset management. Mr. He was an independent non-executive director of Shenzhen Weiguang Biological Products Co., Ltd. (stock code: 002880.SZ), a company listed on the Shenzhen Stock Exchange from January 2019 to December 2021.

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

Mr. Huang Song ("Mr. Huang"), aged 41, was appointed as a non-executive Director of the Company on 15 September 2017 and was redesignated as an executive Director of the Company on 16 December 2019.

Mr. Huang joined the National Institute of Biological Sciences, Beijing, the PRC, in February 2011 as a postdoctoral research fellow and currently serves as a deputy director of administration and a director of its Synthetic Biology Center (生物文庫中心), where he is mainly responsible for research management and administration. Mr. Huang has published a research paper in relation to endoplasmic reticulum and jointly owns a patent of potential prostate cancer treatment.

Mr. Huang obtained a Bachelor's degree in biological science from Peking University in July 2003 and a Doctor of Philosophy (PhD) degree in integrative biology from Southwestern Graduate School of Biomedical Sciences, the University of Texas Southwestern Medical Center at Dallas in December 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ms. Chui Hoi Yam (alias 徐海瑛) (former name: 徐海英) ("Ms. Chui"), aged 55, has been appointed as the executive Director on 5 December 2022. Prior to joining the Group, Ms. Chui was a president of Harbin Pharmaceutical Group Co., Ltd.* (哈藥集團股份有限公司) ("**Harbin Pharmaceutical**"), a company listed on the Shanghai Stock Exchange (stock code: 600664), from March 2019 to May 2022 and was a director of Harbin Pharmaceutical from January 2021 to May 2022, where she was responsible for the overall business operation. Ms. Chui has previously worked in China Hewlett-Packard Co., Ltd. and Novartis International.

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

Independent non-executive Directors

Mr. Yan Guoxiang ("Mr. Yan"), aged 57, has been appointed as an independent non-executive Director on 7 August 2017. He is also the chairman of the audit committee and remuneration committee of the Company and a member of the nomination committee of the Company. Mr. Yan has over 18 years of experience in accounting and management. From March 2004 to September 2007, Mr. Yan was an accounting department manager of ShineWing Certified Public Accountants. From September 2007 to June 2010, Mr. Yan was an accounting department manager of Pan-China Certified Public Accountants. Mr. Yan was an assistant manager and finance manager of Chongyi Zhangyuan Tungsten Co., Ltd (stock code: 002378.SZ) from July 2010 to January 2012, a company listed on the Shenzhen Stock Exchange. From March 2012 to December 2014, Mr. Yan was a partner of Da Hua Certified Public Accountants. Since 2013, Mr. Yan has been the visiting professor of the accounting school of Jiangxi University of Finance and Economics. From August 2016 to August 2019, Mr. Yan was the general manager of Shenzhen Junxing Information Technology Co., Ltd. Since June 2018, Mr. Yan has been the executive director of Shenzhen Sichen Consulting Service Co. Ltd.* (深圳市士辰諮詢服務有限責任公司). Mr. Yan was the independent non-executive director of MLS Co., Ltd (stock code: 002745.SZ) from July 2010 to September 2016 and Huasu Holdings Co., Ltd. (stock code: 000509.SZ) from March 2014 to April 2017, both of which are companies listed on the Shenzhen Stock Exchange. From November 2015 to November 2021, Mr. Yan was the independent non-executive director of Eaglerise Electric (China) Co., Ltd. (伊戈爾電氣股份有限公司) (stock code: 002922.SZ) and since August 2018, Mr. Yan has been an independent non-executive director of Shenzhen Topway Video Communication Co., Ltd. (stock code: 002238.SZ), both of which are listed on the Shenzhen Stock Exchange. Mr. Yan is also an independent non-executive director and the convenor of the audit committee of Zhuhai Zhanchen New Materials Company Limited* (珠海展辰新材料股份有限公司) since June 2019.

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

Dr. Ho Ivan Chun Kit ("Dr. Ho"), aged 46, has been appointed as an independent non-executive Director on 31 December 2018. He is also a member of the audit committee, nomination committee and remuneration committee of the Company. Dr. Ho joined Los Angeles Cardiology Associates Medical Group, a large private cardiology group practice in Los Angeles, California, USA, in August 2008 as a licensed physician, working in the area of clinical medicine and cardiology. A company was admitted as a partner in Los Angeles Cardiology Associates Medical Group in August 2010. Such group became part of Keck School of Medicine of the University of Southern California in February 2019, and Dr. Ho is currently a clinical associate professor of medicine and the director of cardiac electrophysiology at the Keck School of Medicine of the University of Southern California. Throughout his professional career, Dr. Ho has had medical staff privileges at many different hospitals in southern California, USA, including Cedars-Sinai Medical Center and Good Samaritan Hospital.

BIOGRAPHICAL DETAILS OF DIRECTORS

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

Mr. Qian Hongji ("Mr. Qian"), aged 47, has been appointed as an independent non-executive Director since 2 March 2018. He is also a member of the audit committee of the Company. Mr. Qian is an experienced lawyer with extensive practice in the areas of mergers and acquisitions and other areas of corporate practice. He was a lawyer and partner at Beijing Zhongtong Cecheng Law Office from May 1999 to May 2004, and has since joined Dentons, a law firm in the PRC, in May 2005 where he is currently a senior partner. Mr. Qian had also been the chairman of the board of supervisors of Beijing Tepia Technology Limited* (北京太比雅科技股份有限公司), whose equity securities are being exchanged and quoted on the National Equities Exchange and Quotations (securities code: 838941), from August 2016 to March 2018. Since June 2019, Mr. Qian has been an independent non-executive director of Hevol Services Group Co. Limited (stock code: 6093), a company listed on the Stock Exchange of Hong Kong Limited.

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

Changes in Information of Directors

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

Directors	Details of Changes
Ms. Chui Hoi Yam	appointed as an executive Director of the Company with effect from 5 December 2022
Mr. Liu Xiaolin	appointed as the compliance officer of the Company pursuant to Rule 5.19 of the GEM Listing Rule with effect from 20 June 2022
Mr. Wang Zheng	– re-designated as a non-executive Director of the Company and ceased to be the compliance officer, an authorised representative of the Company pursuant to GEM Listing Rules and an agent of the Company for the service process in Hong Kong with effect from 20 June 2022 – resigned as a non-executive Director of the Company with effect from 5 December 2022

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

CORPORATE GOVERNANCE REPORT

Pursuant to the Rule 18.44(2) of the GEM Listing Rules, the board of Directors ("**Board**") is pleased to present the corporate governance report for the year ended 31 December 2022 ("**2022 Year**"). This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

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

Throughout the 2022 Year, the Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 15 to the GEM Listing Rules, and has complied with the code provisions in the CG Code.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the 2022 Year and there are no incidents of non-compliance.

BOARD OF DIRECTORS

Composition

As at 31 December 2022, the Board comprised four executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Liu Xiaolin *(Chairman)*
Mr. He Xun
Mr. Huang Song
Ms. Chui Hoi Yam *(appointed on 5 December 2022)*

Independent Non-executive Directors

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

Note: Mr. Wang Zheng was re-designated as a non-executive Director on 26 May 2022, and resigned as a non-executive Director on 5 December 2022.

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

The resignation of Mr. Wang Zheng as a non-executive Director was due to his other personal commitments which require more of his dedication. He confirmed that he did not have any disagreement with the Board and there was no matter in relation to his resignation that would need to be brought to the attention of the shareholders of the Company.

Directors' Insurance

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

Responsibilities, accountabilities and contributions of the Board and management

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

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

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

The biographical details of the Directors are set out in the section above headed "Biographical Details of Directors" on page 21 to page 23 of this report. Their role and function are published on the websites of the Company and the Stock Exchange. Save as disclosed in this report, none of the Directors has any relationship (including financial, business, and family or other material/relevant relationship) with each other.

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

The respective terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee have been published on the websites of the Company and the Stock Exchange.

Attendance of Directors at Meetings

The attendance of the Directors at the general meetings of the Company, the meetings of each of the Board, the Audit Committee, the Remuneration Committee, and the Nomination Committee during the 2022 Year are set out below:

Name of Directors	*Notes*	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive Directors						
Mr. Liu Xiaolin		19/19	N/A	2/2	2/2	1/1
Mr. He Xun		19/19	N/A	N/A	N/A	1/1
Mr. Huang Song		17/19	N/A	N/A	N/A	1/1
Ms. Chui Hoi Yam	*1*	2/2	N/A	N/A	N/A	N/A
Non-Executive Director						
Mr. Wang Zheng	*2*	16/16	N/A	N/A	N/A	1/1
Independent non-Executive Directors						
Mr. Yan Guoxiang		19/19	5/5	2/2	2/2	1/1
Dr. Ho Ivan Chun Kit		19/19	4/5	2/2	2/2	1/1
Mr. Qian Hongji		19/19	5/5	N/A	N/A	1/1

Notes:

1. Ms. Chui Hoi Yam was appointed as an executive director with effect from 5 December 2022.

2. Mr. Wang Zheng was re-designated as a non-executive director on 26 May 2022 and resigned as a non-executive director with effect from 5 December 2022.

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

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

All independent non-executive Directors and non-executive Director are appointed for a specific term of one year.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

Independent non-executive Directors

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

Nomination and Appointment

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

Board and Committees' Structure

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

BOARD COMMITTEES

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

As part of the corporate governance practices, the Board has established three Board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with terms of reference in accordance with the principles set out in the CG Code.

Audit Committee

The Audit Committee is currently composed of three independent non-executive Directors, namely, Mr. Yan Guoxiang (Chairman of the Audit Committee), and Dr. Ho Ivan Chun Kit and Mr. Qian Hongji as members. The financial results for the 2022 Year have been reviewed by the Audit Committee.

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

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

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

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

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

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

During the 2022 Year, the Audit Committee had held five meetings and had performed the above mentioned principal duties and reviewed the Company's quarterly results, interim results, annual results, annual report, interim report and quarterly reports and to advise and comments thereon to the Board. The Audit Committee had performed the duties to review the compliance procedures, report on the Company's internal control and risk management, and its other duties under the CG Code. The Audit Committee also met the external auditor twice without the presence of the executive Directors. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

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

Remuneration Committee

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

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

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

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

The Remuneration Committee held two meetings during the 2022 Year to perform the above mentioned principal duties.

The following is a summary of work performed by the Remuneration Committee during the 2022 Year:

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

(b) assessing individual performance of the Directors;

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

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

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

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

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

Nomination Committee

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

The Nomination Committee leads the process and makes recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of the business development and requirements of the Company. In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the criteria of nomination and appointment of the Directors as sets out in the director nomination policy of the Company, which includes, without limitation, the character and integrity, skills and expertise, professional and educational backgrounds, potential time commitment for the Board and/or committee responsibilities, and the elements of the board diversity policy of the Company and so on. If the nomination process yields one or more desirable candidates, the Nomination Committee will rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee will then make recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed by the Board in accordance with the bye-laws of the Company and the GEM Listing Rules.

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

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

(a) reviewing the structure, size; composition (including the skills, knowledge and experience) and diversity (including but not limited to gender, age, cultural and education background or professional experience or geographical background) of the Board on a regular basis, at least annually, and recommending any changes to the Board;

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

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

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

The following is a summary of the work performed by the Nomination Committee during the 2022 Year:

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

(b) reviewing and recommending the re-appointment of the retiring Directors at the annual general meeting of the Company held on 20 June 2022;

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

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

During the 2022 Year, two meetings were held by the Nomination Committee to, among, other thing, review the structure, size, composition and diversity of the Board, assess the independence of each of the independent non-executive Directors, and recommend to the Board for approval. The Nomination Committee reviewed the board diversity policy to ensure its effectiveness and considered that the Group has implemented the policy since its adoption.

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

Board Diversity Policy

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

The Board includes both genders and has a balanced mix of experiences, including business management, business development, industry knowledge, medical, legal, finance, auditing and accounting experiences. Furthermore, the education background of the Directors ranges from biological chemistry, chemical engineering and medical to accountancy, legal and business administration, from education institutions in the PRC, Macau to the United States, the United Kingdom and Singapore.

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

As at 31 December 2022, the Board is composed of 1 female Director and 6 male Directors, the Nomination Committee will continue to measure the effectiveness of the diversity policy of the Board.

Gender Diversity in the Workforce

Please refer to page 55 of the Environmental, Social and Governance Report ("**ESG Report**") for the number of female and male employees and the demographic distribution of such employees of the Group (including senior management).

The Group achieved an overall female-male gender ratio of 1.16:1 for the 2022 Year in Hong Kong and a ratio of 0.76:1 in the PRC. The overall female-male gender ratio including the PRC and Hong Kong is 1.10:1. As such, the Group considers it has achieved gender diversity for 2022 Year. The Group will continue to evaluate its gender diversity.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

As at 31 December 2022 and up to the date of this report, the Company has not appointed a chief executive officer and is looking for a suitable candidate to act as chief executive officer in order to comply with the CG Code. The office and duties of the chief executive officer in respect of the day-to-day management of the Group's business is handled by the executive Directors collectively.

COMPANY SECRETARY

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

Ms. Wong Miu Shun ("**Ms. Wong**") was appointed as the Company Secretary on 9 October 2017. Ms. Wong graduated from City University of Hong Kong with a Bachelor's degree of business administration (Honours) in accountancy in July 2010. Ms. Wong is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since May 2014, and was certified as a chartered secretary and chartered governance professional by The Hong Kong Chartered Governance Institute in June 2020. Ms. Wong has taken more than 15 hours of relevant professional training to update her skills and knowledge during the 2022 Year.

CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Directors' training is an ongoing process. During the 2022 Year, the Directors were provided with monthly updates on the Company's performance and position to enable the Board as a whole and each Director to discharge their duties.

Under the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are encouraged to participate in continuous professional development.

All Directors participated in continuous professional development by attending training and reviewing the materials relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements during the 2022 Year in order to develop and refresh their knowledge and skills. The Company updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

During the 2022 Year, the Directors have participated in the following trainings at the Company's expenses:

Name of Directors	Type of trainings Seminar	Type of trainings Reading Materials
Executive Directors		
Mr. Liu Xiaolin	√	√
Mr. He Xun	√	√
Mr. Huang Song	√	√
Mr. Chui Hoi Yam *(appointed on 5 December 2022)*	x	√
Non-executive Director		
Mr. Wang Zheng *(re-designated on 26 May 2022 and resigned on 5 December 2022)*	√	√
Independent Non-executive Directors		
Mr. Yan Guoxiang	√	√
Dr. Ho Ivan Chun Kit	√	√
Mr. Qian Hongji	√	√

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

The above statements, which should be read in conjunction with the independent auditors' report set out from pages 89 to 98 of this annual report, are made with a view to distinguishing for shareholders how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the 2022 Year. The Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are prudent and reasonable in accordance with applicable accounting standards.

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

Risk Management and Internal Control

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

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

The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

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

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

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

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

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

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

Please refer to the paragraph headed "Anti-corruption" on page 59 under the ESG Report for details on whistleblowing and anti-corruption measures of the Company.

During the 2022 Year, the Group has yet to establish an internal audit function as required under Code Provision D.2.5 of the CG Code because of cost considerations and perceived effectiveness of existing internal controls, and the Group has adopted the practice of engaging an independent professional firm to report on its internal control processes on an annual basis. In addition, the Group will continue to review whether there is a need for an internal audit department at least annually.

During the 2022 Year, the Company engaged an independent professional firm, which has a team of professional staff with relevant expertise (such as certified public accountants), to perform an annual internal audit on the Group, including to conduct a review of the risk management and internal control systems for its business operations and processes of the Group by conducting interviews, walkthroughs and test of operating effectiveness. The review was done on a systematic basis based on the risk assessments of the operations and controls, and covered review of procurement, accounts payables and payment cycle and financial reporting and disclosure function cycle of the subsidiaries in Hong Kong and the PRC for the 2022 Year. The review plan was approved by the Board and the Audit Committee. The Board and the Audit Committee have also reviewed the resources, staff qualifications and experience, training programs and budget of the independent professional firm and considered they are adequate and sufficient. In addition, there is regular dialogue with the Group's internal and external auditors so that both are aware of the significant factors which may affect their respective scope of work.

The internal control review report for the 2022 Year, issued by the independent professional firm, listed out the findings identified in 2022 Year in regard to the relevant cycles and procedures with recommendations proposed for the Company to further improve its internal control system. No significant deficiency was identified during the review and areas of improvement, if any, have been identified and appropriate measures have been put in place to manage the risks. The Board and the Audit Committee considered the systems effective and adequate throughout the 2022 Year.

The results of the internal control review and follow-up actions taken by the Group have been reported to the Board and the Audit Committee in connection with their annual review on the risk management and internal control systems of the Group in respect of the 2022 Year. Several areas have been considered during the reviews, which included but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment, (ii) the scope and quality of management's ongoing monitoring of risk management and internal control system.

Auditor's remuneration

For the 2022 Year, the fee payable to RSM Hong Kong in respect of audit services amounted to HK$1,200,000 (2021 Year: HK$1,100,000) and the fee payable to RSM Hong Kong in respect of non-audit services, which included the reporting accountant for major transaction, proposed transfer of listing to main board and due diligence, amounted to approximately HK$2,150,000 (2021 Year: HK$Nil).

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

As disclosed in the circular of the Company dated 26 May 2022, the Board proposed the adoption of new bye-laws of the Company to be in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the GEM Listing Rules which took effect on 1 January 2022. Details of the proposed adoption of new bye-laws of the Company are disclosed in the circular of the company dated 26 May 2022. The resolution approving the proposed adoption of new bye-laws was passed by the shareholders of the Company by way of poll at the annual general meeting held on 20 June 2022 and the new bye-laws became effective on 20 June 2022.

Save as disclosed above, there was no other amendment to the Company's constitutional documents during the 2022 Year. The new bye-laws of the Company is available on the websites of the Stock Exchange and the Company.

SHAREHOLDERS' COMMUNICATION POLICY

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

The Company updates its shareholders on its latest business developments and financial performance through its corporation communications such as annual reports, interim reports and quarterly reports, notices, announcements and circulars issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.cbshhk.com in a timely and consistent manner as required by the GEM Listing Rules. The Company's website provides a communication platform to the public and the shareholders.

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

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

During the 2022 Year, the Company convened the 2022 AGM on 20 June 2022 and encouraged shareholders' participation in the AGM. The AGM provided a channel for a two-way communication for shareholders to communicate their views on various matters affecting the Company, and for the Company to better solicit and understand the views of its shareholders and stakeholders.

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

In view of the above, the Company is of the view that the shareholders communication policy for the 2022 Year is effective, and will continue to evaluate and revise its shareholders' communication policy from time to time.

SHAREHOLDERS' RIGHTS

A. Procedures for Shareholders to Convene a Special General Meeting

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

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

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

B. Procedures for putting enquiries to the Board

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

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

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

DIVIDEND POLICY

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

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

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

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

(iii) the liquidity conditions of the Group;

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

(v) any restriction on payment of dividends;

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE

The Group is fully committed to environmental protection, social responsibility and is equipped with the strictest corporate governance. In pursuant to the requirements of the Environmental, Social and Governance Reporting Guide ("**Environmental, Social and Governance Guide**") in Appendix 20 of the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), we have prepared the *2022 Environmental Social and Governance* ("**ESG**") *Report* (thereafter "**ESG Report**"), in accordance with the mandatory disclosure requirements and the "comply or explain" provisions as set out in Appendix 20 to the GEM Listing Rules, covering business segments principally in (i) provision of medical laboratory testing services and health check services in Hong Kong; (ii) provision of tumor immune cell therapy and health management services in the People's Republic of China (the "**PRC**"); (iii) sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; and (iv) provision of insurance brokerage services.

The scope of this report will cover the Group's initiatives on introducing the concept of ESG to our employees and clients, putting them into practices to our daily operations since 2016 and disclosing results as a year-end summary over the 2022 Year. It is also the intention of our management to provide an overview of the Group's strategy in managing ESG-related issues, driving for ESG initiatives throughout the Group, and communicating our ESG performance with our stakeholders. This year, the Group has continued to include environmental performance data from previous years to better illustrate our trends in ESG performance. Similarly, this year's carbon emission reporting continues to account for carbon emission associated with paper waste disposal, electricity used for processing fresh water and business air travel by employees. Unless otherwise stated, the methodology used for the quantification of the above metrics was consistent with those used in the Group's pervious reports to allow for performance comparison.

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

BOUNDARY AND REPORTING PERIOD

The reporting boundary shall cover our operation in the Group's core business units of which it has financial control. This includes the Hong Kong head office as well as major subsidiaries operating in Hong Kong and Shanghai, namely Shanghai Longyao. There is no significant change in boundary and scope of this report from the Group's 2021 Environmental, Social and Governance Report.

Our reporting period shall cover the dates from **1 January 2022** to **31 December 2022** (the "**2022 Year**").

QUANTITATIVE

This ESG Report contains information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable).

