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美瑞健康国际产业集团

Meilleure Health International Industry Group

**MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED**

**美瑞健康國際產業集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2327)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Meilleure Health International Industry Group Limited (the “**Company**”) is pleased to announce the results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2020.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

		2021 HK\$'000	2020 HK\$'000
	Notes		
<b>Revenue</b>	4	<b>253,031</b>	265,135
Cost of goods sold and service rendered		(152,102)	(153,884)
<b>Gross profit</b>		<b>100,929</b>	111,251
Fair value gains/(losses) on investment properties	11	15,190	(16,869)
Gain on partial disposal of investment in an associate		—	31,713
Gain on partial disposals of investment in a joint venture		1,508	—
Gain on disposals of subsidiaries		—	14,072
Gain on deemed disposal of investment in an associate		343	—
Gain on deemed disposals of investment in a joint venture		12,993	—
Other income and gains, net	5	21,869	32,255
Selling and distribution expenses		(5,268)	(8,717)
Administrative expenses		(37,394)	(41,691)
Impairment losses of receivables, net		(5,013)	(544)
Finance costs	6	(8,385)	(13,682)
Share of losses of associates		(4,372)	(4,316)
Share of profits and losses of joint ventures		(6,696)	115
<b>Profit before tax</b>		<b>85,704</b>	103,587
Income tax expense	7	(25,248)	(18,521)
<b>Profit for the year</b>	8	<b>60,456</b>	85,066
<b>Attributable to:</b>			
Owners of the Company		60,323	83,439
Non-controlling interests		133	1,627
		<b>60,456</b>	85,066
<b>Earnings per share</b>	10		
Basic		<b>HK1.42 cents</b>	HK1.95 cents
Diluted		<b>HK1.41 cents</b>	HK1.95 cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Profit for the year</b>	8	<u>60,456</u>	<u>85,066</u>
<b>Other comprehensive income/(loss):</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at fair value through other comprehensive income		<u>(8,671)</u>	<u>(8,562)</u>
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		13,691	63,411
Share of other comprehensive loss of an associate		(3)	—
Exchange differences reclassified to profit or loss on disposal of subsidiaries		<u>—</u>	<u>(967)</u>
		<u>13,688</u>	<u>62,444</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>5,017</u>	<u>53,882</u>
<b>Total comprehensive income for the year</b>		<u><u>65,473</u></u>	<u><u>138,948</u></u>
<b>Attributable to:</b>			
Owners of the Company		65,211	137,899
Non-controlling interests		<u>262</u>	<u>1,049</u>
		<u><u>65,473</u></u>	<u><u>138,948</u></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	<b>2020</b> <b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,325</b>	1,688
Right-of-use assets		<b>2,353</b>	5,118
Investment properties	<i>11</i>	<b>593,647</b>	559,685
Goodwill		<b>18,500</b>	18,500
Other intangible assets		<b>67</b>	59
Investments in associates		<b>52,219</b>	47,327
Investments in joint ventures		<b>73,044</b>	69,164
Investments at fair value through profit or loss		<b>81,688</b>	—
Equity investments at fair value through other comprehensive income		—	28,572
Derivative financial assets		<b>225</b>	243
Prepayments, deposits and other receivables	<i>14</i>	<b>22,881</b>	—
Deferred tax assets		<b>13,377</b>	12,325
		<b>861,326</b>	742,681
<b>Current assets</b>			
Inventories		<b>11,424</b>	16,163
Properties held for sale under development	<i>12</i>	<b>259,064</b>	245,344
Trade receivables	<i>13</i>	<b>91,580</b>	63,174
Prepayments, deposits and other receivables	<i>14</i>	<b>126,553</b>	348,432
Investments at fair value through profit or loss		<b>107,795</b>	47,813
Current tax assets		<b>314</b>	—
Restricted deposit		<b>369</b>	—
Bank and cash balances		<b>272,591</b>	233,467
		<b>869,690</b>	954,393
Investment properties held for sale	<i>11</i>	<b>5,978</b>	5,786
		<b>875,668</b>	960,179
<b>Current liabilities</b>			
Trade payables	<i>15</i>	<b>87</b>	1,680
Contract liabilities		<b>4,303</b>	15,814
Accruals and other payables		<b>24,507</b>	31,929
Amounts due to related parties		<b>7,530</b>	7,456
Bank borrowings		<b>58,337</b>	30,575
Lease liabilities		<b>672</b>	2,474
Derivative financial liabilities		<b>3</b>	—
Current tax liabilities		<b>15,421</b>	18,969
		<b>110,860</b>	108,897
<b>Net current assets</b>		<b>764,808</b>	851,282
<b>Total assets less current liabilities</b>		<b>1,626,134</b>	1,593,963