CONSISTENCY

Unless otherwise indicated, the methods and key performance indicators ("**KPIs**") used in this ESG Report is same as last year, in order to allow for a meaningful comparison.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GOVERNANCE STRUCTURE

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

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

MANAGEMENT OF ESG TOPICS

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

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

The ESG policy is used as the framework for the Group's regular review and evaluation of its ESG performance, the process of which included (i) performance monitoring using KPIs to evaluate the environmental performance of the Group's business impacts and (ii) performing stakeholder engagement to collect feedback to prioritise the materiality of ESG-related issues, in order to assist the Group's continuous improvement in ESG performance.

STAKEHOLDER ENGAGEMENT

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

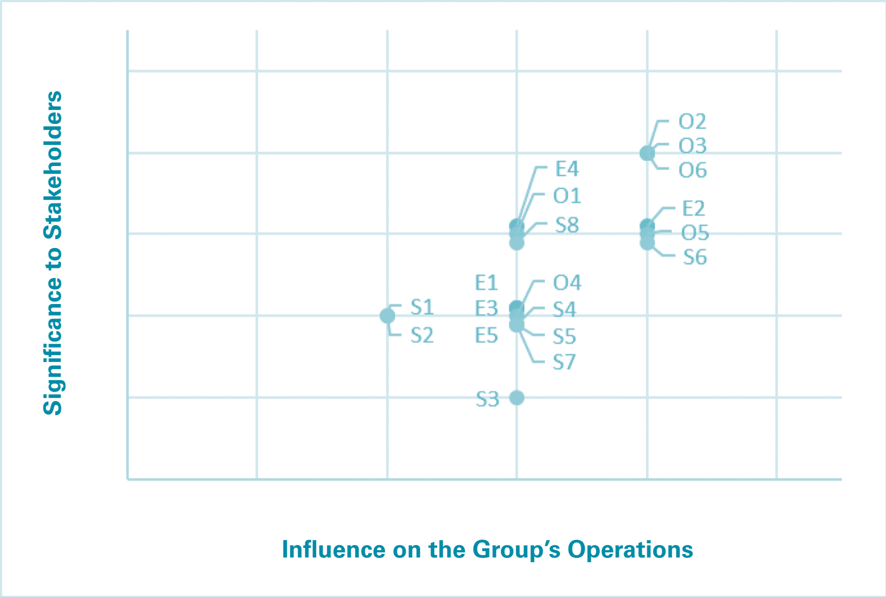
To ensure that the Group has adequately addressed the various aspects of ESG associated with its operation, it has consulted both internal and external stakeholders about its potential impacts. The Group understands the importance of maintaining good relationship with stakeholders of different backgrounds,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

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

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

MATERIALITY ASSESSMENT

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



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

During the 2022 Year, the Group continued to maintain an open and transparent dialogue with its stakeholders through diversified communication channels including staff meetings, annual general meeting and customers services channel etc. The Group has obtained a better understanding of their expectation on ESG-related matters for the enhancement of a better alignment between business development and sustainability strategy.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Overview of Compliance with Relevant Laws and Regulations

During the 2022 Year, the Company has complied with the following non-exhaustive list of rules and regulations in its business activities:

Environmental

During the 2022 Year, the Company has complied with the following rules and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste:

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

Social and Employment

During the 2022 Year, the Company has complied with the following rules and regulations (i) relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare; (ii) relating to preventing child and forced labour; and (ii) relating to providing a safe working environment and protecting employees from occupational hazards:

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

Product Responsibility

During the 2022 Year, the Company has complied with the following rules and regulations relating to health and safety, advertising, labelling and privacy matters relating to its products and services provided:

- Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong)
- Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)
- Food Safety Ordinance (Chapter 612 of the laws of Hong Kong)
- Competition Ordinance (Chapter 619 of the Laws of Hong Kong)
- Supplementary Medical Professions Ordinance (Chapter 359 of the Laws of Hong Kong)
- Medical Laboratory Technologists (Registration and Disciplinary Procedure) Regulations (Chapter 359A of the Laws of Hong Kong)
- Radiographers (Registration and Disciplinary Procedure) Regulation (Chapter 359H of the Laws of Hong Kong)
- Radiation Ordinance (Chapter 303 of the Laws of Hong Kong)
- Radiation (Control of Radioactive Substances) Regulations (Chapter 303A of the Laws of Hong Kong)
- Radiation (Control of Irradiating Apparatus) Regulations (Chapter 303B of the Laws of Hong Kong)
- Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong)

Anti-corruption

During the 2022 Year, the Company has complied with the following rules and regulations relating to bribery, extortion, fraud and money laundering:

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

ENVIRONMENT

Impact Awareness

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

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

Environmental Policies

The Group understands the importance of environmental protection, recognises the potential environmental impacts associated with our operational activities, and strives to minimise our impacts. While we aim to generate revenue for our shareholders, as well as providing high quality products and professional services to our customers, the Group established sets of environmental Policies to ensure compliance with all applicable laws and regulatory requirements in both the PRC and Hong Kong. Our policies also set the direction, and as a guideline for our employees, on best managing our environment impacts on the local environment according to different activities throughout our operations. The key features of our environmental policies include:

- Monitoring of compliance with all applicable environmental laws, standards and regulations;

- Developing a culture of environmental protection among staff members;

- Promoting public awareness of environmental sustainability issues through resource conservation in the context of operations;

- Seeking continual improvement in the efficient use of energy and other natural resources; and

- Employing the best practices as listed out in "Green Measures for Offices".

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

Climate-related Issues

The Group performs regular reviews of regulatory and sector trends to identify potential risk factors which have a material impact to the Group's operations. This includes monitoring of new policies related to environmental performance, energy consumption, and carbon emissions. In addition, trends and strategies commonly adopted by our industry peers are also monitored to ensure that the Group remains alert of best practices when developing climate management strategies.

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

Use of Resources

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

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

Energy Saving Measures:

- Energy equipment with "Energy Efficient Label" is included as part of the procurement process selection criteria, and shall be adopted as far as possible;
- Good working space practices, such as setting the air conditioners to 25.5°C are encouraged for a comfortable and energy-efficient working environment; and
- Energy-conservation practices on utilising electronic devices are adopted throughout working premises, such as electronic appliances shall be switched off or set into energy saving mode when idle.

Paper Saving Measures

- E-documentation platform is promoted in our offices (i.e. email) to reduce paper waste;
- Marketing materials, such as greeting cards shall be sent by electronic means as much as possible; and
- The proper use of papers, such as double-sided printing or copying is encouraged whenever it is appropriate.

Water Conservation Policy

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

Air Emission

In Hong Kong and the Pearl River Delta, key air pollutants from human activity include: nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and respiratory suspended particles ("**RSP**", also known as Particulate Matter ("**PM**")). The primary sources of these atmospheric air pollutants include emissions from motor vehicles, marine vessels, power plants as well as local industrial and commercial processes. The Group operates private cars and consumes Towngas as part of its operations and the associated air emissions have been identified and evaluated. Air emissions are evaluated based on statistics associated with fossil fuel consumption and vehicle usage. The amount of air emissions produced by the Group during the reporting period included 0.8 kg of NOx, 0.01 kg of SOx, and 0.06 kg of particulate matter (7.5 kg, 0.20 kg and 0.55 kg respectively in 2021). Air emissions are calculated based on the quantity of fossil fuels consumed during the reporting period, using emission factors provided in Appendix 2: Reporting Guidance on Environmental KPIs in How to Prepare an ESG Report published by the Stock Exchange. The reduction in air emissions is primarily due to reduced fossil fuel consumption during the reporting period.

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

Greenhouse Gas Emissions

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

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

The total Scope 1&2 greenhouse gas emissions associated with the Group's operations during the reporting period was estimated to be 11,040 tCO_2e. Due to increased demand associated with COVID-19, there was a significant increase in business activity during the reporting period, along with the deployment of additional equipment. This resulted in a higher electricity consumption and higher Scope 1&2 greenhouse gas emissions.

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

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

WASTE MANAGEMENT

Hazardous Waste

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

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

Furthermore, the Group had formed the Laboratory Safety Committee to ensure the laboratories were being operated in accords to safety procedures. It is also the duty of the committee to manage clinical waste that includes and is not limited to the following:

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

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

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

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

Non-Hazardous Waste

For non-hazardous waste, the Group kept a close working relationship with employees to promote waste reduction. Measures such as paper recycling, and the appropriate use of recycled paper was encouraged in workplaces. In addition, the Group took the initiative further by driving towards a paper-less working environment. Staff were encouraged to work and communicate through emails and e-format documents instead of paper copies. During the reporting period, the total paper consumption was about 1.8 tonnes.

Waste	**Annual Production**	
	2022	2021
Hazardous Waste	**105.7 tonnes**	5.8 tonnes
Non-Hazardous Waste	**10,141.2 tonnes**	10.4 tonnes
Wastewater	**7,374 m^3**	3,370 m^3

During this reporting period, hazardous and non-hazardous waste disposal processes were handled by authorized waste-handling parties, and were performed in compliance with regulatory requirements. The significant increase in generation of non-hazardous waste and wastewater during the reporting period is associated with increased operations at our laboratory business, partly associated with the COVID-19 pandemic.

The wastewater generated during this report period has increased due to contribution from construction activities associated with our Hainan operations.

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

Environmental Targets

To guide our employees to achieve reductions towards a cleaner and greener environment, the Group has set a set of 5-year environmental targets in 2021. The Board will review the progress made against the targets on an annual basis, in particular, across the core businesses in PRC and Hong Kong.

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

Due to the significant differences in the scale of business operations and associated environmental performance in 2022 as compared to 2021, the Group will consider re-baselining its environmental KPIs to allow for more consistent performance tracking.

Summary

The consolidated data with respect to KPIs regarding emissions and resource consumption associated with the Group during the reporting period is summarised below:

Environmental KPIs			
Category	**Unit**	**2022**	2021
Energy Consumption			
Total Energy Consumption	GJ	**103,633**	1,842
Petrol Consumption	GJ (L)	**24 (700)**	478 (13,836)
Electricity Consumption	GJ (kWh)	**103,609 (28,780,217)**	1,349 (374,815)
Towngas Consumption	GJ	**0**	14
Total Consumption Intensity	GJ/1,000 HKD revenue	**0.056**	0.003
Greenhouse Gas Emissions			
Total Greenhouse Gas (GHG) Emissions (A)+(B)+(C)	t CO_2e	**11,273**	238
(A) Scope 1 – Direct Emissions	t CO_2e	**2.2**	38
Carbon Dioxide (CO_2) Emissions	t	**1.9**	33
Methane (CH_4) Emissions	kg	**0.2**	4
Nitrous Oxide (N_2O) Emissions	kg	**0.8**	15
(B) Scope 2 – Energy Indirect Emissions	t CO_2e	**11,237**	159
(C) Scope 3 – Other Indirect Emissions	t CO_2e	**33.7**	40.9
Fresh Water Processing	t CO_2e	**6.5**	6.0
Paper Waste Disposed at Landfills	t CO_2e	**11.6**	21.8
Employee Business Travel	t CO_2e	**15.6**	13.1
Total Greenhouse Gas (GHG) Emissions (A)+(B)+(C) Intensity	t CO_2e/1,000 HKD revenue	**0.00609**	0.00038
Air Emissions			
Nitrogen Oxides (NOx) Emissions	kg	**0.8**	7.5
Sulphur Oxides (SOx) Emissions	kg	**0.01**	0.20
Particulate Matter Emissions	kg	**0.06**	0.55
Waste Management			
Total Hazardous Waste Produced	t	**105.7**	5.8
Total Hazardous Waste Intensity	kg/1,000 HKD revenue	**0.0571**	0.0093
Total Non-Hazardous Waste Produced	t	**10,137.2**	10.4
Total Non-Hazardous Waste Intensity	kg/1,000 HKD revenue	**5.4750**	0.0167
Total Wastewater Generation	kg	**7,374**	3,370
Use of Resources			
Total Water Consumption	m^3	**7,374**	6,867
Total Water Consumption Intensity	m^3/1,000 HKD revenue	**0.004**	0.011

SOCIAL

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

Employment

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

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

Remuneration Committee

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

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

Health and Safety

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

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

Hong Kong

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

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

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

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

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

Shanghai

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

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

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

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

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

In 2022, the Group had no material non-compliance with relevant standards, laws, rules and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

Health and Safety KPIs	For the years ended 31 December 2020, 2021 and 2022	
Types	**Number**	**Rate%**
Work-related fatalities	0	0
Lost days due to work injury	0	0

COVID-19 Response

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

Strict hygiene rules were implemented at our offices, including mandatory measurement of body temperature prior to entry and wearing of masks at all times. The Group advised its staff to wash their hands frequently and avoid touching their faces to minimize the possibility of catching an infection. Should any members of the staff develop any COVID-19 symptoms, they are advised to take extra precautionary measures, including the taking on sick leaves to seek any necessary medical advice. As part of our business activity associated with COVID-19, our employees are instructed to take extra precaution when handling potentially substances which may cause serious harms to personnel safety.

Training and Developments

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

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

- Ensure that employees are supported and equipped with necessary knowledge and skillset to meet the changing demands of the Group and its service users so that the Group achieves its strategic objectives;

- Facilitate employee development and personal development through assisting them to broaden, deepen and thereby further enhance their existing skill base; and

- Provide a working environment, where continuous learning and development take place that help staff gaining on-job fulfilment, increase motivation and enhance staff retention.

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

Due to the continued impact from the COVID-19 pandemic to the Group's regular operations, there were significant constraints for organizing training sessions for our staff during the reporting period. The Group's training statistics for 2022 is presented in the table below:

	By Gender		By Category		
	Male	Female	Senior Management	Middle Management Staff	Other Staff
% Employees Trained	68%	47%	64%	62%	55%
Average Training Hours	6.4	8.7	10.8	13.7	6.2

Newly-recruited employees of the Group are provided with orientation training to equip them with essential knowledge, which covers topics such as:

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

Equal Opportunities, Diversity and Anti-Discrimination

Employees Composition/Equal Opportunities

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

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

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

Employees with workplace concern or queries should be referred to the administration and human resources department, and all cases will be thoroughly investigated and treated in the strictest confidence basis.

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

Labour Standards

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

During the reporting period, the Group had no known material instances of non-compliance with relevant employment and labour practices laws and regulations.

Employee Demographics

In this reporting period, the Group has 260 full-time employees and 17 part-time employees. During the reporting period, the overall turnover rate for full-time employees across the Group was 32%. A breakdown of our employee demographics is presented in the following tables.

Employment Type	No. of staff for 2022 Year	Staff Turnover Rate (%)
Full-time	260	32%
Part-time	17	18%

Region	Gender	No. of staff	Staff Turnover Rate (%)
The PRC	Male	21	19%
	Female	16	
Hong Kong	Male	111	33%
	Female	129	

Gender	No. of staff for 2022 Year	Staff Turnover Rate (%)
Male	132	30%
Female	145	31%

Age Group	No. of staff for 2022 Year	Staff Turnover Rate (%)
Under 30	101	35%
31 to 50	124	27%
Over 50	52	31%

Supplier Management

Hong Kong

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

Shanghai

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

- Supplier survey
- Product quality agreement
- Storage conditions
- Product quality standards
- Analysis of product quality
- Certification (including licenses and registration documents)
- Good manufacturing practices (GMP) certificate

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

Risk Management in Supply Chain

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

Key aspects of our supply chain policies include:

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

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

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

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

Sustainable Procurement Policy

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

Our staff are also encouraged to maintain up-to-date knowledge on latest industry trends to help ensure procurement processes adequately consider the varying levels of environmental performances in the supply chain. Our sustainable procurement policy is regularly reviewed and updated to address the continuously evolving sustainability best practices.

Supplier Distribution

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

Region	Supplier Count for 2022 Year
Hong Kong	239
China	67
Japan	5
United States	2
Singapore	2

Quality Assurance

Hong Kong

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

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

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

Shanghai

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

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

Customer complaints are reviewed and investigated so that the quality of the Group's services & products are kept at optimum levels. In case any of the Group's products/services were identified to be below quality requirements established with the Group, suitable measures including recalls in accordance with the Group's procedures will be carried out by the Group to ensure that the Group's reputation will remain unharmed.

Product Responsibility KPIs	Number for 2022 Year	Rate %
Total products sold or shipped subject to recalls for safety and health reasons	0	0
Number of products and service related complaints received	0	0

Product Responsibility

In the event of significant incidents involving the Group's products or services, the Group is dedicated to ensuring that affected customers receive appropriate redress, such as refunds or replacement products, and we will work closely with regulatory agencies to ensure compliance with all applicable laws and regulations.

Data Protection

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

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

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

Intellectual Property Rights

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

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

During the 2022 Year, the Group complied with relevant laws and regulations such as the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), and the Consumer Protection Law, by ensuring that there are no false and misleading messages in our advertisements and promotion activities. During the 2022 Year, the Group did not identify any material non-compliance of the laws and regulations related to the quality of products and services.

Anti-Corruption

The Group is strictly complying with all legal requirements against corruption, and is fully committed to restricting all forms of illegal activities, including corruption, without exception. Staff are requested to understand and work with us to safeguard the Group throughout their daily operation, to prohibit and prevent money laundering activities. Policies have also been developed by the Group's businesses to provide guidance on measures to be adopted by employees against bribery and corruption.

To maintain transparency and promote integrity and accountability, the Group established whistleblowing channels for reporting inappropriate conducts and other suspicious irregular activities which are identified to be against relevant internal policies and guidelines, including but not limited to malpractices in the workplace and financial crimes, through official channels. Reports are directly escalated to the head of the department or administration and human resources department for evaluation, and the reported incidents are thoroughly investigated before passing to the Audit Committee to make recommendations to board of directors. In case of possible criminal offense, the case will be referred to the Audit Committee and the Group will seek for legal advice with necessary disciplinary actions carried out if any misconducts are identified. Striving to ensure the effectiveness of the whistle-blowing procedures and protect the whistle-blowers from any form of retaliation or repercussions, the whistleblowing policy, which will be reviewed and updated from time to time, contains confidentiality provisions.

In order to strengthen our employees' understanding on the topic of anti-corruption, regular internal trainings are organized, which feature case studies and recommended measures to avoid situations which may be associated with non-compliance activities. A working guideline on "**Anti-Corruption Measures"** has been prepared by the Group, and made available for full access to all of its employees, and employees are regularly trained on the Company's Anti-Corruption Measures, as well as updates to the anti-corruption laws and regulations.

During 2022, the Group was unaware of any action that non-compliance with laws and regulations relating to corruption, bribery, extortion, fraud and money laundering. This includes, but not limited to the Prevention of Bribery Ordinance (Cap.201). Also, the Group was not involved in any legal cases regarding corruption during the reporting period.

Anti-corruption KPIs	Number for 2022 Year	Rate %
Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the reporting period	0	0

Community

Community Investment

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

During the pandemic, the Group focused on providing community contributions in the form of health care support. During the 2022 Year, there were a number of significant COVID outbreaks, during which the Group has donated a total of 30,000 rapid antigen test (RAT) kits to the community in support of the fight against the pandemic. The beneficiaries of the donation include the elderly and people working in frontline positions who have higher risk of getting in contact with the virus.

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

A. Environmental	Subject Areas, Aspects, General Disclosures and KPIs		Relevant Section in this ESG Report
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Company relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Overview of Compliance with Relevant Laws and Regulations
	KPI A1.1	The types of emissions and respective emissions data.	Environmental KPIs
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental KPIs
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental KPIs
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental KPIs
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Targets; ENVIRONMENT
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Targets; WASTE MANAGEMENT; Shanghai

A. Environmental	Subject Areas, Aspects, General Disclosures and KPIs		Relevant Section in this ESG Report
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.		ENVIRONMENT
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental KPIs
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental KPIs
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Energy Saving Measures
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Water Conservation Policy
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable*
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the Company's significant impacts on the environment and natural resources.		Use of Resources
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Climate-related Issues
Aspect A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the Company.		Climate-related Issues
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the Company, and the actions taken to manage them.	Climate-related Issues

* There was no actual packaging materials used in the sale of products of the Company because products were ordered and shipped in its original condition, therefore the Company does not consider packaging materials was used by the Company during the Reporting Period.

B. Social	Subject Areas, Aspects, General Disclosures and KPIs		Relevant Section in this ESG Report
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Company relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Overview of Compliance with Relevant Laws and Regulations; Equal Opportunities, Diversity and Anti-Discrimination; SOCIAL
	KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Employee Demographics
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Demographics
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Company relating to providing a safe working environment and protecting employees from occupational hazards.		Overview of Compliance with Relevant Laws and Regulations; Health and Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
	KPI B2.2	Lost days due to work injury.	Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

Subject Areas, Aspects, General Disclosures and KPIs B. Social			Relevant Section in this ESG Report
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Training and Developments
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and Developments
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Training and Developments
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Company relating to preventing child and forced labour.		Overview of Compliance with Relevant Laws and Regulations; Labour Standards
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices			
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		Risk Management in Supply Chain; Sustainable Procurement Policy
	KPI B5.1	Number of suppliers by geographical region.	Supplier Distribution
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supplier Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supplier Management; Risk Management in Supply Chain; Sustainable Procurement Policy
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supplier Management; Risk Management in Supply Chain; Sustainable Procurement Policy

B. Social	Subject Areas, Aspects, General Disclosures and KPIs		Relevant Section in this ESG Report
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Company relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Overview of Compliance with Relevant Laws and Regulations; Quality Assurance; Product Responsibility
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Quality Assurance
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Quality Assurance
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Data Protection; Intellectual Property Rights
	KPI B6.4	Description of quality assurance process and recall procedures.	Quality Assurance; Product Responsibility
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Data Protection
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Company relating to bribery, extortion, fraud and money laundering.		Overview of Compliance with Relevant Laws and Regulations; Anti-Corruption
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-Corruption
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption

B. Social	Subject Areas, Aspects, General Disclosures and KPIs		Relevant Section in this ESG Report
Community			
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the Company operates and to ensure its activities take into consideration the communities' interests.		Community; STAKEHOLDER ENGAGEMENT
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**2022 Year**").

PLACE OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

(a) Competition

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

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

(b) Financial Risk

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

(c) Technology

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

(d) Macro-economic environment

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

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

(e) Employees

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

(f) Regulatory and operational compliance

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

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

IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are (i) provision of medical laboratory testing services and health check services in Hong Kong; (ii) provision of tumor immune cell therapy and health management services in the PRC; (iii) sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; and (iv) provision of insurance brokerage services.

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results of the Group for the 2022 Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 99 to 100. The state of affairs of the Group and the Company at that date are set out in the consolidated statement of financial position on page 101 and note 33(a) to the consolidated financial statements of this report respectively.

Pursuant to the resolutions of the Board dated 24 March 2023, the Board has recommended the payment of a final dividend of HK$0.01 per ordinary share of HK$0.10 each in the share capital of the Company (2021: nil) for the year ended 31 December 2022, in an aggregate amount of approximately HK$9,632,000, subject to the approval by the shareholders at the forthcoming annual general meeting. The Company will publish further announcement(s) for the date of annual general meeting, the book closure, record date and other arrangements concerning the proposed final dividend.

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the 2022 Year is set out in note 10 to the consolidated financial statements.

CHARITABLE DONATIONS

During the 2022 Year, the Group made charitable donations amounting to approximately HK$Nil (2021 Year: HK$1,062,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the 2022 Year, the percentages of turnover and purchases attributable to the Group's major customers and suppliers are set out below:

Turnover	
The largest customer	59.79%
Five largest customers in aggregate	95.53%
Purchases	
The largest supplier	37.40%
Five largest suppliers in aggregate	66.43%

For the 2022 Year, the percentage of the Group's aggregate revenue from provision of medical laboratory testing services and health check services and sales and distribution of health related and pharmaceutical products attributable to the Group's largest customer was approximately 59.79% (2021: from provision of medical laboratory testing services and health check services approximately 49.73%), while the percentage of the Group's aggregate revenue from provision of medical laboratory testing services and health check services and sales and distribution of health related and pharmaceutical products attributable to the five largest customers was approximately 95.53% (2021: approximately 76.01%).

For the 2022 Year, the percentage of the Group's purchases from the largest supplier was approximately 37.40% (2021: approximately 34.44%), while the percentage of the Group's purchases from the five largest suppliers accounted for approximately 66.43% (2021: approximately 79.80%).

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the 2022 Year are set out in note 32 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

(a) Convertible bonds

On 10 May 2022, the Company and Guoyuan Securities Investment (Hong Kong) Limited (the "**Subscriber**"), entered into an amendment agreement for the purpose of extending the maturity date of the outstanding convertible bonds which were issued by the Company to the Subscriber on 11 May 2020 (the "**2020 Convertible Bonds**") for two years from 10 May 2022 to 10 May 2024 (the "**Proposed Amendments**"). The Proposed Amendments took effect on 24 June 2022. Details were disclosed in the announcements of the Company dated 10 May 2022 and 24 June 2022.

On 20 December 2022, the Company entered into a subscription agreement with the Subscriber, pursuant to which the Subscriber agreed to subscribe for the convertible bonds in the aggregate principal amount of US$10,000,000 (equivalent to approximately HK$77,800,000) (the "**2022 Convertible Bonds**"). Based on the initial conversion price of HK$1.45 per conversion share at the exchange rate of HK$7.85 to US$1.00, a maximum number of 54,137,931 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the 2022 Convertible Bonds in full, which represent approximately 5.62% of the existing issued share capital of the Company and approximately 5.32% of the issued share capital of the Company as enlarged by the issue of the conversion shares. The 2020 Convertible Bonds were surrendered and cancelled upon completion of issue of the 2022 Convertible Bonds. The completion of the subscription took place on 30 December 2022. Details were disclosed in the announcements of the Company dated 20 December 2022 and 30 December 2022.

(b) Share Option Scheme

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

During the 2022 Year, no share options was granted.

The details of the Share Option Scheme of the Company are set out in the section headed "SHARE OPTION SCHEME" below and in note 41(a) to the consolidated financial statements.

(c) Share Award Scheme

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

During the 2022 Year, the trustee purchased a total number of 2,325,000 shares on the market at a total consideration of approximately HK$2,985,000. No shares were awarded by the Company under the Share Award Scheme.

The details of the Share Award Scheme of the Company are set out in the section headed "SHARE AWARD SCHEME" below and in note 41(b) to the consolidated financial statements.

DIRECTORS' REPORT

RESERVES

Details of the movements in the reserves of the Group and the Company during the 2022 Year are set out in the consolidated statement of changes in equity on page 102 and in note 33(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

For the 2022 Year, the Company's reserves available for distribution to shareholders of the Company are set out in note 33(b) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the 2022 Year are set out in note 19 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER THE REPORTING PERIOD

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary on pages 194 to 195 of this report. This summary does not form part of the audited consolidated financial statements.

BUSINESS REVIEW

The business review, including (i) review of the business of the Group during the 2022 year; (ii) particulars of important events affecting the Group that have occurred since the end of the 2022 Year; (iii) key financial and business performance indicators; (iv) discussion on the Group's likely future business development; and (v) principal risks and uncertainties faced by the Group are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 8 to 20 of this report. These discussions form part of this report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporate citizen, the Group recognises the importance of good environmental stewardship. The Group implemented green policies to raise energy efficiency and minimise energy consumption. For details, please refer to the section headed "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" on pages 39 to 65 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with applicable laws and regulations and the risk of non-compliance with such requirements. The Group has implemented system and allocated staff resources to ensure ongoing compliance with applicable laws, rules and regulations. The Company and its subsidiaries operating in Hong Kong and the PRC are subject to requirements under various laws and regulations. For subsidiaries operating in Hong Kong, applicable laws and regulations include, among others, Trade Descriptions Ordinance (Cap. 362 of the laws of Hong Kong), Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong), the Competition Ordinance (Cap. 619 of the laws of Hong Kong), Employment Ordinance (Cap. 57 of the laws of Hong Kong), Insurance Ordinance (Cap. 41 of the laws of Hong Kong) and the applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, GEM Listing Rules apply to the Company. For subsidiaries operating in the PRC, applicable laws and regulations include, among others, Administrative Measures on Foreign Investments in Commercial Sector (外商投資商業領域管理辦法), Law on Environmental Impact Assessment of the PRC (中華人民共和國環境影響評價法), Law on Wholly Foreign Owned Enterprises of the PRC (中華人民共和國外資企業法) and Administrative Regulations on Company Registration of the PRC (中華人民共和國公司登記管理條例). During the 2022 Year and up to the date of this report, save as disclosed in this report, the Group has compiled with the relevant laws and regulations that have significant impact on the Group in Hong Kong and the PRC.

RELATIONSHIP WITH KEY STAKEHOLDERS

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

Employees

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

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

In the 2022 Year, there were no known reports of any incidence of discrimination by the employees. Management and staff at all levels are responsible to ensure all employees are working in compliance with the statutory requirements, arrange adequate resources to fulfil the safety requirements and carry out training and supervision.

Customers

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

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

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

Community
The Company will continue to contribute to the harmonious society through social contributions and participations in public service activities. For details, please refer to the section headed "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" on pages 39 to 65 of this annual report.

DIRECTORS
The Directors during the 2022 Year and up to the date of this report were:

Executive Directors
Mr. Liu Xiaolin *(Chairman)*
Mr. He Xun
Mr. Huang Song
Ms. Chui Hoi Yam *(appointed on 5 December 2022)*

Non-Executive Director
Mr. Wang Zheng *(re-designated on 26 May 2022 and resigned on 5 December 2022)*

Independent Non-executive Directors
Mr. Yan Guoxiang
Dr. Ho Ivan Chun Kit
Mr. Qian Hongji

The reason of resignation of Mr. Wang Zheng as a Director is set out on page 24 of this report.

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

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

DIRECTORS' BIOGRAPHIES
Biographical details of the Directors of the Company are set out on pages 21 to 23 of this report.

DIRECTORS' SERVICE CONTRACTS

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

All Directors have entered into service contracts or appointment letters with the Company for a term of one year except for Ms. Chui Hoi Yam, who has entered into a letter of appointment with the Company for a term of three years.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than the related party transaction disclosed in note 46 to the consolidated financial statements, no Director and no entity connected with a Director had any material interest, either directly or indirectly, in any transactions, arrangements and contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during or at the end of the 2022 Year.

CONTRACTS BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

No contract of significance, whether for provision of services or otherwise, between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries subsisted at any time during the 2022 Year.

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

The 2020 Convertible Bonds were secured by a personal guarantee executed by Mr. Liu Xiaolin (the "**Individual Guarantor**"), the chairman and an executive Director, a corporate guarantee executed by Genius Lead Limited (the "**Corporate Guarantor**"), the controlling shareholder of the Company, and a share charge (the "**Share Charge**") over 529,500,546 shares of the Company held by the Corporate Guarantor (the "**Charged Shares**"). On 27 May 2021, the Company redeemed the 2020 Convertible Bonds in part in the principal amount of US$5,000,000 being 50% of the total outstanding principal amount of US$10,000,000 at applicable redemption amount of approximately US$5.19 million which included principal and interest accrued up to the date of redemption (the "**Partial Redemption**"). Upon completion of the Partial Redemption, the principal amount of the 2020 Convertible Bonds remaining outstanding was US$5,000,000. Following the Partial Redemption, the Subscriber released the charge over 264,750,273 shares of the Company being half of the Charged Shares. Upon the Partial Redemption, the number of shares held by the Corporate Guarantor which remained subject to the Share Charge was 264,750,273 shares.

On 10 May 2022, the Company and the Subscriber entered into an amendment agreement for the purpose of extending the maturity date of the outstanding 2020 Convertible Bonds in the outstanding principal amount of US$5,000,000 for two years from 10 May 2022 to 10 May 2024.

On 20 December 2022, the Company and the Subscriber entered into a subscription agreement in relation to the subscription of the convertible bonds in the principal amount of US$10,000,000 (the "**2022 Convertible Bonds**"). On 30 December 2022, the Company issued the 2022 Convertible Bonds to the Subscriber. The 2022 Convertible Bonds are convertible at the option of the bondholder into the shares of the Company at the initial conversion price of HK$1.45 per share (subject to adjustment) and at the exchange rate of HK$7.85 to US$1.00, and on such basis, a maximum of 54,137,931 shares will be allotted and issued by the Company upon exercise of the conversion rights attaching to the 2022 Convertible Bonds in full. The 2022 Convertible Bonds carry interest at a rate of 8.25% per annum, which is payable semi-annually, with the first payment to be made on 20 June 2023.

On 30 December 2022, completion of the subscription took place and the 2020 Convertible Bonds were surrendered and cancelled upon completion. The Corporate Guarantee and Individual Guarantee executed by Genius Lead Limited and Mr. Liu Xiaolin respectively were discharged and the Share Charge was released on the same day.

Pursuant to the terms and conditions of the 2022 Convertible Bonds, it is an event of default (among others) if (i) the controlling shareholder of the Company, namely, Genius Lead Limited, ceases to hold 40% or more equity interest directly or indirectly in the Company (unless otherwise agreed by the Subscriber in writing), or (ii) Mr. Liu Xiaolin ceases to be a Director and the chairman of the Board, or (iii) Mr. Liu Xiaolin ceases to hold 40% or more beneficial interest directly or indirectly in the Company (unless otherwise agreed by the Subscriber in writing).

The Subscriber shall be entitled at any time so long as the event of default is continuing to require, by lodging a notice of repayment, all or a portion of the 2022 Convertible Bonds registered in its name to be redeemed at a redemption amount equal to the aggregate of (i) the principal amount of the outstanding 2022 Convertible Bonds to be redeemed, (ii) the outstanding interest and (iii) any other outstanding amount due but unpaid to the Subscriber pursuant to the terms and conditions of the bond instrument, which at the time of such notice of repayment shall become due and payable.

As at the date of this report, the outstanding principal amount of the 2022 Convertible Bonds was US$10,000,000, all of which were held by the Subscriber. The maturity date of the 2022 Convertible Bonds is the date falling within on the last day of the 730-day period commencing from 30 December 2022, which may be extended for two years if the Company and the Subscriber agree in writing.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the 2022 Year.

COMPETING INTERESTS

None of the Directors, the controlling shareholder of the Company nor their respective close associates had any interest in a business, apart from the business of the Group, which competes or may compete, either directly or indirectly, with the business of the Group during the 2022 Year.

EMOLUMENT POLICY

The emolument policy of the Directors and senior management of the Group is set up by the Remuneration Committee on the basis of their merits, qualifications and competences. The emoluments of the Directors are decided by the Board on the recommendation of the Remuneration Committee, having regard to market competitiveness, individual performance and achievement. The Company has adopted the Share Option Scheme and the Share Option Scheme to enable the Company to grant share incentives to Directors and eligible participants. Details of the schemes are set out in note 41 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the Directors and senior management of the Company for the 2022 Year by bands is as follows:

Emoluments bands	Number of individuals
HK$Nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	–
HK$3,000,001 to HK$3,500,000	–
HK$10,000,001 to HK$15,000,000	1
HK$45,000,001 to HK$50,000,000	1

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

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

As at 31 December 2022, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "**SFO**")) as recorded in the register required to the be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(i) Long position in shares of the Company

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

Notes:

(a) As at 31 December 2022, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK$0.10 each of the Company.

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

(ii) Long position in shares of associated corporation

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

(iii) Long position in share options granted under the Share Option Scheme

Name of Directors	Nature of interest	Date of Grant	Exercise period	Exercise price per share	Aggregate long position in the underlying shares	Approximate percentage *(note a)*
Mr. Liu	Beneficial owner	20 August 2019	20 August 2022 to 19 August 2023	HK$1.68	320,000	0.03%
Mr. He Xun	Beneficial owner	2 September 2020	2 September 2022 to 1 September 2024	HK$2.00	6,440,000	0.67%
					6,760,000	0.70%

Note:

(a) As at 31 December 2022, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK$0.10 each of the Company.

Please refer to the section headed "Share Option Scheme" for details of the share options granted to the Directors.

Save as disclosed above, as at 31 December 2022, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2022, the following person or entity (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares and underlying shares

Name of Shareholder	Capacity and nature of interest	No. of ordinary shares held	Approximate percentage *(Note a)*
Genius Earn *(Note b)*	Interest of a controlled corporation	529,500,546	54.97%
Genius Lead *(Note b)*	Beneficial owner	529,500,546	54.97%
Guoyuan Securities Investment (Hong Kong) Limited *(Note c)*	Beneficial owner	54,137,931	5.62%
	Person having a security interest in shares	187,903,805	19.51%
Guoyuan International Holdings Limited *(Note c)*	Interest of a controlled corporation	242,041,736	25.13%
Guoyuan Securities Co., Ltd. *(Note c)*	Interest of a controlled corporation	242,041,736	25.13%
Richlane Ventures Limited *(Note d)*	Beneficial owner	58,000,000	6.02%
Ko Chun Shun Johnson ("**Mr. Ko**") *(Note d)*	Interest of controlled corporations	95,545,000	9.92%

Notes:

(a) As at 31 December 2022, the total number of the issued shares of the Company was 963,231,150 ordinary shares of HK$0.10 each of the Company.

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

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

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

Save as disclosed above, as at 31 December 2022, no other person or entity (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

(1) Purpose of the Share Option Scheme and Participants

Pursuant to an ordinary resolution passed by the shareholders of the Company on 29 May 2014, the Company adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants (including employee participants, related entities participants and service providers as defined under GEM Listing Rule 23.03A(1)) who contribute to the success the Group's operation. The principal terms of the Share Option Scheme are set out below and in note 41a to the consolidated financial statements. Details of movements in the Company's share options during the year ended 31 December 2022 and as at the date of this report are set out as follows:

			Number of Shares over which options are exercisable							
Category/ Name of Grantees	**Date of grant**	**Exercise price per share** *(HK$)*	**Balance as at 1 January 2022**	**Granted during the 2022 Year**	**Exercised during the 2022 Year**	**Lapsed during the 2022 Year**	**Cancelled during the 2022 Year**	**Balance as at 31 December 2022**	**Balance as at the date of this report**	**Vesting period and exercise period**
Directors										
Mr. Liu	12 January 2018	1.67	260,000 *(Note 1)*	–	–	260,000	–	–	–	*Note 5*
	20 August 2019	1.68	640,000 *(Note 2)*	–	–	320,000	–	320,000	320,000	*Note 6*
Mr. Wang Zheng	12 January 2018	1.67	1,400,000 *(Note 1)*	–	–	1,400,000	–	–	–	*Note 5*
	20 August 2019	1.68	400,000 *(Note 2)*	–	–	400,000	–	–	–	*Note 6*
Mr. Huang Song	12 January 2018	1.67	1,400,000 *(Note 1)*	–	–	1,400,000	–	–	–	*Note 5*
Mr. He Xun	2 September 2020	2.00	9,660,000 *(Note 3)*	–	–	3,220,000	–	6,440,000	6,440,000	*Note 7*
Ms. Chui Hoi Yam	6 January 2023	1.45	–	–	–	–	–	–	5,000,000	*Note 9*
Sub-total			**13,760,000**	**–**	**–**	**7,000,000**	**–**	**6,760,000**	**11,760,000**	
Related Entities Participants										
Mr. Wu Ting Yuk Anthony	12 January 2018	1.67	2,600,000 *(Note 1)*	–	–	2,600,000	–	–	–	*Note 5*
	20 August 2019	1.68	6,460,000 *(Note 2)*	–	–	3,220,000	–	3,240,000	3,240,000	*Note 6*
Service Providers Consultants										
Mr. Bi Wenhan	12 January 2018	1.67	2,600,000 *(Note 1)*	–	–	2,600,000	–	–	–	*Note 5*
Dr. Zhai Pu	26 November 2020	2.00 to 2.20	5,000,000 *(Note 4)*	–	–	1,665,000	–	3,335,000	3,335,000	*Note 8*
Sub-total			**16,660,000**	**–**	**–**	**10,0850,000**	**–**	**6,575,000**	**6,575,000**	
Employees	20 August 2019	1.68	3,010,000 *(Note 2)*	–	–	1,830,000	–	1,180,000	1,180,000	*Note 6*
Sub-total			**3,010,000**	**–**	**–**	**1,830,000**	**–**	**1,180,000**	**1,180,000**	
Total			**33,430,000**	**–**	**–**	**17,250,000**	**–**	**14,515,000**	**19,515,000**	

Notes:

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

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

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

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

5. The share options granted to each grantee are exercisable to subscribe for (i) a maximum of one-third of the shares in respect of which the share options granted were vested from 12 January 2018 to 11 January 2019 and exercisable from 12 January 2019 to 11 January 2020; (ii) a maximum of another one-third of the shares in respect which the share options granted were vested from 12 January 2018 to 11 January 2020 and exercisable from 12 January 2020 to 11 January 2021; and (iii) a maximum of the remaining one-third of the shares in respect of which the share options granted were vested from 12 January 2018 to 11 January 2021 and exercisable from 12 January 2021 to 11 January 2022.

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

7. The share options are exercisable to subscribe for (i) 3,220,000 shares from 2 September 2021 to 1 September 2022 for share options vested from 2 September 2020 to 1 September 2021; (ii) 3,220,000 shares from 2 September 2022 to 1 September 2023 for share options vested from 2 September 2020 to 1 September 2022; and (iii) 3,220,000 shares from 2 September 2023 to 1 September 2024 for share options vested from 2 September 2020 to 1 September 2023.

8. The share options are exercisable to subscribe for (i) 1,665,000 shares from 26 November 2021 to 25 November 2022 at exercise price of HK$2.00 for share options vested from 26 November 2020 to 25 November 2021; (ii) 1,665,000 shares from 26 November 2022 to 25 November 2023 at exercise price of HK$2.10 for share options vested from 26 November 2020 to 25 November 2022; and (iii) 1,670,000 shares from 26 November 2023 to 25 November 2024 at exercise price of HK$2.20 for share options vested on from 26 November 2020 to 25 November 2023.