		2021	2020
	Notes	HK\$'000	HK\$'000
<b>Non-current liabilities</b>			
Accruals and other payables		6,379	5,938
Bank borrowings		110,362	120,250
Lease liabilities		1,048	1,538
Deferred tax liabilities		77,700	62,974
		<u>195,489</u>	<u>190,700</u>
<b>NET ASSETS</b>		<b><u>1,430,645</u></b>	<b><u>1,403,263</u></b>
<b>Capital and reserves</b>			
Share capital	16	42,141	42,718
Treasury shares		(15,209)	—
Reserves		<u>1,401,110</u>	<u>1,358,204</u>
Equity attributable to owners of the Company		1,428,042	1,400,922
Non-controlling interests		<u>2,603</u>	<u>2,341</u>
<b>TOTAL EQUITY</b>		<b><u>1,430,645</u></b>	<b><u>1,403,263</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

### 1. GENERAL INFORMATION

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

The principal activities of the Group are operations of industrial hemp business and healthcare-related business, trading of construction materials, provision of real estate agency services, property investment and leasing, and development of residential properties.

In the opinion of the Directors, as at 31 December 2021, Shunda Investment Limited, a company incorporated in the British Virgin Islands, is the ultimate parent of the Company; and Mr. Zhou Xuzhou, a co-chairman of the Board and the executive Director, is the ultimate controlling party of the Company.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

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

### 3. SEGMENT INFORMATION

The Group has six (2020: six) reportable segments as follows:

- (a) Industrial hemp business – Cannabidiol (“**CBD**”) downstream product application
- (b) Healthcare-related business – Health management services, aesthetic medical services, healthcare-related product sale agency services and sale of healthcare-related products
- (c) Trading business – Trading of construction materials
- (d) Agency service – Real estate agency services
- (e) Property investment and leasing – Leasing of investment properties
- (f) Property development – Development and selling of residential properties

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.

Segment profits or losses do not include gain on partial disposals of investment in a joint venture, gain on deemed disposal of investment in an associate, gain on deemed disposals of investment in a joint venture, dividend income from investments at fair value through profit or loss, gain on partial disposal of investment in an associate, gain on disposals of subsidiaries, dividend income from equity investments at fair value through other comprehensive income, interest income, fair value gains on investments at fair value through profit or loss, fair value gains/(losses) on derivative financial instruments, equity-settled share-based payments, share of losses of associates, share of profits and losses of joint ventures, finance costs as well as other unallocated head office and corporate income and expenses. Segment assets do not include deferred tax assets, current tax assets as well as other unallocated head office and corporate assets. Segment liabilities do not include deferred tax liabilities, current tax liabilities as well as other unallocated head office and corporate liabilities.

## Segment revenues and results

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

	Industrial hemp business HK\$'000	Healthcare- related business HK\$'000	Trading business HK\$'000	Agency service HK\$'000	Property investment and leasing HK\$'000	Property development HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2021</b>							
Revenue from external customers	<u>26,503</u>	<u>28,486</u>	<u>146,763</u>	<u>31,845</u>	<u>19,434</u>	<u>–</u>	<u>253,031</u>
Segment profit/(loss)	<u>5,395</u>	<u>12,000</u>	<u>14,664</u>	<u>22,127</u>	<u>31,062</u>	<u>(35)</u>	<u>85,213</u>
Gain on partial disposals of investment in a joint venture							1,508
Gain on deemed disposal of investment in an associate							343
Gain on deemed disposals of investment in a joint venture							12,993
Dividend income from investments at fair value through profit or loss							1,086
Interest income							12,449
Fair value gains on investments at fair value through profit or loss							16,892
Fair value gains on derivative financial instruments							184
Equity-settled share-based payments							(2,031)
Share of losses of associates							(4,372)
Share of losses of joint ventures							(6,696)
Finance costs							(8,385)
Unallocated income							1
Unallocated expense							(23,481)
Profit before tax							<u>85,704</u>
<b>For the year ended 31 December 2020</b>							
Revenue from external customers	<u>25,371</u>	<u>54,757</u>	<u>133,960</u>	<u>29,805</u>	<u>21,242</u>	<u>–</u>	<u>265,135</u>
Segment profit/(loss)	<u>4,027</u>	<u>14,076</u>	<u>22,603</u>	<u>24,090</u>	<u>1,845</u>	<u>(79)</u>	<u>66,562</u>
Gain on partial disposal of investment in an associate							31,713
Gain on disposals of subsidiaries							14,072
Dividend income from equity investments at fair value through other comprehensive income							346
Interest income							8,237
Fair value gains on investments at fair value through profit or loss							14,713
Fair value losses on derivative financial instruments							(271)
Equity-settled share-based payments							(4,279)
Share of losses of associates							(4,316)
Share of profits and losses of joint ventures							115
Finance costs							(13,682)
Unallocated income							5,314
Unallocated expense							(14,937)
Profit before tax							<u>103,587</u>