9. 5,000,000 share options were granted to Ms. Chui Hoi Yam on 6 January 2023. There is no performance target and no clawback mechanism in respect of the share options granted to Ms. Chui Hoi Yam. The closing price of the shares on the date of grant was HK$1.10 per share and the average closing price for the five business days immediately preceding the date of grant was HK$1.13 per share. The closing price of the shares immediately before the date of grant was HK$1.13.

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

During the 2022 Year, no share options granted under the Share Option Scheme have been exercised.

(2) Total Number of Shares Available for Issue

On 26 May 2020, the 10% general limit imposed under the rules of the Share Option Scheme on the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme was refreshed (the "**Refreshment**"), and share options to subscribe for up to a maximum of 96,980,615 Shares, representing 10% of the then issued shares of the Company, may be granted under the Share Option Scheme as at the date of the Refreshment. Since the date of the Refreshment and up to 31 December 2022, share options to subscribe for up to a total of 9,775,000 Shares were granted. Hence, as at 31 December 2022, share options to subscribe for up to 87,205,615 Shares may be further granted under the Share Option Scheme. No options were granted during the 2022 Year, but 5,000,000 share options were granted to Ms. Chui Hoi Yam on 6 January 2023. Therefore, as at the date of this report, a total of 87,205,615 Shares, representing 8.53% of the issued shares of the Company, were available for issue under the Share Option Scheme.

(3) Maximum Entitlement of Participants

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

(4) Exercise and Vesting Period

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

(5) Acceptance

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

(6) Basis of Determining the Exercise Price

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

(7) Remaining Life of the Scheme

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

Reason for grant of share options to consultants

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

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

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

SHARE AWARD SCHEME

(1) Purpose of the Share Award Scheme and Participants

The Company operates the Share Award Scheme for the purpose of providing incentives and rewards to eligible participants (including employee participants, related entities participants and service providers as defined under GEM Listing Rule 23.03A(1)) who contribute to the success the Group's operation. The principal terms of the Share Award Scheme are set out below and in note 41(b) to the consolidated financial statements.

During the 2022 Year, the trustee purchased a total number of 2,325,000 shares on the market at a total consideration of approximately HK$2,985,000, details of the monthly breakdown of such purchases of shares made during the 2022 Year is included in the paragraph headed "Purchase, Sale or Redemption of Listed Securities". No shares were awarded by the Company under the Share Award Scheme.

(2) Total Number of Shares Available for Issue

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

As no shares were awarded by the Company under the Share Award Scheme since its adoption, 96,323,115 shares, representing 10% of the issued shares of the Company as at the date of its adoption on 18 August 2021, and as at the date of this report, were available for grant under the Share Award Scheme as at the date of this report.

(3) Maximum Entitlement of Participants

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

(4) Vesting and Conditions

The Board may from time to time while the Share Award Scheme is in force and subject to all applicable laws and the GEM Listing Rules, determine such vesting criteria and conditions or periods for the awards to be vested. All of such vesting criteria and conditions (if any) and periods (including the vesting date) shall be set out in the relevant award letter issued to each selected participant.

(5) Basis of Determining the Purchase Price

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

(6) Remaining life of the Scheme

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

OTHER INFORMATION ABOUT SHARE SCHEMES

The total number of shares of the Company that may be issued in respect of the share options and share awards granted under the Share Option Scheme and the Share Award Scheme of the Company during the 2022 Year is 14,515,000. The dilutive effect of such share options and share awards is 1.48%, being the number of shares of the Company may be issued divided by the weighted average number of shares of the Company for the same period.

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

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

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

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

Saved for the Share Option Scheme and the Share Award Scheme, neither the Company nor its subsidiaries had any other Share Option Scheme or Share Award Scheme during the year ended 31 December 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the 2022 Year or at the end of the 2022 Year has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted to four Directors on 12 January 2018, 20 August 2019 and 2 September 2020. No shares were awarded to any Director under the Share Award Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the 2022 Year, except that the trustee of the Share Award Scheme (the "**Trustee**"), pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 2,325,000 shares of the Company at a total consideration of approximately HK$2,985,000, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities. All the shares of the Company purchased by the Trustee are held by the Trustee on trust for the purpose of the Share Award Scheme.

Particulars of the shares purchased by the Trustee on the Stock Exchange during the 2022 Year are as follows:

Month	Number of shares purchased by the Trustee	Purchase price per share Highest	Purchase price per share Lowest	Approximate total consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
July	655,000	1.52	1.50	994,900
August	785,000	1.31	1.20	993,700
September	885,000	1.20	1.00	996,150
	2,325,000			2,984,750

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the formation of a joint venture and the disposal of subsidiaries of the entire equity interest of the Lustrous Pearl Group and the Dynasty Well Group as disclosed in the section headed "BUSINESS REVIEW" in "MANAGEMENT DISCUSSION AND ANALYSIS", the Group did not have any other material acquisition or disposal of subsidiaries, associates and joint ventures for the 2022 Year.

RELATED PARTY AND CONNECTED TRANSACTIONS

During the 2022 Year, the Group has entered into the following transactions, each of which constituted a non-exempt continuing connected transaction for the Company subject to announcement, annual review and reporting requirements but exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules, particulars of which were previously disclosed in the announcements of the Company dated 15 February 2022, 27 May 2022, 24 August 2022 and 13 October 2022. The Company shall comply with the annual review and reporting requirements for all of the following non-exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules.

Continuing Connected Transactions between SDCL and BGI

Sunrise Diagnostic Centre Limited ("**SDCL**"), an indirect non-wholly-owned subsidiary of the Company, and BGI Health (HK) Company Limited ("**BGI**") holds 40% of the issued share capital of SDCL. BGI is therefore a connected person of the Company at the subsidiary level.

(a) Purchase of materials

On 9 June 2021, SDCL, as customer, and BGI, as supplier, entered into a master supply agreement in respect of the supply of equipment, consumables and kits of COVID-19 test. The agreement commenced from the date of master supply agreement until its expiry on 31 December 2022. The equipment, consumables and kits were required by SDCL primarily to perform COVID-19 nucleic acid tests as part of the COVID-19 testing services. The purchase price is determined based on the market price and on arm's length basis. The purchase price, at the annual cap of HK$80,000,000 (which was subsequently revised to HK$400,000,000), shall be on normal commercial terms, not less favorable to SDCL than the price charged by BGI for selling same equipment, consumables and kits to independent third parties and not less favourable to SDCL than those offered by independent third parties. On 15 February 2022, SDCL and BGI entered into a supplemental master supply agreement to increase the annual cap for continuing connected transaction from HK$80,000,000 to HK$400,000,000 for the year ended 31 December 2022 with explicit specification that supply of COVID-19 self-test kits would be covered. Details were disclosed in the announcements of the Company dated 9 June 2021 and 15 February 2022. The amount of purchases by SDCL from BGI for the 2022 Year is approximately HK$248,068,000.

(b) Provision of COVID-19 testing services

On 27 May 2022, SDCL, as customer, and BGI, as service provider, entered into a master services agreement in respect of the provision of the COVID-19 test services through RT-PCR method by BGI, including the provisions of extraction reagents for extraction of the sample, swabs, testing kit including the testing reagent to perform the testing; consumables such as face masks and personal protective equipment; and manpower to extract sample from the patients for detection of COVID-19 in the sample to assist clinical diagnosis and process the testing of the samples at the designated laboratories (the "**2022 Master Services Agreement**").

BGI, being one of the accredited medical laboratories and testing providers under the Hong Kong Laboratory Accreditation Scheme, has the capacity and expertise to provide the services to SDCL under the 2022 Master Services Agreement. Given that SDCL has been accredited as one of the accredited medical laboratories and testing providers under the Hong Kong Laboratory Accreditation Scheme in December 2021, the Group intended to provide the COVID-19 test services to customers entirely by its own capacity gradually. Given the time required for such transition and SDCL was in the course of conducting all necessary preparatory works during the effective period of the 2022 Master Services Agreement, the provision of the services from BGI to SDCL under the 2022 Master Services Agreement were essential to the laboratory testing business of the Group during the transition period. In view of the experience accumulated by SDCL for the provision of the COVID-19 test services, the 2022 Master Services Agreement was not renewed upon its expiry on 31 December 2022.

The services fee is determined based on arm's length negotiations between SDCL and BGI with regard to various factors including but not limited to the scale, scope, type, complexity and duration of the services and the resources required. Such unit price charged by BGI for providing the services is equivalent to (or better than) the unit price charged by BGI when providing similar services to independent third parties. The maximum aggregate amount payable by SDCL to BGI for the 2022 Year for the COVID-19 test services through RT-PCR method should not exceed the annual cap of HK$50,000,000. The amount of services fee for COVID-19 testing services paid by SDCL to BGI for the Year 2022 is approximately HK$19,733,000. Details were disclosed in the announcements of the Company dated 27 May 2022 and 24 August 2022.

(c) Referral and cooperation services provided by SDCL to BGI

SDCL obtained its HOKLAS accreditation in December 2021. During the transition period from late 2020 to the end of 2021, SDCL supported BGI to tender for the community testing centre-operation contracts. In connection with BGI's operation of the community testing centres, SDCL and BGI entered into a services agreement on 30 March 2021 (which expired on 31 December 2021) and the 2022 RCS Agreement (as defined below).

On 27 May 2022, SDCL, as service provider, and BGI, as customer, entered into a services agreement, in respect of the provision of the referral and cooperation services by SDCL to BGI up to 31 December 2022 (the "**2022 RCS Agreement**"). According to the 2022 RCS Agreement, SDCL rendered to BGI different types of support services and cooperation arrangements, including (without limitation): contract negotiation and conclusion, liaison with the procuring party(ies) (including governmental departments and various public or community organisations), planning and organization of the testing services scope, and related follow-up services.

Under the 2022 RCS Agreement, BGI should pay SDCL a referral services fee per COVID-19 test performed by BGI under the service contracts, tender and/or service orders entered into with the customers referred by SDCL. The above referral services fees were determined based on arm's length negotiations between SDCL and BGI with regard to various factors including but not limited to the anticipated demand for COVID-19 tests for the term under the 2022 RCS Agreement, the resources and manpower required for the performance of the referral and cooperation services. The maximum aggregate amount payable by BGI to SDCL for the 2022 Year for the provision of the referral and cooperation services by SDCL to BGI should not exceed the annual cap of HK$400,000,000 (the "**Original Annual Cap**"). Due to the demand for COVID-19 test services from accredited clinical laboratories exceeding the demand previously anticipated by the Board, the Board anticipated that the Original Annual Cap would be insufficient. In view of this, SDCL and BGI subsequently entered into a supplemental agreement to the 2022 RCS Agreement on 13 October 2022 to revise the Original Annual Cap to HK$550,000,000, which was determined with reference to the actual transaction amount for the provision of referral services, and the anticipated demand for the COVID-19 test services for the 2022 Year.

Further details are set out in the announcements of the Company dated 27 May 2022, 24 August 2022 and 13 October 2022.

The amount of referral and cooperation services income received by SDCL from BGI for the 2022 Year is approximately HK$524,324,000.

In view of the experience accumulated by SDCL for the provision of the COVID-19 test services, the 2022 RCS Agreement was not renewed upon its expiry on 31 December 2022.

During the 2022 Year, in respect of the continuing connected transactions under paragraphs (b) and (c) above, the Company has non-compliance with Rule 20.32 and Rule 20.51 of the GEM Listing Rules, the details of which are set out in the announcement of the Company dated 24 August 2022. The Group has taken certain remedial measures as described under section headed "(E) REMEDIAL MEASURES" of the announcement of the Company dated 24 August 2022.

SIGNIFICANT CONTRACTS

Save as disclosed in this annual report and other than the related party transaction disclosed in note 46 to the consolidated financial statements, no transactions, arrangements, contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the reporting period or at any time during the 2022 Year that are required to be disclosed pursuant to Chapter 18 of the GEM Listing Rules.

All the independent non-executive Directors of the Company, having reviewed the continuing connected transactions of the Company entered into during the 2022 Year, have confirmed that such transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REVIEW BY AND CONFIRMATION FROM AUDITOR OF THE COMPANY

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

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

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

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

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

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" set out on pages 24 to 38 of this report.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes in operation for the 2022 Year are set out in note 16 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF

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

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

PERMITTED INDEMNITY PROVISIONS

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

Directors liability insurance is in place for the directors of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the directors. The relevant provisions in the Company's bye-laws and the Directors' liability insurance were in force during the financial year ended 31 December 2022 and as of the date of this report for the benefit of one or more persons who were the Directors or then Directors of the Company or of the associated company of the Company.

INDEPENDENT AUDITOR

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

The consolidated financial statements of the Group for the 2022 Year have been audited by RSM Hong Kong, who will retire and be eligible to offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to reappoint auditor and to fix their remuneration.

On behalf of the Board

China Biotech Services Holdings Limited
Liu Xiaolin
Chairman and Executive Director

Hong Kong, 24 March 2023

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of China Biotech Services Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 99 to 193 which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
1. *Impairment assessment of goodwill, intangible assets, right-of-use assets and property, plant and equipment ("**PPE**") for the provision of medical laboratory testing services and health check services segment* Refer to notes 19, 20, 21 and 22 to the consolidated financial statements. At 31 December 2022, the Group has intangible assets of approximately HK$13,374,000 (2021: HK$13,374,000) and goodwill has been fully impaired. No impairment loss has been provided during the year. The goodwill and intangible assets arose from the acquisition of DVF Holdco (Cayman) Limited and its subsidiaries in 2015. Goodwill and intangible assets with an infinite useful life are tested for impairment annually. PPE, right-of-use assets and intangible assets with finite useful life are tested for impairment when indicators of potential impairment are identified.	Our procedures included: – Understanding and evaluating the key controls over management's impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, susceptibility to management bias of fraud; – Evaluating the outcome of prior period assessment of impairment assessment to assess the effectiveness of management's estimation process; – assessing management's identification of cash-generating units ("**CGUs**"), the amounts of goodwill, intangible assets, PPE and right-of-use assets allocated to each CGU and, with the assistance of our internal valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards; – evaluating the competence, capabilities and objectivity of the independent appraiser engaged by the Company to prepare discounted cash flow forecasts to help management assess the value-in-use of the relevant CGUs;

RSM

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

Key Audit Matter	How our audit addressed the Key Audit Matter
2. *Impairment assessment of goodwill, intangible assets, right-of-use assets and PPE for the provision of tumor immune cell therapy and health management services segment* Refer to notes 19, 20, 21 and 22 to the consolidated financial statements. At 31 December 2022, the Group has goodwill and intangible assets of approximately HK$102,592,000 (2021: HK$111,347,000) and HK$52,615,000 (2021: HK$66,241,000) respectively. No impairment loss has been provided during the year. The goodwill and intangible assets arose from the acquisition of Shanghai Longyao Biotech Company Limited ("**Shanghai Longyao**") in 2019. Goodwill with an infinite useful life are tested for impairment annually. PPE, right-of-use assets and intangible assets with finite useful life are tested for impairment when indicators of potential impairment are identified.	Our procedures included: – Understanding and evaluating the key controls over management's impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, susceptibility to management bias of fraud; – Evaluating the outcome of prior period assessment of impairment assessment to assess the effectiveness of management's estimation process; – assessing management's identification of CGUs, the amounts of goodwill, intangible assets, PPE and right-of-use assets allocated to each CGU and, with the assistance of our internal valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards; – evaluating the competence, capabilities and objectivity of the independent appraiser engaged by the Company to prepare discounted cash flow forecasts to help management assess the fair value less cost to disposal of the relevant CGUs;

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

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Key Audit Matter	How our audit addressed the Key Audit Matter
3. *Impairment assessment of goodwill, intangible assets, right-of-use assets and PPE for the provision of insurance brokerage services* Refer to notes 19, 20, 21 and 22 to the consolidated financial statements. At 31 December 2022, the Group has goodwill and intangible assets of approximately HK$7,491,000 (2021: HK$9,207,000) and HK$1,324,000 (2021: HK$1,324,000) respectively. Impairment loss of HK$1,716,000 has been provided during the year. The goodwill and intangible assets arose from the acquisition of Fortstone International (Hong Kong) Limited ("**Fortstone**") in 2019. Goodwill and intangible assets with an infinite useful life are tested for impairment annually. PPE and right-of-use assets with finite useful life are tested for impairment when indicators of potential impairment are identified.	Our procedures included: – Understanding and evaluating the key controls over management's impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, susceptibility to management bias of fraud; – Evaluating the outcome of prior period assessment of impairment assessment to assess the effectiveness of management's estimation process; – assessing management's identification of CGUs, the amounts of goodwill, intangible assets, PPE and right-of-use assets allocated to each CGU and, with the assistance of our internal valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards; – evaluating the competence, capabilities and objectivity of the independent appraiser engaged by the Company to prepare discounted cash flow forecasts to help management assess the value-in-use of the relevant CGUs;

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

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Other Information

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RSM Hong Kong
Certified Public Accountants
24 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 HK$'000	2021 HK$'000
Gross proceeds	8	**1,851,601**	623,761
Revenue	8	**1,851,532**	623,761
Cost of sales		**(750,575)**	(265,741)
Gross profit		**1,100,957**	358,020
Net gain on financial assets at fair value through profit or loss		**2,707**	489
Other income, gains/(losses)	9	**4,639**	225
Allowance for impairment loss on financial assets, net		**(1,714)**	(251)
Selling and distribution expenses		**(13,726)**	(11,724)
Administrative expenses		**(241,156)**	(157,081)
Profit from operations		**851,707**	189,678
Finance costs	11	**(3,495)**	(6,543)
Gain on fair value change of contingent consideration	37	**23,658**	2,141
Loss on extension and redemption of convertible bonds	35	**(3,707)**	(2,687)
Loss on fair value change of derivative financial instrument	35	**(1,137)**	(1,921)
Share of loss of a joint venture		**(4,180)**	–
Impairment loss on goodwill		**(1,716)**	–
Gain on disposal of subsidiaries	42(a)(b)	**1,696**	–
Profit before tax		**862,826**	180,668
Income tax expense	12	**(157,258)**	(48,096)
Profit for the year	13	**705,568**	132,572
Profit for the year attributable to:			
Owners of the Company		**258,087**	19,385
Non-controlling interests		**447,481**	113,187
		705,568	132,572

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 HK$'000	2021 HK$'000
Profit for the year		**705,568**	132,572
Other comprehensive (loss)/income after tax:			
Items that will not be reclassified to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income ("**FVTOCI**")	26	**(38,028)**	27,763
Loss on disposal of financial assets at FVTOCI		**–**	(507)
		(38,028)	27,256
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(12,550)**	4,310
Release of exchange difference upon disposal of associates	42(b)	**(740)**	–
		(13,290)	4,310
Other comprehensive (loss)/income for the year, net of tax		**(51,318)**	31,566
Total comprehensive income for the year		**654,250**	164,138
Total comprehensive income for the year attributable to:			
Owners of the Company		**211,489**	47,962
Non-controlling interests		**442,761**	116,176
		654,250	164,138
Earnings per share	18		
Basic and diluted (cents)		**26.8**	2.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*19*	**96,073**	94,710
Right-of-use assets	*20*	**32,782**	10,784
Goodwill	*21*	**110,083**	120,554
Intangible assets	*22*	**67,313**	80,939
Investment in an associate	*24*	**–**	–
Investment in a joint venture	*25*	**16,220**	–
Financial assets at FVTOCI	*26*	**82,942**	122,021
Prepayment	*28*	**51,765**	–
Pledged bank deposits	*31*	**128,556**	–
		585,734	429,008
Current assets			
Inventories	*27*	**18,725**	4,738
Trade and other receivables	*28*	**765,547**	105,939
Loan and interest receivables	*29*	**7,632**	13,257
Tax recoverable		**83**	–
Held for trading securities	*30*	**–**	1,759
Derivative financial assets	*35*	**–**	1,527
Bank and cash balances	*31*	**92,770**	150,554
Total current assets		**884,757**	277,774
TOTAL ASSETS		**1,470,491**	706,782
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*32*	**96,323**	96,323
Other reserves	*34*	**506,352**	299,075
		602,675	395,398
Non-controlling interests		**223,845**	70,497
Total equity		**826,520**	465,895
LIABILITIES			
Non-current liabilities			
Convertible bonds	*35*	**55,796**	–
Derivative financial liabilities	*35*	**22,252**	–
Lease liabilities	*36*	**9,367**	3,556
Deferred tax liabilities	*38*	**7,892**	9,936
		95,307	13,492
Current liabilities			
Trade and other payables	*39*	**290,045**	54,927
Convertible bonds	*35*	**–**	38,651
Lease liabilities	*36*	**10,980**	7,576
Contingent consideration	*37*	**–**	23,658
Borrowings	*40*	**5,641**	17,387
Current tax liabilities		**241,998**	85,196
Total current liabilities		**548,664**	227,395
TOTAL EQUITY AND LIABILITIES		**1,470,491**	706,782

Approved by the Board of Directors on 24 March 2023 and are signed on its behalf by:

Liu Xiaolin
Director

He Xun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company												
	Share capital HK$'000	**Share premium** HK$'000	**Share repurchase for cancellation** HK$'000	**Share-based payments reserve** HK$'000 *(note 34b(i))*	**Special reserve** HK$'000 *(note 34b(ii))*	**Shares held under Share Award Scheme** HK$'000	**Other reserves** HK$'000 *(Note 34b(iii))*	**Financial assets at FVTOCI reserve** HK$'000 *(Note 34b(iv))*	**Foreign currency translation reserve** HK$'000 *(Note 34b(v))*	**Accumulated losses** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2021	96,685	495,840	(1,200)	25,629	212,948	–	3,312	938	2,783	(493,604)	343,331	168,774	512,105
Total comprehensive income for the year	–	–	–	–	–	–	–	26,635	1,942	19,385	47,962	116,176	164,138
Release of financial assets at FVTOCI upon disposal	–	–	–	–	–	–	–	15,337	–	(15,337)	–	–	–
Repurchase and/for cancellation of shares *(note 32)*	(362)	(5,148)	1,200	–	–	–	–	–	–	–	(4,310)	–	(4,310)
Share-based payments *(note 41(a))*	–	–	–	5,245	–	–	–	–	–	–	5,245	–	5,245
Lapse of share options *(note 41(a))*	–	–	–	(14,423)	–	–	–	–	–	14,423	–	–	–
Changes in ownership interests in subsidiaries without loss of control	–	–	–	–	–	–	3,170	–	–	–	3,170	1,057	4,227
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	490	490
Dividend paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(216,000)	(216,000)
Changes in equity for the year	(362)	(5,148)	1,200	(9,178)	–	–	3,170	41,972	1,942	18,471	52,067	(98,277)	(46,210)
At 31 December 2021	96,323	490,692	–	16,451	212,948	–	6,482	42,910	4,725	(475,133)	395,398	70,497	465,895
At 1 January 2022	**96,323**	**490,692**	**–**	**16,451**	**212,948**	**–**	**6,482**	**42,910**	**4,725**	**(475,133)**	**395,398**	**70,497**	**465,895**
Total comprehensive income for the year	–	–	–	–	–	–	–	(34,163)	(12,435)	258,087	211,489	442,761	654,250
Release of financial assets at FVTOCI upon disposal	–	–	–	–	–	–	–	2,520	–	(2,520)	–	–	–
Purchase of shares under Share Award Scheme *(note 41(b))*	–	–	–	–	–	(2,985)	–	–	–	–	(2,985)	–	(2,985)
Share-based payments *(note 41(a))*	–	–	–	2,015	–	–	–	–	–	–	2,015	–	2,015
Lapse of share options *(note 41(a))*	–	–	–	(9,657)	–	–	–	–	–	9,657	–	–	–
Changes in ownership interests in subsidiaries without loss of control	–	–	–	–	–	–	6	(3,245)	–	(3)	(3,242)	2,191	(1,051)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	8,396	8,396
Dividend paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(300,000)	(300,000)
Changes in equity for the year	–	–	–	(7,642)	–	(2,985)	6	(34,888)	(12,435)	265,221	207,277	153,348	360,625
At 31 December 2022	**96,323**	**490,692**	**–**	**8,809**	**212,948**	**(2,985)**	**6,488**	**8,022**	**(7,710)**	**(209,912)**	**602,675**	**223,845**	**826,520**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**862,826**	180,668
Adjustments for:			
Finance costs	*11*	**3,495**	6,543
Interest income	*9*	**(153)**	(12)
Gain on disposal of subsidiaries	*42(a)(b)*	**(1,696)**	–
Depreciation of property, plant and equipment	*19*	**47,034**	46,422
Depreciation of right-of-use assets	*20*	**10,678**	12,696
Loss on extension and redemption of convertible bonds	*35*	**3,707**	2,687
Gain on fair value change of contingent consideration	*37*	**(23,658)**	(2,141)
Loss on fair value change of derivative financial instrument	*35*	**1,137**	1,921
Release of lease liabilities		**–**	(203)
Amortisation of intangible assets	*22*	**8,689**	8,994
Gain on disposal of property, plant and equipment	*9*	**(1,082)**	–
Equity-settled share-based payments	*41(a)*	**2,015**	5,245
Fair value gain on held for trading securities	*30*	**(2,707)**	(489)
Write-down for inventories		**–**	3,199
Allowance for impairment loss on financial assets, net		**1,714**	251
Written off on right-of-use assets	*20*	**–**	193
Written off on property, plant and equipment	*9*	**4**	–
Impairment loss on goodwill	*21*	**1,716**	–
Share of loss in a joint venture	*25*	**4,180**	–
Operating cash flows before working capital changes		**917,899**	265,974
Increase in inventories		**(13,987)**	(2,405)
Increase in trade and other receivables		**(664,230)**	(64,922)
Decrease in loan and interest receivables		**7,806**	68
Increase/(decrease) in trade and other payables		**237,102**	(158,270)
Cash generated from operations		**484,590**	40,445
Income taxes (paid)/refund		**(1,842)**	60
Net cash generated from operating activities		**482,748**	40,505

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow on disposal of subsidiaries	*42(a)(b)*	**5,374**	–
Interest received		**153**	12
Proceeds on disposal of finance assets at FVTOCI		**–**	4,080
Proceeds from disposal of property, plant and equipment		**33**	–
Proceeds from disposal of held for trading securities		**69**	–
Purchases of property, plant and equipment	*19*	**(56,404)**	(12,216)
Prepayment of property, plant and equipment purchase		**(51,765)**	–
Purchase of land use rights	*20*	**(13,346)**	–
Placement of restricted bank deposits		**(128,556)**	–
Investment in a joint venture		**(11,869)**	–
Net cash used in investing activities		**(256,311)**	(8,124)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(8,151)**	(12,054)
Borrowings raised		**4,075**	22,300
Repayment of lease liabilities		**(10,533)**	(13,556)
Capital injection from non-controlling shareholders of a subsidiary		**490**	490
Proceeds on issuance of convertible bonds		**38,975**	–
Partial redemption of convertible bonds		**–**	(40,187)
Repurchase of shares under Share Award Scheme		**(2,985)**	(4,310)
Interest paid		**(3,830)**	(3,294)
Dividend paid to non-controlling shareholders of a subsidiary		**(300,000)**	(216,000)
Net cash used in financing activities		**(281,959)**	(266,611)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(55,522)**	(234,230)
Effect of foreign exchange rate changes		**(2,262)**	245
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**150,554**	384,539
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**92,770**	150,554
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	*31*	**92,770**	150,554

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

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

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

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the above mentioned amended standards or annual improvements.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 - Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 - Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Consolidation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(a) Consolidation – *Continued*

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

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

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

(b) Business combination and goodwill

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(c) Associates

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(c) Associates – *Continued*

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

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

(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. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(d) Joint arrangements – *Continued*

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(e) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

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

- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(f) Property, plant and equipment

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

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

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

Leasehold improvements	Over the shorter of the lease term or 3-5 years
Land and buildings	Over the shorter of the lease term or 50 years
Motor vehicles	3-10 years
Furniture, fixtures and office equipment	1-10 years
Plant and machinery	3-20 years

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

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

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

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as lessee

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(g) Leases – *Continued*

The Group as lessee – *Continued*

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(g) Leases – *Continued*

The Group as lessee – *Continued*

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

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

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

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

The Group as a lessor

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(h) Other intangible assets

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(i) 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.

(j) Recognition and derecognition of financial instruments

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

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

For financial instruments where the valuation technique used to measure fair value requires significant inputs that are not based on observable market data, the financial instrument is initially recognised at the transaction price. The transaction price may differ from the fair value obtained using a valuation technique, whether any such difference is deferred and not initially recognised in the profit or loss. After the initial recognition, the deferred gain or loss is recognised only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(k) Financial assets

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

Debt investments

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

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

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

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

Equity investments

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(l) Trade and other receivables

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

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

(m) Cash and cash equivalents

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

(n) Financial liabilities and equity instruments

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

(o) Borrowings

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(p) Convertible loans

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

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

(q) Trade and other payables

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

(r) Equity instruments

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

(s) Derivative financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(t) Revenue and other income

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(u) Employee benefits

(i) Employee leave entitlements

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

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

(v) Share-based payments

Share options scheme

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(v) Share-based payments – *Continued*

Share award scheme

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

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

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

(w) Borrowing costs

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

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

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

(x) Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(y) Taxation

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(z) Impairment of non-financial assets

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

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

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

(aa) Impairment of financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(aa) Impairment of financial assets – *Continued*

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(aa) Impairment of financial assets – *Continued*

Significant increase in credit risk – *Continued*

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

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

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(aa) Impairment of financial assets – *Continued*

Write-off policy

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

Measurement and recognition of ECL

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

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

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

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

(ab) 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.

(ac) Events after the reporting period

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

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

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

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

(b) *Joint control assessment*

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

(c) *Business model assessment*

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

(d) *Significant increase in credit risk*

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

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Critical judgements in applying accounting policies – *Continued*

(e) Determining the lease term

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

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

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

Key sources of estimation uncertainty

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

(a) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year ended 31 December 2022, approximately HK$157,258,000 (2021: HK$48,096,000) of income tax was charged to profit or loss based on the estimated profit.

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

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

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2022 were approximately HK$96,073,000 (2021: HK$94,710,000) and approximately HK$32,782,000 (2021: HK$10,784,000) respectively.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty – *Continued*

(c) Impairment of goodwill and intangible assets

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

The carrying amount of goodwill at the end of the reporting period was approximately HK$110,083,000 (2021: HK$120,554,000) with provision of impairment loss approximately amounted to HK$1,716,000 (2021: Nil) during the year. Details of the impairment loss calculation are provided in note 21 to the consolidated financial statements.

The carrying amount of intangible assets at the end of the reporting period was approximately HK$67,313,000 (2021: HK$80,939,000) with no provision of impairment loss (2021: Nil) during the year. Details of the impairment loss calculation are provided in note 22 to the consolidated financial statements.

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

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

As at 31 December 2022, the carrying amount of trade receivables and loan and interest receivables is approximately HK$751,899,000 and HK$7,632,000 respectively (net of allowance for impairment loss of HK$4,544,000 and HK$4,124,000 respectively) (2021: approximately HK$92,130,000 and HK$13,257,000 respectively (net of allowance for impairment loss of HK$1,093,000 and net of allowance for impairment loss HK$6,305,000 respectively)).

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories has been provided for the year ended 31 December 2022 (2021: HK$3,199,000).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES – *Continued*

Key sources of estimation uncertainty – *Continued*

(f) Fair value of derivative component

As disclosed in note 35 to the consolidated financial statements, the fair value of the derivative component of the convertible bonds at the date of issue and the end of the reporting period were determined using binomial option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation of these factors is different from those previously estimated, such differences will impact the fair value gain or loss on the derivative component in the period in which such determination is made.

The carrying amount of the derivative financial component as at 31 December 2022 was HK$22,252,000 (2021: HK$1,527,000).

(g) Fair value measurement of financial investment

In the absence of quoted market prices in an active market, the Group has engaged independent professional qualified valuers to estimate the fair value of the Group's financial assets at FVTPL and financial assets at FVTOCI as at 31 December 2022.

The held for trading securities as at 31 December 2022 was HK$Nil (2021: HK$1,759,000).

The financial assets at FVTOCI as at 31 December 2022 was approximately HK$82,942,000 (2021: HK$122,021,000).

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

6. FINANCIAL RISK MANAGEMENT – *Continued*

(b) Price risk

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

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

If equity prices had been 5% higher/lower (2021: 5% higher/lower):

- Profit after tax for the year ended 31 December 2022 would increase/decrease by approximately HK$Nil (2021: profit after tax increase/decrease by HK$88,000). This is mainly due to the changes in fair value of held for trading securities.

- Total comprehensive income for the year ended 31 December 2022 would increase/decrease by approximately HK$684,000 (2021: HK$2,704,000). This is mainly due to the changes in fair value of financial assets at FVTOCI.

(c) Credit risk

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

Trade receivables

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

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

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Trade receivables – *Continued*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, as at 31 December 2022 and 2021:

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

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

* Amount less than 0.01%

** Amount less than HK$1,000

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

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Trade receivables – *Continued*

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

	2022 **HK$'000**	2021 HK$'000
At 1 January	**1,093**	577
Allowance of impairment losses recognised for the year, net	**3,895**	516
Amounts written off during the year	**(354)**	–
Disposal of subsidiaries	**(90)**	–
At 31 December	**4,544**	1,093

Group has concentration of credit risk as 69% (2021: 43%) and 98% (2021: 85%) of the total trade receivables was due from the Group's largest trade receivables and the five largest trade receivables respectively.

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

Loan and interest receivables

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

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

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

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD)

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

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Loan and interest receivables – *Continued*

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

- The Group's estimation of probabilities of default to individual customers;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures; and
- Determination of associations between macroeconomic scenarios and, economic inputs, such as delinquency ratios and collateral values, and the effect on probabilities of default, exposures at default and losses given default.

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

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

- Stage 1: financial assets without significant increase in credit risk since initial recognition where loss allowance is calculated based on 12-month ECL
- Stage 2: financial assets with significant increase in credit risk since initial recognition where loss allowance is calculated based on lifetime ECL
- Stage 3: credit impaired assets where loss allowance is calculated based on lifetime ECL

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Loan and interest receivables – *Continued*

Significant increase in credit risk

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

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

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

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

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Loan and interest receivables – *Continued*

Significant increase in credit risk – Continued

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

Definition of default

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

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

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

Credit-impaired financial assets

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

- Significant financial difficulty of the issuer or the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(c) Credit risk – *Continued*

Loan and interest receivables – *Continued*

Incorporation of forward-looking information

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

Credit risk exposure

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

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

	HK$'000
At 1 January 2021	6,570
Reversal of impairment losses recognised for the year	(265)
At 31 December 2021 and 1 January 2022	6,305
Reversal of impairment losses recognised for the year	(2,181)
At 31 December 2022	**4,124**

6. FINANCIAL RISK MANAGEMENT – *Continued*

(d) Liquidity risk

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

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

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2022					
Trade and other payables	**289,668**	**–**	**–**	**289,668**	**289,668**
Borrowings	**5,641**	**–**	**–**	**5,641**	**5,641**
Convertible bonds	**6,314**	**85,156**	**–**	**91,470**	**55,796**
Lease liabilities	**10,980**	**5,736**	**3,631**	**20,347**	**20,347**
	312,603	**90,892**	**3,631**	**407,126**	**371,452**
At 31 December 2021					
Trade and other payables	54,646	–	–	54,646	54,646
Borrowings	17,387	–	–	17,387	17,387
Convertible bonds	40,031	–	–	40,031	38,651
Contingent consideration	1,572	–	–	1,572	1,572
Lease liabilities	7,911	3,651	–	11,562	11,132
	121,547	3,651	–	125,198	123,388

(e) Interest rate risk

The Group's cash flow interest rate risk primarily relates to its cash held in securities trading accounts with stock brokers and bank deposit.

At 31 December 2022, if interest rates had been 100 basis points higher/lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$1,577,000 (2021: HK$967,000) higher/lower, arising mainly as a result of higher/lower interest income on its bank and cash balance, cash held in securities trading accounts with stock brokers.

6. FINANCIAL RISK MANAGEMENT – *Continued*

(f) Categories of financial instruments at 31 December

	2022 HK$'000	2021 HK$'000
Financial assets:		
Financial assets at FVTPL:		
– Held for trading securities	–	1,759
– Derivative financial assets	–	1,527
Financial assets at amortised cost	989,755	268,180
Financial assets at FVTOCI:		
– Equity instrument	82,942	122,021
Financial liabilities:		
Derivative financial liabilities	22,252	–
Financial liabilities at amortised cost	371,452	121,816
Contingent consideration	–	1,572

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

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

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

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

Level 3 inputs: unobservable inputs for the asset or liability.

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

7. FAIR VALUE MEASUREMENTS – *Continued*

(a) Disclosures of level in fair value hierarchy at 31 December 2022 and 2021:

Description	Fair value measurements using: Level 1		Fair value measurements using: Level 3	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL:				
Listed securities in Hong Kong	**–**	–	**–**	1,759
Financial assets at FVTOCI:				
Unlisted equity securities	**–**	–	**69,270**	67,940
Listed securities in Hong Kong	**13,672**	–	**–**	54,081
Derivatives	**–**	–	**–**	1,527
Total	**13,672**	–	**69,270**	125,307
Financial liabilities				
Contingent consideration	**–**	–	**–**	23,658
Derivatives	**–**	–	**22,252**	–
	–	–	**22,252**	23,658

7. FAIR VALUE MEASUREMENTS – *Continued*

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

Description	Held for trading securities	Financial assets at FVTOCI	Derivative financial assets/ (liabilities)	Contingent consideration
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	1,270	98,845	5,637	(25,799)
Disposal	–	(4,587)	–	–
Partial redemption of convertible bonds	–	–	(2,189)	–
Fair value gain recognised in other comprehensive income	–	27,763	–	–
Fair value gain/(losses) recognised in profit or loss	489	–	(1,921)	2,141
At 31 December 2021 and 1 January 2022	**1,759**	**122,021**	**1,527**	**(23,658)**
Disposal	**(68)**	**–**	**–**	**–**
Disposal of a subsidiary	**(4,398)**	**–**	**–**	**–**
Transfer securities to a non-controlling shareholder of a subsidiary	**–**	**(1,051)**	**–**	**–**
Extension of convertible bonds	**–**	**–**	**1,290**	**–**
Redemption of convertible bonds	**–**	**–**	**(1,680)**	**–**
Fair value loss recognised in other comprehensive income	**–**	**(38,028)**	**–**	**–**
Transfer out of level 3	**–**	**(13,672)**	**–**	**–**
Fair value gain/(loss) recognised in profit or loss	**2,707**	**–**	**(1,137)**	**23,658**
Derivative component upon issuance of 2022 Convertible Bonds	**–**	**–**	**(22,252)**	**–**
At 31 December 2022	**–**	**69,270**	**(22,252)**	**–**

During the year, financial assets at FVTOCI amounting to approximately HK$13,672,000 were transferred from measurement based on level 3 to level 1 as a result of the lock-up period expired for the financial assets at FVTOCI.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022 and 2021:

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

7. FAIR VALUE MEASUREMENTS – *Continued*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022 and 2021: – *Continued*

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

Level 3 fair value measurements **Description**	**Valuation technique**	**Unobservable inputs**	**Range 2022**	Range 2021	**Effect on fair value for increase of inputs**	**Fair value 2022 HK$'000 Assets/(Liabilities)**	Fair value 2021 HK$'000 Assets/(Liabilities)
Private equity investments classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	**16%**	14.5%	Decrease	**69,270**	67,940
		Growth rate	**3%**	3%	Increase		
		Discount for lack of marketability	**20%**	21%	Decrease		
	Market approach	Discount for lack of marketability	**N/A**	8.5%	Decrease	**–**	54,081
Held for trading securities	Market approach	Discount for lack of marketability	**N/A**	20%	Decrease	**–**	1,759
		Volatility	**N/A**	44%	Increase	**–**	
Contingent consideration	Discounted cash flows	Weighted average probability	**N/A**	25%-30%	Increase	**–**	(23,658)
		Share price	**N/A**	15%	Increase		
Derivative: option component of convertible bonds	Binomial option pricing model	Expected volatility	**78%**	61%	Increase	**(22,252)**	1,527
		Discount rate	**5.1%**	2.6%	Decrease/ Increase		

8. REVENUE

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

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of medical laboratory testing services and health check services	**1,619,568**	607,776
Sale and distribution of health related and pharmaceutical products	**217,179**	107
Provision of insurance brokerage services	**6,933**	7,922
Money lending business	**35**	1,244
Provision of logistic services	**7,817**	6,712
	1,851,532	623,761
Gross proceeds from trading of securities *(note)*	**69**	–
Gross proceeds	**1,851,601**	623,761

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

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and the geographical regions:

For the year ended 31 December	Provision of medical laboratory testing services and health check services		Sale and distribution of health related and pharmaceutical products		Provision of insurance brokerage services		Money lending business		Provision of logistic services		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Primary geographical markets												
– Hong Kong	**1,619,568**	607,776	**216,978**	107	**6,933**	7,922	**35**	1,244	**7,817**	6,712	**1,851,331**	623,761
– The PRC except Hong Kong	**–**	–	**201**	–	**–**	–	**–**	–	**–**	–	**201**	–
Segment revenue	**1,619,568**	607,776	**217,179**	107	**6,933**	7,922	**35**	1,244	**7,817**	6,712	**1,851,532**	623,761
Timing of revenue recognition												
Products and services transferred at a point in time	**1,619,568**	607,776	**217,179**	107	**6,933**	7,922	**35**	1,244	**–**	–	**1,843,715**	617,049
Products and services transferred over time	**–**	–	**–**	–	**–**	–	**–**	–	**7,817**	6,712	**7,817**	6,712
Total	**1,619,568**	607,776	**217,179**	107	**6,933**	7,922	**35**	1,244	**7,817**	6,712	**1,851,532**	623,761

9. OTHER INCOME, GAINS/(LOSSES)

	2022 HK$'000	2021 HK$'000
Interest income	**153**	12
Government grants *(note)*	**3,361**	–
Gain on disposal of property, plant and equipment	**1,082**	–
Loss on written-off property, plant and equipment	**(4)**	–
Net foreign exchange loss	**(869)**	(525)
COVID-19- related rent concessions	**195**	156
Gain on early termination of lease	**–**	11
Others	**721**	571
	4,639	225

Note:

During the year ended 31 December 2022, the Group recognised government grants of HK$3,361,000 (2021: HK$Nil) in respect of COVID-19 related subsidies, of which HK$3,228,000 (2021: HK$Nil) related to the Employment Support Scheme provided by the Hong Kong government.