## Segment assets and liabilities

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

### *Segment assets*

	2021 HK\$'000	2020 HK\$'000
Industrial hemp business	99,762	114,408
Healthcare-related business	192,649	153,804
Trading business	303,162	222,442
Agency service	25,601	42,407
Property investment and leasing	610,293	580,684
Property development	412,177	250,068
Total assets of reportable segments	1,643,644	1,363,813
Deferred tax assets	13,377	12,325
Current tax assets	314	—
Unallocated corporate assets	79,659	326,722
Consolidated total assets	1,736,994	1,702,860

### *Segment liabilities*

	2021 HK\$'000	2020 HK\$'000
Industrial hemp business	2,080	17,303
Healthcare-related business	14,844	14,279
Trading business	42,045	14,829
Agency service	923	689
Property investment and leasing	146,995	154,134
Property development	3,514	—
Total liabilities of reportable segments	210,401	201,234
Deferred tax liabilities	77,700	62,974
Current tax liabilities	15,421	18,969
Unallocated corporate liabilities	2,827	16,420
Consolidated total liabilities	306,349	299,597

## Other segment information

The following is an analysis of other segment information:

	Industrial hemp business HK\$'000	Healthcare- related business HK\$'000	Trading business HK\$'000	Agency service HK\$'000	Property investment and leasing HK\$'000	Property development HK\$'000	Reportable segment total HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
<b>For the year ended 31 December 2021</b>									
Depreciation and amortisation	(459)	(2,173)	(11)	–	(1)	(5)	(2,649)	(927)	(3,576)
Fair value gains on investment properties	–	–	–	–	15,190	–	15,190	–	15,190
Gain on lease termination	–	193	–	–	–	–	193	–	193
Loss on written off of property, plant and equipment	–	(10)	–	–	–	–	(10)	–	(10)
Loss on non-substantial modification of other receivables	–	–	(676)	–	–	–	(676)	–	(676)
Reversal of impairment losses/(impairment losses) of trade receivables, net	186	(275)	(830)	–	–	–	(919)	–	(919)
Impairment losses of other receivables	(2,858)	(1,236)	–	–	–	–	(4,094)	–	(4,094)
Additions to segment non-current assets*	<u>60</u>	<u>2,306</u>	<u>–</u>	<u>197</u>	<u>81</u>	<u>–</u>	<u>2,644</u>	<u>–</u>	<u>2,644</u>
<b>As at 31 December 2021</b>									
Investments in associates	<u>41,317</u>	<u>10,902</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>52,219</u>	<u>–</u>	<u>52,219</u>
Investments in joint ventures	<u>3,105</u>	<u>69,939</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>73,044</u>	<u>–</u>	<u>73,044</u>
	Industrial hemp business HK\$'000	Healthcare- related business HK\$'000	Trading business HK\$'000	Agency service HK\$'000	Property investment and leasing HK\$'000	Property development HK\$'000	Reportable segment total HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
<b>For the year ended 31 December 2020</b>									
Depreciation and amortisation	(474)	(7,090)	(11)	–	(1)	(10)	(7,586)	(323)	(7,909)
Fair value losses on investment properties	–	–	–	–	(16,869)	–	(16,869)	–	(16,869)
Reversal of impairment losses/(impairment losses) of trade receivables, net	(1,119)	(2,595)	3,541	–	–	–	(173)	–	(173)
Impairment losses of other receivables	(371)	–	–	–	–	–	(371)	–	(371)
Additions to segment non-current assets*	<u>110</u>	<u>261</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>371</u>	<u>46</u>	<u>417</u>
<b>As at 31 December 2020</b>									
Investments in associates	<u>36,312</u>	<u>11,015</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>47,327</u>	<u>–</u>	<u>47,327</u>
Investments in joint ventures	<u>3,666</u>	<u>65,498</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>69,164</u>	<u>–</u>	<u>69,164</u>