10. SEGMENT INFORMATION

The Group has six operating segments as follows:

Medical and health related services	–	provision of medical laboratory testing services and health check services
Immunotherapy	–	provision of tumor immune cell therapy and health management services
Pharmaceutical products	–	sale and distribution of health related and pharmaceutical products
Securities	–	trading of securities
Insurance brokerage	–	insurance brokerage services
BNCT	–	provision of boron neutron capture therapy services
Others	–	money lending business and provision of logistic services

10. SEGMENT INFORMATION – *Continued*

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

The Group's other operating segments include money lending business and provision of logistic services. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the 'others' column.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include other income, gains/(losses), unallocated administrative expenses, gain on fair value change of contingent consideration, loss on extension and redemption of convertible bonds, loss on fair value change of derivative financial instrument, gain on disposal of subsidiaries, share of loss of a joint venture, finance costs and income tax expense. Segment assets do not include the unallocated bank and cash balances, pledged bank deposits, interests in associates, interest in a joint venture, current and deferred tax assets, financial assets at FVTOCI and derivative financial assets. Segment liabilities do not include borrowings, current and deferred tax liabilities, convertible bonds, derivative financial liabilities and contingent consideration. Segment non-current assets do not include financial instruments, deferred tax assets.

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

10. SEGMENT INFORMATION – *Continued*

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

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

10. SEGMENT INFORMATION – *Continued*

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

	Medical and health related services HK$'000	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Securities HK$'000	Insurance brokerage HK$'000	BNCT HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2021								
Revenue from external customers	607,776	–	107	–	7,922	–	7,956	623,761
Segment profit/(loss)	266,305	(42,393)	(1,088)	(3,163)	(66)	–	1,257	220,852
Other income, gain/(losses)								225
Finance costs								(6,543)
Gain on fair value change of contingent consideration								2,141
Loss on redemption of convertible bonds								(2,687)
Loss on fair value change of derivative financial instruments								(1,921)
Unallocated corporate expenses								(31,399)
Profit before tax								180,668
Income tax expense								(48,096)
Profit for the year								132,572
As at 31 December 2021								
Segment assets	211,823	184,589	8	4,442	12,005	–	13,485	426,352
Unallocated corporate assets								280,430
Total assets								706,782
Segment liabilities	132,641	10,606	58	365	838	–	316	144,824
Unallocated corporate liabilities								96,063
Total liabilities								240,887

10. SEGMENT INFORMATION – *Continued*

Other segment information

Other segment information for the year ended 31 December 2022:

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

Other segment information for the year ended 31 December 2021:

	Immunotherapy HK$'000	Pharmaceutical products HK$'000	Medical and health related services HK$'000	Securities HK$'000	Insurance brokerage HK$'000	BNCT HK$'000	Others HK$'000	Total HK$'000
Capital expenditures	120	–	12,072	–	–	–	24	12,216
Amortisation of intangible assets	8,994	–	–	–	–	–	–	8,994
Depreciation of property, plant and equipment	1,178	–	44,720	16	61	–	447	46,422
Depreciation of right-of-use assets	343	48	7,710	–	292	–	4,303	12,696
Provision/(reversal) of allowance for impairment loss on financial assets, net	–	90	426	–	–	–	(265)	251
Write-down of inventories	–	569	2,630	–	–	–	–	3,199

10. SEGMENT INFORMATION – *Continued*

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,851,331**	623,761	**126,168**	125,241
The PRC except Hong Kong	**201**	–	**231,848**	181,746
	1,851,532	623,761	**358,016**	306,987

Revenue from major customers:

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

	2022	2021
	HK$'000	HK$'000
Provision of medical and health related services segment		
Customer A	**900,235**	127,817
Customer B	**524,324**	310,226
Sale and distribution of health related and pharmaceutical products segment		
Customer A	**206,858**	–
Customer B	**3,816**	–
Provision of logistic services segment		
Customer B	**7,782**	–

11. FINANCE COSTS

	2022	2021
	HK$'000	HK$'000
Interest on lease liabilities	**751**	697
Interest on borrowings	**–**	504
Effective interest on convertible bonds	**2,744**	5,342
	3,495	6,543

12. INCOME TAX EXPENSE

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

	2022 HK$'000	2021 HK$'000
Current tax		
Hong Kong Profits Tax	**158,353**	49,465
Under/(over)-provision in prior years	**208**	(20)
	158,561	49,445
Deferred tax *(note 38)*	**(1,303)**	(1,349)
	157,258	48,096

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2021: 25%).

A subsidiary of the Group in the PRC had been certified by the relevant PRC authorities as high technology enterprises pursuant to the Income Tax Law in the PRC, the subsidiary was subjected to EIT rate of 15% (2021: 15%).

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the respective applicable tax rate is as follows:

	2022 HK$'000	2021 HK$'000
Profit before tax	**862,826**	180,668
Tax at the respective applicable tax rates	**150,772**	33,945
Tax effect of share of results of a joint venture	**690**	–
Tax effect of income that is not taxable	**(5,125)**	(256)
Tax effect of expenses that are not deductible	**1,382**	3,200
Tax effect of temporary differences not recognised	**1,693**	4,771
Tax effect of tax losses not recognised	**8,121**	6,799
Tax effect of utilisation of tax losses not previously recognised	**(288)**	(178)
Under/(over)-provision in prior years	**208**	(20)
Tax concession	**(195)**	(165)
Income tax expense	**157,258**	48,096

13. PROFIT FOR THE YEAR

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

	2022 HK$'000	2021 HK$'000
Amortisation of intangible assets	**8,689**	8,994
Depreciation of property, plant and equipment	**47,034**	46,422
Depreciation of right-of-use assets	**10,678**	12,696
Gain on disposal of property, plant and equipment	**(1,082)**	–
Loss on written-off property, plant and equipment	**4**	–
Loss on fair value change of derivative financial instruments	**1,137**	1,921
Operating lease charges		
– Office premises and warehouses	**2,785**	1,278
Staff costs including directors' remuneration		
– Salaries, bonuses and allowances	**161,883**	94,784
– Equity-settled share-based payments	**1,581**	2,481
– Retirement benefits scheme contributions	**3,271**	2,089
	166,735	99,354
Research and development cost	**27,760**	28,677
Auditor's remuneration		
– Audit services	**1,200**	1,100
– Non-audit services	**2,150**	–
	3,350	1,100
Cost of inventories sold	**351,487**	56,712
Write-down on inventories (included in cost of sales)	**–**	3,199
Allowance for impairment loss on financial assets, net	**1,714**	251

14. EMPLOYEE BENEFITS EXPENSE

	2022 HK$'000	2021 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**161,883**	94,784
Equity-settled share-based payments	**1,581**	2,481
Retirement benefit scheme contributions *(note 16)*	**3,271**	2,089
	166,735	99,354

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2021: three) directors whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining three (2021: two) individual is set out below:

	2022 HK$'000	2021 HK$'000
Salaries and allowances	**2,328**	1,046
Discretionary bonuses and benefits in kind	**50,064**	29,333
Equity-settled share-based payments	**263**	–
Retirement benefit scheme contributions	**36**	17
	52,691	30,396

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$28,500,001 to HK$29,000,000	**–**	1
HK$29,000,001 or above	**1**	–
	3	2

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the years ended 31 December 2022 and 2021.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2022, the remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses and benefits in kind HK$'000	Share-based payments *(Note (v))* HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors						
Mr. Liu	**3,000**	**1,890**	**6,720**	**46**	**18**	**11,674**
Mr. He Xun	**683**	–	–	**1,030**	–	**1,713**
Mr. Huang Song	**998**	–	–	–	–	**998**
Ms. Chui Hoi Yam *(note i)*	**44**	–	–	–	–	**44**
Non-executive Directors						
Mr. Wang Zheng *(note ii)*	**223**	–	–	**29**	–	**252**
Independent Non-executive Directors						
Mr. Yan Guoxiang	**240**	–	–	–	–	**240**
Mr. Qian Hongji	**240**	–	–	–	–	**240**
Dr. Ho Ivan Chun Kit	**240**	–	–	–	–	**240**
	5,668	**1,890**	**6,720**	**1,105**	**18**	**15,401**

15. BENEFITS AND INTERESTS OF DIRECTORS – *Continued*

(a) Directors' emoluments – *Continued*

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses and benefits in kind HK$'000	Share-based payments *(Note (v))* HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors						
Mr. Liu	2,400	2,160	250	128	18	4,956
Mr. Yao Michael Yi *(note iii)*	929	168	–	606	–	1,703
Mr. Leung Pak Hou Anson *(note iv)*	–	500	–	–	7	507
Mr. Wang Zheng	654	–	–	93	–	747
Mr. He Xun	521	–	–	1,639	–	2,160
Mr. Huang Song	816	–	–	15	–	831
Independent Non-executive Directors						
Mr. Yan Guoxiang	240	–	–	–	–	240
Mr. Qian Hongji	240	–	–	–	–	240
Dr. Ho Ivan Chun Kit	240	–	–	–	–	240
	6,040	2,828	250	2,481	25	11,624

Notes:

(i) Ms. Chui Hoi Yam was appointed as an executive director on 5 December 2022.

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

(iii) Mr. Yao Michael Yi resigned as an executive director and co-chairman on 20 May 2021.

(iv) Mr. Leung Pak Hou Anson did not offer himself for re-election as an executive director and retired at the annual general meeting held on 18 May 2021.

(v) For details of the share-based payments, refer to note 41(a).

None of the directors waived or agreed to waive any emoluments paid by the Group and no incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the years ended 31 December 2022 and 2021.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the directors of the Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15. BENEFITS AND INTERESTS OF DIRECTORS – *Continued*

(c) Director's termination benefits

None of the directors of the Company received any termination benefits during the year ended 31 December 2022 (2021: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2022, the Company did not pay considerations to any third parties for making available directors' services (2021: Nil).

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

As at 31 December 2022, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and the directors' connected entities (2021: None).

16. RETIREMENT BENEFIT SCHEMES

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

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

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

The Group's contributions to the MPF Scheme and the central pension scheme in the PRC (collectively, the "**Defined Contribution Schemes**") vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2022 and 2021, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2022.

17. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2022 of HK$0.01 per ordinary share of HK$0.10 each in the share capital of the Company, in an aggregate amount of approximately HK$9,632,000, has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2021.

18. EARNINGS PER SHARE

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

	2022	2021
	HK$'000	HK$'000
Earnings		
Earnings for the year for the purpose of calculating basic/diluted earnings per share	**258,087**	19,385

	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted earnings per share	**963,231**	964,714

The weighted average number of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

The computation of the diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market prices of the shares for the years ended 31 December 2022 and 2021.

The computation of the diluted earnings per share did not assume the conversion of the Company's convertible bonds since its exercise would have an anti-dilutive effect that would result in an increase in earnings per share for the years ended 31 December 2022 and 2021.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Land and buildings HK$'000	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2021	10,721	15,211	899	6,608	138,291	–	171,730
Additions	2,238	–	–	850	9,128	–	12,216
Written off	(808)	–	–	(9)	(91)	–	(908)
Exchange differences	4	–	8	12	162	–	186
At 31 December 2021 and 1 January 2022	**12,155**	**15,211**	**907**	**7,461**	**147,490**	**–**	**183,224**
Additions	**4,792**	**–**	**350**	**4,415**	**40,779**	**6,068**	**56,404**
Disposal of subsidiaries	**–**	**–**	**–**	**(86)**	**–**	**–**	**(86)**
Written off	**(167)**	**–**	**–**	**(9)**	**(430)**	**–**	**(606)**
Disposals	**–**	**–**	**(156)**	**(39)**	**(17,033)**	**–**	**(17,228)**
Exchange differences	**(12)**	**–**	**(29)**	**(36)**	**(512)**	**(189)**	**(778)**
At 31 December 2022	**16,768**	**15,211**	**1,072**	**11,706**	**170,294**	**5,879**	**220,930**
Accumulated depreciation							
At 1 January 2021	8,970	2,261	474	4,684	26,545	–	42,934
Charge for the year	1,754	491	165	1,328	42,684	–	46,422
Written off	(808)	–	–	(9)	(91)	–	(908)
Exchange differences	1	–	3	4	58	–	66
At 31 December 2021 and 1 January 2022	**9,917**	**2,752**	**642**	**6,007**	**69,196**	**–**	**88,514**
Charge for the year	**1,718**	**490**	**143**	**1,077**	**43,606**	**–**	**47,034**
Disposal of subsidiaries	**–**	**–**	**–**	**(78)**	**–**	**–**	**(78)**
Written off	**(167)**	**–**	**–**	**(5)**	**(430)**	**–**	**(602)**
Disposals	**–**	**–**	**(64)**	**(35)**	**(9,646)**	**–**	**(9,745)**
Exchange differences	**(6)**	**–**	**(10)**	**(15)**	**(235)**	**–**	**(266)**
At 31 December 2022	**11,462**	**3,242**	**711**	**6,951**	**102,491**	**–**	**124,857**
Carrying amount							
At 31 December 2022	**5,306**	**11,969**	**361**	**4,755**	**67,803**	**5,879**	**96,073**
At 31 December 2021	2,238	12,459	265	1,454	78,294	–	94,710

At 31 December 2022 and 2021, none of the property, plant and equipment pledged as security for the Group's borrowings.

20. RIGHT-OF-USE ASSETS

	Land use rights in the PRC HK$'000	Leased properties HK$'000	Total HK$'000
At 1 January 2021	–	18,863	18,863
Additions	–	4,491	4,491
Depreciation	–	(12,696)	(12,696)
Modification *(note)*	–	309	309
Write off	–	(193)	(193)
Exchange differences	–	10	10
At 31 December 2021 and 1 January 2022	**–**	**10,784**	**10,784**
Additions	**13,346**	**19,821**	**33,167**
Depreciation	**(155)**	**(10,523)**	**(10,678)**
Exchange differences	**(411)**	**(80)**	**(491)**
At 31 December 2022	**12,780**	**20,002**	**32,782**

Note: The Group has reassessed the lease liabilities due to modification of lease payment and adjusted the carrying amount of right-of-use assets accordingly.

Lease liabilities of HK$20,347,000 (2021: HK$11,132,000) are recognised with related right-of-use assets of HK$20,002,000 (2021: HK$10,784,000) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2022 **HK$'000**	2021 HK$'000
Depreciation expenses on right-of-use assets	**10,678**	12,696
Interest expense on lease liabilities (included in finance cost)	**751**	697
Expenses relating to short-term lease (included in cost of goods sold, selling and distribution expenses, and administrative expenses)	**2,785**	1,278

Details of total cash outflow for leases is set out in note 42(c).

For both years, the Group leases various offices, clinics, labs and warehouses for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

During the year, the Group has no leases contracts with the extension options.

21. GOODWILL

	2022 HK$'000	2021 HK$'000
Cost		
At 1 January	149,008	146,049
Disposal of subsidiaries	(521)	–
Exchange differences	(8,755)	2,959
At 31 December	139,732	149,008
Accumulated impairment		
At 1 January	28,454	28,454
Disposal of subsidiaries	(521)	–
Impairment loss recognised for the year	1,716	–
At 31 December	29,649	28,454
Carrying amount		
At 31 December	110,083	120,554

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2022 HK$'000	2021 HK$'000
Provision of medical laboratory testing services and health related services:		
– DVF Holdco (Cayman) Limited ("**DVF**") acquired in 2015 ("**CGU A**")	–	–
Provision of tumor immune cell therapy, immune cell storage and health management services:		
– Shanghai Longyao Biotech Company Limited (上海隆耀生物科技有限公司) ("**Shanghai Longyao**") acquired in 2019 ("**CGU B**")	102,592	111,347
Provision of insurance brokerage services:		
– Fortstone International (Hong Kong) Limited ("**Fortstone**") acquired in 2019 ("**CGU C**")	7,491	9,207
	110,083	120,554

The recoverable amounts of the CGUs have been determined on the basis of the higher of its fair value less costs of disposal and its value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

21. GOODWILL – *Continued*

The management has engaged external valuers to perform valuation on the recoverable amount of each CGU.

CGU A is engaging in provision of laboratory testing services and health check services. The valuation had used cash flows projection based on financial budgets approved by management which covered a 5-year period and incorporated therein. The recoverable amount of CGU A exceeds the carrying amount of CGU A. The growth rate used by the Group to prepare the cashflow forecast from CGU A is 3%, this rate does not exceed the average long-term growth rate for the relevant markets. The discount rate used to discount the forecast cash flow was 20% (2021: 17%).

The key assumptions for the value in use were those regarding the discount rate, growth rate and budgeted gross margin, which had been determined based on the development trend of the industry and budgeted revenue, which had been determined based on the management's expectation for the industry development of CGU A.

The recoverable amount of the CGU A is approximately HK$48,730,000, which was above its carrying amount. The management considered no impairment indicators of non-current asset attributable to CGU A. A 5% underperformance against forecast sales growth rates would reduce the headroom in CGU A to nil but would not result in an impairment charge.

The Group prepares cash flow forecasts for CGU B engaging in provision of tumor immune cell therapy and health management service. The recoverable amount for CGU B was determined based on fair value less cost of disposal calculated by using discounted cash flow technique, covering the most recent financial budgets approved by the directors for the next eight years with residual period using the growth rate of 3%. The rate used to discount the fair value less cost of disposal is 17% (2021: 17%), which reflects specific risks relating to CGB B. The fair value less cost of disposal of CGU B is estimated by an independent professional qualified valuer and classified as level 3 measurement.

The key assumptions for the fair value less cost of disposal calculation were those regarding the discount rate, growth rate and budgeted gross margin, which had been determined based on the development trend of the industry and budgeted revenue, which had been determined based on the management's expectation for the industry development of CGU B. The recoverable amount of the CGU B is approximately HK$181,109,000. A 4% underperformance against forecast sales growth rates would reduce the headroom in CGU B to nil but would not result in an impairment charge.

For CGU C engaging in insurance brokage service, the recoverable amount was determined based on its value in use by using the discounted cash flow method. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from CGU C is 19% (2021: 15%). During the year ended 31 December 2022, the financial performance of CGU C was not as good as the cashflow projection performed in 2021 due to uncertainty on lifting cross-broader travelling restriction during the 5th wave pandemic outbreak and declining number of customers from mainland China. The actual revenue for the year ended 31 December 2022 was decreased by 58% as compared to the revenue projected in 2021.

The recoverable amount of the CGU C is approximately HK$16,596,000. As the recoverable amount of CGU C was below its carrying amount, an impairment provision of HK$1,716,000 was made during the year ended 31 December 2022. A 3% and 5% underperformance against forecast sales growth rates would lead to an impairment to goodwill of HK$522,000 and HK$1,279,000 respectively.

22. INTANGIBLE ASSETS

	Customer relationship HK$'000	Brand name HK$'000	Patents HK$'000	Non-competition agreement HK$'000	Total HK$'000
Cost					
At 1 January 2021	12,247	34,915	88,939	1,324	137,425
Exchange differences	–	–	2,428	–	2,428
At 31 December 2021 and 1 January 2022	12,247	34,915	91,367	1,324	139,853
Exchange differences	–	–	(7,184)	–	(7,184)
At 31 December 2022	**12,247**	**34,915**	**84,183**	**1,324**	**132,669**
Accumulated amortisation and impairment losses					
At 1 January 2021	12,247	21,541	15,565	–	49,353
Amortisation for the year	–	–	8,994	–	8,994
Exchange differences	–	–	567	–	567
At 31 December 2021 and 1 January 2022	12,247	21,541	25,126	–	58,914
Amortisation for the year	–	–	8,689	–	8,689
Exchange differences	–	–	(2,247)	–	(2,247)
At 31 December 2022	**12,247**	**21,541**	**31,568**	**–**	**65,356**
Carrying amount					
At 31 December 2022	**–**	**13,374**	**52,615**	**1,324**	**67,313**
At 31 December 2021	–	13,374	66,241	1,324	80,939

The average remaining amortisation period of the customer relationship and patents are 3 years (2021: 4 years) and 7 years (2021: 8 years) respectively.

For the brand name and non-competition agreement, they have no foreseeable limit to the period over which are expected to generate net cash flow for the Group. The directors considered that they have an indefinite useful life because it is expected to contribute to net cash flows indefinitely. They will not be amortised until its useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that it may be impaired.

The Group carried out reviews of the recoverable amount of its non-current assets in 2022, CGU A, CGU B and CGU C (referred to notes 21 to the consolidated financial statements) having regard to the market conditions of the Group's products. Customer relationship and brand name are attributed to CGU A. Patent is attributed to CGU B and non-competition agreement is attributed to CGU C. Except for an impairment loss of goodwill amounted of approximately HK$1,716,000 was recognised for the year ended 31 December 2022, the management considered that no impairment indicator of the non-current assets attributable to CGUs, and no impairment loss was provided for intangible assets.

23. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2022 are as follows:

Name	Place of incorporation and kind of legal entity	Principal country of operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
				Direct	Indirect	
Best Global Group Limited	BVI, limited liability company	Hong Kong	Ordinary shares US$1	100%	–	Investment holding
Grande Fortune International Limited	BVI, limited liability company	Hong Kong	Ordinary shares US$1	100%	–	Investment holding
Gain Yield Holdings Limited	Samoa, limited liability company	Hong Kong	Ordinary shares US$110	100%	–	Investment holding
Master Glory Enterprises Corporation	BVI, limited liability company	Hong Kong	Ordinary shares US$10,000	–	100%	Investment holding
Keyun Limited	BVI, limited liability company	Hong Kong	Ordinary shares US$1	100%	–	Investment holding
Asia Molecular Diagnostics Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1,000	–	97%	Provision of medical diagnostic services
Asia Molecular Diagnostics Laboratory Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares US$2,500,000	–	77.6%	Provision of medical diagnostic services
China Biology Services Group Limited ("**China Biology**")	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	100%	Investment holding
Ferran Finance Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	100%	Provision of money lending in Hong Kong
Fortstone	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$3,000,000	–	51%	Provision of insurance brokerage services
Genezone International Health Management Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$110,100	–	90.09%	Provision of coordination of healthcare providers services
Genezone Pharmaceutical Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	100%	Inactive
PHC Biomedicine Logistics Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	97%	Provision of logistic services

23. INVESTMENTS IN SUBSIDIARIES – *Continued*

Name	Place of incorporation and kind of legal entity	Principal country of operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
PHC Medical Diagnostic Centre Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$198,000	–	97%	Provision of medical laboratory testing services and health check services
Precision Health Care Services Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$500,002	–	97%	Provision of health check services
SDCL	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$100	–	40% *(note)*	Provision of medical laboratory testing services
T. F. Industries Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1	–	97%	Property investment
Victory Medical Laboratory Limited	Hong Kong, limited liability company	Hong Kong	Ordinary shares HK$1,000	–	97%	Provision of medical laboratory testing services and health check services
Shanghai Longyao	The PRC, limited liability company	The PRC	Registered capital RMB16,423,707	–	68.5%	Provision of tumor immune cell therapy and health management services
Shenzhen Genezone Biotech Services Company Limited*	The PRC, limited liability company	The PRC	Registered capital RMB20,000,000	–	100%	Provision of health management services
Pengbo (Hainan) Medical Technology Co., Ltd* ("**Pengbo (Hainan)**")	The PRC, limited liability company	The PRC	Registered capital RMB150,000,000	–	100%	Provision of Boron Neutron Capture Therapy ("**BNCT**")

Note: Although the Group owns less than 50% of the equity interest in SDCL, it is able to gain power over than 50% of the voting right by virtue of agreement with another shareholder. Consequently, the Group consolidates SDCL.

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

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

23. INVESTMENTS IN SUBSIDIARIES – *Continued*

The following table shows information on the subsidiary that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**SDCL**	
	2022	2021
Principal place of business/country of incorporation	**Hong Kong**	Hong Kong
% of ownership interests/voting rights held by NCI	**60%/40%**	60%/40%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**89,435**	76,254
Current assets	**789,584**	150,276
Non-current liabilities	**(2,078)**	(3,643)
Current liabilities	**(506,113)**	(119,488)
Net assets	**370,828**	103,399
Accumulated NCI	**222,497**	62,039
Year ended 31 December:		
Revenue	**1,768,211**	537,765
Profit	**767,429**	212,146
Total comprehensive income	**767,429**	212,146
Profit allocated to NCI	**460,458**	127,288
Dividends paid to NCI	**(300,000)**	(216,000)
Net cash generated from operating activities	**520,224**	88,339
Net cash used in investing activities	**(57,879)**	(6,898)
Net cash used in financing activities	**(503,132)**	(363,472)
Net decrease in cash and cash equivalents	**(40,787)**	(282,031)

24. INVESTMENTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Unlisted investments:		
Share of net assets	–	–
Goodwill	–	–
Impairment loss for the year	–	–
	–	–

Details of the Group's associates at 31 December 2022 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			2022	2021	
New Health Elite International Limited ("**New Health**")	BVI	Ordinary shares US$100	–	22.62%	Investment holding of subsidiaries which are principally engaged in provision of health management and well-being services

As loss was incurred in the past few years by New Health and has carried net liabilities at the year ended, the Directors are of the opinion that the investments is irrecoverable and accordingly made full impairment on it.

On 31 May 2022, the Group has disposed the subsidiaries which held the equity interest of New Health. Details of the disposal is set out in note 42(b).

25. INVESTMENT IN A JOINT VENTURE

	2022 HK$'000	2021 HK$'000
Unlisted investments:		
Share of net assets	**16,220**	–

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

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

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

Name	**HKMTCL**
Principal place of business/country of incorporation	Hong Kong/ Hong Kong
Principal activities	Provision of laboratory testing services
% of ownership interests/voting rights held by the Group	51%/50%

	2022 HK$'000
At 31 December:	
Non-current assets	**19,703**
Current assets	**19,468**
Non-current liabilities	**(1,582)**
Current liabilities	**(5,786)**
Net assets	**31,803**
Group's share of net assets	**16,220**
Group's carrying amount of interest	**16,220**
Cash and cash equivalents included in current assets	**18,382**
Current financial liabilities (excluding trade and other payables and provision) included in current liabilities	**5,681**

25. INVESTMENT IN A JOINT VENTURE – *Continued*

	2022 **HK$'000**
Year ended 31 December:	
Revenue	**–**
Loss from operation	**(8,197)**
Total comprehensive income	**(8,197)**
Group's share of loss	**(4,180)**

26. FINANCIAL ASSETS AT FVTOCI

	2022 **HK$'000**	2021 HK$'000
Unlisted equity securities at fair value		
As at 1 January	**67,940**	98,845
Disposal	**–**	(4,587)
Transferred to listed equity securities	**–**	(47,252)
Fair value gain	**1,330**	20,934
As at 31 December	**69,270**	67,940
Listed securities in Hong Kong		
As at 1 January	**54,081**	–
Disposal *(Note)*	**(1,051)**	–
Transferred from unlisted equity securities	**–**	47,252
Fair value (loss)/gain	**(39,358)**	6,829
As at 31 December	**13,672**	54,081
	82,942	122,021
Analysed as:		
Current assets	**–**	–
Non-current assets	**82,942**	122,021
	82,942	122,021

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

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

26. FINANCIAL ASSETS AT FVTOCI – *Continued*

Financial assets at FVTOCI are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HK$	**13,672**	54,081
US$	**69,270**	67,940
	82,942	122,021

27. INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	**18,725**	4,738

28. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**756,443**	93,223
Allowance for impairment loss	**(4,544)**	(1,093)
	751,899	92,130
Rental and other deposits	**7,142**	5,851
Other receivables	**1,753**	4,399
Allowance for impairment loss of other receivables	**–**	(1,423)
Prepayments	**56,515**	1,570
Sales proceeds on disposal of associates	**–**	1,268
Cash held in securities trading accounts with stock brokers	**3**	2,144
	65,413	13,809
Total trade and other receivables	**817,312**	105,939
Analysed as:		
Current assets	**765,547**	105,939
Non-current asset	**51,765**	–
	817,312	105,939

28. TRADE AND OTHER RECEIVABLES – *Continued*

The Group generally allows an average credit period of 90 days (2021: 90 days) for its pharmaceutical products customers, laboratory testing and health check services customers and logistic service customers and 30 days (2021: 30 days) for its insurance brokerage services customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2022 HK$'000	2021 HK$'000
0 to 90 days	549,256	80,062
91 to 180 days	200,680	10,490
181 to 365 days	1,771	1,325
Over 365 days	192	253
	751,899	92,130

As at 31 December 2022, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately HK$4,544,000 (2021: HK$1,093,000).

As of 31 December 2022, trade receivables of approximately HK$202,643,000 (2021: HK$12,068,000) were past due but not impaired. These related to a number of independent customers for whom there had no recent history of default. The aging analysis of these trade receivables past due but not impaired is as follows:

	2022 HK$'000	2021 HK$'000
Less than 90 days	200,680	10,490
91 to 275 days	1,771	1,325
Over 275 days	192	253
	202,643	12,068

The carrying amounts of the Group's trade receivables are denominated in HK$.

29. LOAN AND INTEREST RECEIVABLES

The maturity profile of loan and interest receivables at the reporting date is analysed by the remaining periods to their contractual maturity dates as follows:

	2022 HK$'000	2021 HK$'000
Loan and interest receivables	11,756	19,562
Allowance for impairment loss	(4,124)	(6,305)
	7,632	13,257
Less: non-current portion	–	–
Current portion	7,632	13,257

29. LOAN AND INTEREST RECEIVABLES – *Continued*

The carrying amounts of the loan and interest receivables are denominated in HK$.

All loan and interest receivables carried a fixed rate from 8% to 10% per annum, unsecured and are repayable with fixed terms agreed with the customers.

30. HELD FOR TRADING SECURITIES

	2022 HK$'000	2021 HK$'000
Equity securities, at fair value		
Listed in Hong Kong	–	1,759
Analysed as:		
Current assets	–	1,759
Non-current assets	–	–
	–	1,759

The carrying amounts of the above financial assets are classified as follows:

	2022 HK$'000	2021 HK$'000
Held for trading	–	1,759

The carrying amount of the above financial assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

On 4 April 2022, the Group has disposed the subsidiaries which held the above held for trading securities. Details of the disposal is set out in note 42(a) to the consolidated financial statements.

31. PLEDGED BANK DEPOSITS/BANK AND CASH BALANCES

As at 31 December 2022, the Group had pledged bank deposits of approximately HK$128,556,000 (2021: HK$Nil).

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

As at 31 December 2022, the bank and cash balances of the Group denominated in RMB and USD amounted to approximately HK$6,845,000 (2021: HK$14,511,000) and HK$39,287,000 (2021: HK$1,357,000) respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

32. SHARE CAPITAL

	Note	2022 Number of shares '000	2022 HK$'000	2021 Number of shares '000	2021 HK$'000
Authorised:					
At 31 December		**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:					
At 1 January		**963,231**	**96,323**	966,851	96,685
Share repurchased and cancelled	*(a), (b)*	**–**	**–**	(3,620)	(362)
At 31 December		**963,231**	**96,323**	963,231	96,323

Notes:

(a) During January, June and July 2021, the Company repurchased 2,695,000 shares of the Company for a total consideration of approximately HK$4,310,000 in the open market on the Stock exchange and cancelled on 9 February 2021 and 9 August 2021 pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board.

(b) From 15 December 2020 to 31 December 2020, the Company repurchased 925,000 shares of the Company for a total consideration of approximately HK$1,200,000 in the open market on the Stock exchange and subsequent cancelled on 9 February 2021 pursuant to the general mandate to buy back the shares of the Company granted by the shareholders of the Company to the Board.

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt comprises convertible bond and other borrowings. Total equity comprises all components of equity (i.e. share capital, non-controlling interest and other reserves).

As at 31 December 2022, bank and cash equivalents amounted to approximately HK$92,770,000 (2021: HK$150,554,000), which exceed total debt of approximately HK$31,333,000 (2021: HK$94,516,000). Accordingly, there was no net debt at 31 December 2022 and 2021 and calculation of debt-to-equity ratio at 31 December 2022 and 2021 is not meaningful.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

32. SHARE CAPITAL – *Continued*

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2022, 35.1% (2021: 35.0%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2022 and 2021.

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

(a) Statement of financial position of the Company

	2022 **HK$'000**	2021 HK$'000
Non-current assets		
Investments in subsidiaries	**1,377**	770
Property, plant and equipment	**14**	235
Right-of-use assets	**1,377**	3,029
	2,768	4,034
Current assets		
Prepayments and other receivables	**2,228**	3,680
Amount due from subsidiaries	**533,896**	336,021
Derivative financial assets	**–**	1,527
Bank and cash balances	**42,024**	38,657
	578,148	379,885
Non-current liabilities		
Convertible bonds	**55,796**	–
Derivative financial liabilities	**22,252**	–
Lease liabilities	**–**	1,447
	78,048	1,447
Current liabilities		
Accruals and other payables	**13,088**	1,927
Amount due to subsidiaries	**33,625**	17,909
Convertible bonds	**–**	38,651
Lease liabilities	**1,447**	1,658
	48,160	60,145
Net current assets	**529,988**	319,740
NET ASSETS	**454,708**	322,327
Capital and reserves		
Share capital	**96,323**	96,323
Reserves	**358,385**	226,004
TOTAL EQUITY	**454,708**	322,327

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

(b) Reserve movement of the Company

	Share premium HK$'000	Share repurchase for cancellation HK$'000	Share-based payments reserve HK$'000	Special reserve HK$'000	Shares held under share-awarded scheme HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	495,840	(1,200)	25,629	212,948	–	(587,454)	145,763
Total comprehensive loss for the year	–	–	–	–	–	78,944	78,944
Repurchase and/for cancellation of shares	(5,148)	1,200	–	–	–	–	(3,948)
Share-based payments	–	–	5,245	–	–	–	5,245
Lapse of share options	–	–	(14,423)	–	–	14,423	–
At 31 December 2021 and 1 January 2022	490,692	–	16,451	212,948	–	(494,087)	226,004
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**133,351**	**133,351**
Share-based payments	**–**	**–**	**2,015**	**–**	**–**	**–**	**2,015**
Lapse of share options	**–**	**–**	**(9,657)**	**–**	**–**	**9,657**	**–**
Shares purchased under Share Award Scheme	**–**	**–**	**–**	**–**	**(2,985)**	**–**	**(2,985)**
At 31 December 2022	**490,692**	**–**	**8,809**	**212,948**	**(2,985)**	**(351,079)**	**358,385**

As at 31 December 2022, the aggregate amount of reserves of the Company available for distribution to owners of the Company was approximately HK$358,385,000 (2021: HK$226,004,000). The distributable reserves which include the Company's share premium, special reserve and accumulated losses, under the Companies Act 1981 of Bermuda, are distributable to owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company is still able to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

34. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share-based payment reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(v) to the consolidated financial statements.

(ii) Special reserve

Special reserve of approximately HK$212,948,000 was recorded after setting off the capital reduction and the cancellation of the share premium with the accumulated losses as at the date of the change of the domicile and the capital reorganisation of the Company which became effective on 28 August 2013 and 19 September 2013 respectively.

(iii) Other reserves

Other reserves arose from the deemed disposal of partial interests in subsidiaries through issue and allotment of new shares by the then subsidiaries to certain independent third parties.

(iv) Financial assets at FVTOCI reserve

The financial assets at reserve comprises the cumulative net change in the fair value of financial assets as held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(k) to the consolidated financial statements.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(e) to the consolidated financial statements.

35. CONVERTIBLE BONDS

On 11 May 2020, the Company issued convertible bonds ("**2020 Convertible Bonds**") at the issue price of US$10,000,000 (equivalent to approximately HK$77,500,000) (equal to 100 per cent of the principal amount of the convertible bonds). The bonds were convertible at the option of the bondholders into shares at the initial conversion price of HK$1.75 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2020 Convertible Bonds, if any) and at the exchange rate of HK$7.85 to US$1.00, and on this basis a maximum number of 44,857,142 conversion shares of the Company would be allotted and issued upon exercise of the conversion rights attached to the 2020 Convertible Bonds in full assuming there is no adjustment to the conversion price. The bonds carried interest at a rate of 8.5% per annum, which was payable half-yearly in arrears on 20 June and 20 December.

The rate of exchange to be used shall be at the rate of US$1.00 to HK$7.85, provided that, if the average exchange rate (the "**Adjusted Exchange Rate**") of the Telegraphic Transfer Bank Buy and the Telegraphic Transfer Bank Sell as quoted on the website of the Hong Kong and Shanghai Banking Corporation Limited on the business day immediately prior to such date is at the rate of US$1.00 to HK$7.85001 or more, the rate of exchange to be used shall be such Adjusted Exchange Rate; provided further that if the bondholder exercises its conversion right, the exchange rate for the purpose of conversion will be the rate of US$1.00 to HK$7.85, and that the Company shall pay the bondholder in cash at the time of conversion in an amount resulting from the difference between such rate and the Adjusted Exchange Rate.

The maturity date was two years from issue date. The 2020 Convertible Bonds were secured by 529,500,546 Shares of the Company held by Genius Lead Limited, the controlling shareholder of the Company, and were guaranteed by Mr. Liu Xiaolin, the chairman and executive Director of the Company, and Genius Lead Limited.

On 27 May 2021, the Company redeemed the 2020 Convertible Bonds in part in the principal amount of US$5,000,000, being 50% of the total principal amount of US$10,000,000, at the applicable redemption amount of US$5,186,527.78 (equivalent to approximately HK$40,187,000) which included principal and interest accrued up to the date of redemption. Following the partial redemption of the 2020 Convertible Bonds, the bondholder executed a deed of partial release for the release of 264,750,273 Shares being half of the charged shares charged by Genius Lead Limited to the bondholder (the "**Partial Release**"). Upon the Partial Release, the number of Shares held by Genius Lead Limited remained subject to the share charge in favor of the bondholder was 264,750,273 Shares. The guarantees given by Mr. Liu Xiaolin and Genius Lead Limited remained in full force and effect to guarantee and secure the payment obligations of the Company in connection with the 2020 Convertible Bonds.

35. CONVERTIBLE BONDS – *Continued*

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

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

On 20 December 2022, the Company issued convertible bonds ("**2022 Convertible Bonds**") at the issue price of US$10,000,000 (equivalent to approximately HK$77,800,000) (equal to 100 per cent of the principal amount of the convertible bonds). The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK$1.45 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2022 Convertible Bonds, if any) and at the exchange rate of HK$7.85 to US$1.00, and on this basis a maximum number of 54,137,931 conversion shares of the Company will be allotted and issued upon exercise of the conversion rights attached to the 2022 Convertible Bonds in full assuming there is no adjustment to the conversion price. The bonds carry interest at a rate of 8.25% per annum, which is payable half-yearly in arrears on 20 June and 20 December. The maturity date is two years from issue date.

The rate of exchange to be used for any particular date where US dollars are converted to HK dollars or vice versa shall be at the rate of US$1.00 to HK$7.85, provided that, if the average exchange of the Telegraphic Transfer Bank Buy and the Telegraphic Transfer Bank Sell as quoted on the website of the Hongkong and Shanghai Banking Corporation Limited on the business day immediately prior to such date is at the rate of US$1.00 to HK$7.85001 or more, the rate of exchange to be used for any particular date shall be at the rate of US$1.00 to HK$7.85; and provided further that if the subscriber exercises its conversion right attached to the 2022 Convertible Bonds, the exchange rate for the purpose of conversion will be the rate of US$1.00 to HK$7.85, and that the Company shall pay the subscriber in cash at the time of conversion in an amount resulting from the difference between such rate and at the rate of US$1.00 to HK$7.85.

35. CONVERTIBLE BONDS – *Continued*

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

The proceeds received from the issue of the convertible bonds have been split between the liability and derivative components and the movements during the year are as follows:

	HK$'000
Liability component at 1 January 2021	76,292
Partial redemption of 2020 Convertible Bonds	(39,689)
Interest expenses	5,342
Interest paid	(3,294)
Liability component at 31 December 2021 and 1 January 2022	**38,651**
Extension of 2020 Convertible Bonds	**3,317**
Redemption of 2020 Convertible Bonds	**(41,619)**
Issuance of 2022 Convertible Bonds	**105,492**
Deferred losses upon issuance	**(26,992)**
Transaction cost related to liability component	**(466)**
Derivative component	**(22,252)**
Interest expenses	**2,744**
Interest paid	**(3,079)**
Liability component at 31 December 2022	**55,796**

35. CONVERTIBLE BONDS – *Continued*

	(Assets)	Liabilities	Total
	HK$'000	HK$'000	HK$'000
Derivative component at 1 January 2021	(14,234)	8,597	(5,637)
Partial redemption	6,442	(4,253)	2,189
Fair value loss/(gain) for the year	4,230	(2,309)	1,921
Derivative component at 31 December 2021 and 1 January 2022	**(3,562)**	**2,035**	**(1,527)**
Extension and redemption of 2020 Convertible Bonds	**(7,618)**	**8,008**	**390**
Fair value loss/(gain) for the year	**11,180**	**(10,043)**	**1,137**
Derivative component upon issuance of 2022 Convertible Bonds	**–**	**22,252**	**22,252**
Derivative component at 31 December 2022	**–**	**22,252**	**22,252**

The interest charged for the year is calculated by applying an effective interest rate of 5.42% (2021: 10.19%) to the liability component for the period since issuance date of 30 December 2022 (2021: approximately 12 months).

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

The directors of the Company estimated that the fair value of the liability component of the convertible bonds as at 31 December 2022 to be approximately HK$83,240,000 (2021: HK$40,545,000). This fair value has been estimated by discounting the future cash flows at the market interest rate and classified as level 3 fair value measurement.

The derivative financial assets and derivative financial liabilities are embedded in the convertible bonds, which is the call option and the conversion option respectively. Each derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Binomial Option Pricing Model (level 3 fair value measurement). The key assumptions adopted are as follows:

	31 December 2022	31 December 2021
Weighted average share price (HK$)	**1.15**	1.38
Weighted average exercise price (HK$)	**1.45**	1.75
Expected volatility	**77.82%**	60.84%
Expected life	**2**	0.36
Risk free rate	**4.02%**	0.14%
Expected dividend yield	**Nil**	Nil

36. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**11,766**	7,911	**10,980**	7,576
In the second to fifth years, inclusive	**9,707**	3,651	**9,367**	3,556
	21,473	11,562	**20,347**	11,132
Less: Future finance charges	**(1,126)**	(430)	**N/A**	N/A
Present value of lease obligations	**20,347**	11,132	**20,347**	11,132
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(10,980)**	(7,576)
Amount due for settlement after 12 months			**9,367**	3,556

The weighted average incremental borrowing rates applied to lease liabilities range from 3.0% to 15.7% (2021: 3.0% to 5.13%).

Minimum lease payments are denominated in HK$ and RMB, amount of approximately HK$19,261,000 (2021: HK$11,478,000) and HK$2,212,000 (2021: HK$84,000) respectively.

37. CONTINGENT CONSIDERATION

	Shanghai Longyao	**Fortstone**	**Total**
	HK$'000	HK$'000	HK$'000
	(Note a)	*(Note b)*	
At 1 January 2021	22,698	3,101	25,799
Gain on fair value change	(612)	(1,529)	(2,141)
At 31 December 2021 and 1 January 2022	**22,086**	**1,572**	**23,658**
Gain on fair value change	**(22,086)**	**(1,572)**	**(23,658)**
At 31 December 2022	**–**	**–**	**–**
Classified as:			
Current liabilities			
– 2022	–	–	–
Current liabilities			
– 2021	22,086	1,572	23,658

As of 31 December 2022, the fair value of the contingent consideration liability was remeasured, and a gain of HK$23,658,000 (2021: HK$2,141,000) resulted from the change in fair value of the contingent consideration liability was recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

37. CONTINGENT CONSIDERATION – *Continued*

Note a:

Contingent consideration is payable, which is subject to fulfillment of certain performance targets ("**First Target Achievement**") by Shanghai Longyao. The Company shall allot and issue a total of 29,100,000 new shares of the Company at an issue price of HK$2.00 (the "**Issue Price**") if the First Target Achievement is fulfilled. In the event that Shanghai Longyao meets certain other performance targets ("**Second Target Achievement**") after meeting the First Target Achievement, the Company shall allot and issue another 29,100,000 new shares of the Company in aggregate at the Issue Price. In the event that Shanghai Longyao meets the Second Target Achievement without achieving the First Target Achievement, the Company shall allot and issue a total of 58,200,000 new shares of the Company to Mr. Ye Shenqin, Beike International (HK) Limited, Mr. Yang Xuanming and Mr. Wang Xin at the Issue Price.

The initial amount recognised was HK$34,149,000. The fair value which was determined using management's best estimate and was within level 3 fair value measurement, which were reference to the valuation performed by an independent professional qualified valuer.

Note b:

Contingent consideration is payable in cash to the vendors of Fortstone amounted of HK$6,120,000 ("**Tranche Consideration**"), which is subject to the accumulated net profit after tax of Fortstone for (a) the period from 31 October 2019 to 31 December 2019, (b) the two financial years ended 31 December 2020 and 2021 and (c) the period from 1 January 2022 to 31 October 2022 collectively (the "**Actual Accumulated Profit**") being not less than HK$9,000,000. In the event that the Actual Accumulated Profit is a positive figure but less than HK$9,000,000 upon the third anniversary of the completion date, the Tranche Consideration shall be adjusted to the figure calculated according to the formula below:

Actual Accumulated Profit multiplied by HK$6,120,000 and divided by HK$9,000,000.

If the Actual Accumulated Profit is a negative figure, the contingent consideration shall be zero.

The initial amount recognised was HK$5,182,000. The fair value was determined using management's best estimate and was within level 3 fair value measurement with reference to the valuation performed by an independent professional qualified valuer.

38. DEFERRED TAX

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

	Accelerated tax depreciation HK$'000
At 1 January 2021	10,825
Credit to profit or loss for the year *(note 12)*	(1,349)
Exchange differences	460
At 31 December 2021 and 1 January 2022	**9,936**
Credit to profit or loss for the year *(note 12)*	**(1,303)**
Exchange differences	**(741)**
At 31 December 2022	**7,892**

At the end of the reporting period the Group has unused tax losses of approximately HK$195,924,000 (2021: HK$228,489,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. For the year ended 31 December 2022, included in unrecognised tax losses are losses of approximately HK$30,658,000, HK$12,525,000, HK$28,594,000, HK$15,014,000, HK$10,636,000, HK$5,489,000 HK$14,550,000, HK$15,750,000 HK$5,450,000 and HK$4,007,000 that will expire in 2032, 2031, 2030, 2029, 2028, 2027, 2026, 2025, 2024 and 2023 respectively. Other tax losses may be carried forward indefinitely.

39. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**206,441**	16,149
Accruals	**77,161**	28,189
Receipt in advance	**377**	281
Other payables	**6,066**	10,308
	290,045	54,927

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

	2022 HK$'000	2021 HK$'000
0 to 90 days	**143,915**	16,147
91 to 180 days	**27,234**	–
181 to 365 days	**35,292**	2
	206,441	16,149

The carrying amounts of the Group's trade payables are denominated in HK$ amount of approximately HK$206,441,000 (2021: HK$16,149,000).

40. BORROWINGS

	2022 HK$'000	2021 HK$'000
Other borrowings	**5,641**	17,387
The borrowings are repayable as follows:		
Within one year	**5,641**	17,387
	5,641	17,387
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(5,641)**	(17,387)
Amount due for settlement after 12 months	**–**	–

The carrying amounts of the Group's borrowings are denominated in RMB.

40. BORROWINGS – *Continued*

The average interest rates at 31 December were as follows:

	2022	2021
Other borrowings	**8.5%**	8% to 10%

All of the borrowings are arranged at fixed interest rates.

At 31 December 2022, borrowings of approximately HK$5,641,000 are guaranteed by the Company.

At 31 December 2021, borrowings of approximately HK$4,285,000 and HK$12,244,000 are guaranteed by Mr. Liu and the Company respectively.

41. SHARE-BASED PAYMENTS

(a) Equity-settled Share Option Scheme

The Company operates the Share Option Scheme (the **"Share Option Scheme"**) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include any eligible employees (full-time or part-time including executive director), non-executive directors (including independent non-executive directors), suppliers, customers, person or entity that provides research, development or other technological support or other services, shareholders, advisers of the Company and the Company's subsidiaries. The Share Option Scheme became effective on 29 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise all options granted and yet to be exercised under the Share Option Scheme must not in aggregate exceed 30% of the issued share capital of the Company is issue from time to time. The total number of shares which may be issued upon exercise of all share options (excluding share options which have lapsed) to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares in issue on 26 May 2020 being the date of refreshment of the 10% limit by the shareholders. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options subject to the provision for early termination thereof.

41. SHARE-BASED PAYMENTS – *Continued*

(a) Equity-settled Share Option Scheme – *Continued*

Unless the directors otherwise determined and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

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

Details of the specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK$	Number of share options
Directors and Consultants:				
12 January 2018	12 January 2018 to 11 January 2021	12 January 2021 to 11 January 2022	1.67	8,260,000
20 August 2019	20 August 2019 to 19 August 2021	20 August 2021 to 19 August 2022	1.68	3,740,000
20 August 2019	20 August 2019 to 19 August 2022	20 August 2022 to 19 August 2023	1.68	3,760,000
2 September 2020	2 September 2020 to 1 September 2021	2 September 2021 to 1 September 2022	2.00	3,220,000
2 September 2020	2 September 2020 to 1 September 2022	2 September 2022 to 1 September 2023	2.00	3,220,000
2 September 2020	2 September 2020 to 1 September 2023	2 September 2023 to 1 September 2024	2.00	3,220,000
26 November 2020	26 November 2020 to 25 November 2021	26 November 2021 to 25 November 2022	2.00	1,665,000
26 November 2020	26 November 2020 to 25 November 2022	26 November 2022 to 25 November 2023	2.10	1,665,000
26 November 2020	26 November 2020 to 25 November 2023	26 November 2023 to 25 November 2024	2.20	1,670,000
Employee:				
20 August 2019	20 August 2019 to 19 August 2021	20 August 2021 to 19 August 2022	1.68	1,490,000
20 August 2019	20 August 2019 to 19 August 2022	20 August 2022 to 19 August 2023	1.68	1,520,000
				33,430,000

41. SHARE-BASED PAYMENTS – *Continued*

(a) Equity-settled Share Option Scheme – *Continued*

If the options remain unexercised after a period of 4 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Details of the movement of share options during the year are as follows:

	2022		2021	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**33,430,000**	**1.83**	58,400,000	1.77
Expired during the year	**(18,375,000)**	**1.76**	(17,510,000)	1.68
Lapsed (other than expired) during the year	**(540,000)**	**1.68**	(7,460,000)	1.68
Outstanding at the end of the year	**14,515,000**		33,430,000	1.83
Exercisable at the end of the year	**14,515,000**	**1.83**	33,430,000	1.83

The options outstanding at the end of the year have a weighted average remaining contractual life of 1.39 years (2021: 1.73 years) and the exercise prices range from HK$1.68 to HK$2.20 (2021: HK$1.67 to HK$2.20).

41. SHARE-BASED PAYMENTS – *Continued*

(a) Equity-settled Share Option Scheme – *Continued*

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

	12 January 2018	20 August 2019	2 September 2020	26 November 2020
Weighted average share price (HK$)	1.67	1.68	1.53	1.43
Weighted average exercise price (HK$)	1.67	1.68	2.00	2.10
Expected volatility	84.72% – 92.79%	51.60% – 74.76%	38.77% – 60.78%	40.52% – 54.91%
Expected life	4 years	4 years	4 years	4 years
Risk free rate	1.78% – 2.06%	1.59% – 1.79%	0.26% – 0.28%	0.12% – 0.24%
Expected dividend yield	Nil	Nil	Nil	Nil

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

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

The Group recognised the total expense of approximately HK$2,015,000 for the year ended 31 December 2022 (2021: HK$5,245,000) in relation to the share options granted by the Company.

(b) Share award scheme

The Company operates a share award scheme (the "**Share Award Scheme**") for the purpose of providing incentives and rewards ("**Award Shares**") to selected participants who contribute to the success of the Group's operations. Selected participants include the employees, officers, directors and consultants of the Company and the Company's subsidiaries. The Share Award Scheme became effective on 18 August 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Pursuant to the rules of the Share Award Scheme, the Company shall not make any further grant of Award Shares which will result in the number of shares granted under the Share Award Scheme exceeding 10% of the total number of issued Shares as at 18 August 2021. The maximum number of Award Shares that may be granted under the Share Award Scheme to a Selected Participant shall not exceed 1% of the total number of issued Shares as at 18 August 2021.

A trust is constituted by the trust deed entered by the Company and a trustee appointed (the "**Trustee**") to service the Share Award Scheme.

41. SHARE-BASED PAYMENTS – *Continued*

(b) Share award scheme – *Continued*

The Board may, from time to time, select any eligible person to participate in the Share Award Scheme, make an offer to the selected participants and grant Award Shares to such selected participants which are to be satisfied by (i) the new Shares to be subscribed by the Trustee under the Company's available general mandate on the relevant grant date or under a specific mandate approved or to be approved by the shareholders; or (ii) the existing Shares received by the Trustee from any shareholder of the Company; or (iii) purchased by the Trustee in the open market (either on-market or off-market) as directed by the Board.

The Board may, from time to time, subject to all applicable laws, determine vesting criteria and conditions or periods for the Award Shares to be vested.

The Trustee shall not exercise the voting rights in respect of any shares held by it under the Share Award Scheme.

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

As at 31 December 2022, the Board has not yet awarded any Award Shares to any selected participants.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of Lustrous Pearl Group

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

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

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

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

(b) Disposal of Dynasty Well Group

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

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

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

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

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2022 HK$'000	Entering into new bonds/ leases HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Derivative component HK$'000	Fair value change HK$'000	Exchange difference HK$'000	Non-cash transaction HK$'000 *(note 42(e))*	31 December 2022 HK$'000
Convertible bonds *(note 35)*	**38,651**	**39,250**	**35,896**	**2,744**	**(22,252)**	**3,317**	**(191)**	**(41,619)**	**55,796**
Borrowings *(note 40)*	**17,387**	**–**	**(4,076)**	**–**	**–**	**–**	**(1,033)**	**(6,637)**	**5,641**
Lease liabilities *(note 36)*	**11,132**	**19,821**	**(11,284)**	**751**	**–**	**–**	**(73)**	**–**	**20,347**
	67,170	**59,071**	**20,536**	**3,495**	**(22,252)**	**3,317**	**(1,297)**	**(48,256)**	**81,784**

	1 January 2021 HK$'000	Entering into new bonds/ leases HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Lease modification HK$'000	Fair value change HK$'000	Exchange difference HK$'000	Non-cash transaction HK$'000 *(note 42(e))*	31 December 2021 HK$'000
Convertible bonds *(note 35)*	76,292	–	(43,481)	5,342	–	498	–	–	38,651
Borrowings *(note 40)*	10,664	–	9,742	504	–	–	347	(3,870)	17,387
Lease liabilities *(note 36)*	19,384	4,491	(13,759)	697	309	–	10	–	11,132
	106,340	4,491	(47,498)	6,543	309	498	357	(3,870)	67,170

(d) Total cash outflow for leases

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

	2022 HK$'000	2021 HK$'000
Within operating cash flows	**2,785**	1,278
Within financing cash flows	**11,284**	12,855
	14,069	14,133

These amounts relate to the following:

	2022 HK$'000	2021 HK$'000
Lease rental paid	**14,069**	14,830
Payments for right-of-use assets	**13,346**	–
	27,415	14,830

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

(e) Major non-cash transactions

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

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

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

During the year ended 31 December 2021, the borrowing with principal of US$500,000 (equivalent to approximately HK$3,870,000) and accrued interest in a total of US$545,909 (equivalent to approximately HK$4,227,000) were settled by allotment and issue of 10 shares of a subsidiary of the Company, which representing 9.09% equity share of the subsidiary.

43. CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

44. CAPITAL COMMITMENTS

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

	Note	**2022 HK$'000**	2021 HK$'000
Capital contribution to:			
BNCT equipment	*(a)*	**148,875**	–
BNCT centre construction	*(b)*	**88,666**	–
		237,541	–

(a) On 23 June 2022, the Company, Pengbo (Hainan) and Sumitomo entered into an agreement for the acquisition of BNCT equipment by Pengbo (Hainan) from Sumitomo at an initial price of JPY3,000,000,000 (equivalent to approximately HK$176,820,000). The down payment of JPY 900,000,000 (equivalent to approximately HK$51,765,000) has been made to Sumitomo which represents 30% of the contract price and the remaining contract price of JPY2,100,000,000 (equivalent to approximately HK$125,055,000) is expected to be settled in 2023 and 2024 pursuant to the agreement.

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

(b) Pengbo (Hainan) commenced BNCT centre construction in November 2022 and entered into agreements pursuant to building design and construction and relative ancillary services with various contractors and suppliers approximately amounting to RMB83,327,000 (equivalent to approximately HK$94,006,000), out of which RMB4,733,000 (equivalent to approximately HK$5,340,000) has been made to suppliers and the remaining is expected to be settled in 2023 in accordance with the construction progress.

45. LEASE COMMITMENTS

The Group as lessee regularly entered into short-term leases for its office, staff quarter and car park. As at 31 December 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20, and the outstanding lease commitments relating to short-term leases for office is approximately HK$1,192,000 (2021: HK$400,000).

46. RELATED PARTY TRANSACTIONS

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

	2022	2021
	HK$'000	HK$'000
Referral and cooperation service income generated from a non-controlling shareholder of a subsidiary	**524,324**	303,527
Logistic service income generated from a non-controlling shareholder of a subsidiary	**7,782**	6,699
Service fee charged by a non-controlling shareholder of a subsidiary	**19,733**	52,036
Purchase of equipment, consumables, and kits for performing COVID-19 nucleic acid testing from a non-controlling shareholder of a subsidiary	**248,068**	21,482
Consulting income generated from a non-controlling shareholder of a subsidiary	**500**	–
Maintenance fee charged by a non-controlling shareholder of a subsidiary	**2,456**	–
Sales of kits for performing COVID-19 nucleic acid testing from a non-controlling shareholder of a subsidiary	**3,816**	–
Purchase of kits for performing lung and colon cancel testing from a non-controlling shareholder of a subsidiary	**70**	–
Purchase of kits and subcontract service for performing lung and colon cancer testing from related parties of a non-controlling shareholder of a subsidiary	**205**	–
License fee income from a joint venture	**37**	–
Sales of products to a joint venture	**64**	–
Purchase of kits for performing COVID-19 nucleic acid testing from a related party under common ultimate control of a non-controlling shareholder of a subsidiary	**–**	51
Maintenance fee charged by a related party under common ultimate control of a non-controlling shareholder of a subsidiary	**967**	–
Purchase of equipment from a related party under common ultimate control of a non-controlling shareholder of a subsidiary	**4,000**	–
Transfer listed securities at FVTOCI to a non-controlling shareholder of a subsidiary	**1,051**	–

46. RELATED PARTY TRANSACTIONS – *Continued*

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

	2022	2021
	HK$'000	HK$'000
Short-term benefits	**63,163**	37,951
Equity-settled share-based payments	**1,367**	2,481
Retirement benefits scheme contributions	**18**	25
	64,548	40,457

47. EVENTS AFTER THE REPORTING PERIOD

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

FIVE YEAR FINANCIAL SUMMARY

Results

	For the ended 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Turnover	70,304	59,214	655,792	623,761	**1,851,532**
Cost of sales	(42,220)	(36,841)	(316,710)	(265,741)	**(750,575)**
Gross profit	28,084	22,373	339,082	358,020	**1,100,957**
Net loss/(gain) on financial assets at fair value through profit or loss	(397)	(1,252)	(47)	489	**2,707**
Other income, gains/(losses)	2,430	(959)	5,817	225	**4,639**
Allowance for impairment loss on financial assets, net	(3,724)	(2,996)	(1,145)	(251)	**(1,714)**
Selling and distribution expenses	(16,966)	(12,379)	(11,848)	(11,724)	**(13,726)**
Administrative expenses	(78,988)	(94,111)	(132,489)	(157,081)	**(241,156)**
(Loss)/profit from operations	(69,561)	(89,324)	199,370	189,678	**851,707**
Finance costs	(3,472)	(1,692)	(6,498)	(6,543)	**(3,495)**
Gain/(loss) on disposal of subsidiaries	4,249	(316)	(1,948)	–	**1,696**
Gain on remeasurement on pre-existing interest in an associate	–	8,096	–	–	**–**
Gain on fair value change of contingent consideration	–	8,038	5,494	2,141	**23,658**
Loss on extension and redemption of convertible bonds	–	–	–	(2,687)	**(3,707)**
Gain/(loss) on fair value change of derivative financial instrument	–	–	6,384	(1,921)	**(1,137)**
Share of loss of associates	(460)	(1,390)	–	–	**–**
Share of loss of a joint venture	–	–	–	–	**(4,180)**
Impairment loss on goodwill	–	(264)	–	–	**(1,716)**
Impairment loss on intangible assets	–	(28,838)	–	–	**–**
Impairment loss on investments in associates	–	(3,903)	–	–	**–**
(Loss)/profit before tax	(69,244)	(109,593)	202,802	180,668	**862,826**
Income tax (expense)/credit	(189)	2,110	(35,179)	(48,096)	**(157,258)**
(Loss)/profit for the year	(69,433)	(107,483)	167,623	132,572	**705,568**
(Loss)/profit for the year attributable to:					
Owners of the Company	(64,250)	(98,845)	30,170	19,385	**258,087**
Non-controlling interests	(5,183)	(8,638)	137,453	113,187	**447,481**
(Loss)/profit for the year	(69,433)	(107,483)	167,623	132,572	**705,568**

FIVE YEAR FINANCIAL SUMMARY

Assets and liabilities

	As at 31 December				
	2018	2019	2020	2021	**2022**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	337,761	416,584	904,121	706,782	**1,470,491**
Total liabilities	(18,846)	(103,221)	(392,016)	(240,887)	**(643,971)**
Total equity	318,915	313,363	512,105	465,895	**826,520**
Non-controlling interests	5,162	(24,171)	(168,774)	(70,497)	**(223,845)**
Equity attributable to owners of the Company	324,077	289,192	343,331	395,398	**602,675**