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

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

## Geographical information

	Revenue		Non-current assets	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The People's Republic of China, excluding Hong Kong ("PRC")	<b>249,693</b>	241,653	<b>742,295</b>	699,572
Hong Kong	—	13,357	<b>798</b>	1,662
Others	<b>3,338</b>	10,125	<b>62</b>	307
Consolidated total	<b>253,031</b>	265,135	<b>743,155</b>	701,541

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

## 4. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sale of CBD downstream products	<b>26,503</b>	25,371
Healthcare management service income	<b>11,717</b>	39,528
Healthcare-related products sale agency service income	<b>2,292</b>	10,940
Sale of healthcare-related products	<b>11,889</b>	2,810
Aesthetic medical service income	<b>2,588</b>	1,479
Sale of construction materials	<b>146,763</b>	133,960
Property sales and consultancy service income	<b>31,845</b>	29,805
Revenue from contracts with customers	<b>233,597</b>	243,893
Rental income	<b>19,434</b>	21,242
Total revenue	<b>253,031</b>	265,135

## 5. OTHER INCOME AND GAINS, NET

	2021 HK\$'000	2020 HK\$'000
<b>Other income</b>		
Interest income	12,449	8,237
Dividend income from investments at fair value through profit or loss	1,086	—
Government grants	472	2,368
COVID-19-related rental concessions	21	311
Dividend income from equity investments at fair value through other comprehensive income		
– Investments held at end of year	—	346
Others	1,194	1,333
	<u>15,222</u>	<u>12,595</u>
<b>Gains/(losses), net</b>		
Fair value gains on investments at fair value through profit or loss		
– Mandatorily measured	—	14,713
– Designated as such upon initial recognition	16,892	—
Gain on lease termination	193	—
Fair value gains/(losses) on derivative financial instruments	184	(271)
Loss on written off of property, plant and equipment	(10)	—
Loss on non-substantial modification of other receivables	(676)	—
Net foreign exchange (losses)/gains	(9,936)	5,218
	<u>6,647</u>	<u>19,660</u>
	<u>21,869</u>	<u>32,255</u>

## 6. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on bank loans	8,277	12,989
Interest on lease liabilities	108	693
	<u>8,385</u>	<u>13,682</u>

## 7. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – PRC		
Provision for the year	14,069	20,378
(Over)/under-provision in prior years	(336)	3,161
Current tax – Hong Kong		
Provision for the year	12	689
Over-provision in prior years	–	(1,931)
Withholding tax on interest income – Australia		
Provision for the year	1,724	1,339
(Over)/under-provision in prior years	(955)	909
Deferred tax	10,734	(6,024)
	<u>25,248</u>	<u>18,521</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the year, except for one group entity operating in Hong Kong, which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK\$2 million of assessable profits are taxed at the rate of 8.25% (2020: 8.25%), and the remaining assessable profits are taxed at the rate of 16.5% (2020: 16.5%).

Enterprise Income Tax of the PRC has been provided at the rate of 25% (2020: 25%) on the estimated assessable profits arising in the PRC for the year, except for certain group entities operating in PRC, which are taxed at preferential tax rates. Group entities operating in PRC that are qualified as small and thin-profit enterprises with assessable profits of RMB1 million or less, the assessable profits are taxed at the effective rate of 2.5%. Where the assessable profits exceed RMB1 million but do not exceed RMB3 million (inclusive), the RMB1 million portion will be taxed at the effective rate of 2.5%, whereas the excess portion will be taxed at the effective rate of 10% (2020: N/A). In addition, group entities operating in the PRC that are qualified as high and new technology enterprises are subject to income tax at a preferential tax rate of 15% (2020: N/A).

Australia corporate income tax has been provided at the rate of 30% (2020: 30%) on the estimated assessable profits for arising in Australia for the year.

A group entity, which is a non-tax resident enterprise in Australia, is subject to Australia withholding tax at the tax rate of 10% (2020: 10%) on the gross interest income arising from its loans provided to another group entity, which is a tax resident enterprise in Australia.

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

## 8. PROFIT FOR THE YEAR

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

	2021 HK\$'000	2020 HK\$'000
Amortisation of other intangible assets	30	256
Depreciation of property, plant and equipment	1,040	782
Depreciation of right-of-use assets	2,506	6,871
Gain on lease termination	(193)	—
Loss on written off of property, plant and equipment	10	—
Gain on partial disposal of investment in an associate	—	(31,713)
Gain on partial disposals of investment in a joint venture	(1,508)	—
Gain on disposals of subsidiaries	—	(14,072)
Gain on deemed disposals of investment in an associate	(343)	—
Gain on deemed disposals of investment in a joint venture	(12,993)	—
Fair value (gains)/losses on investment properties	(15,190)	16,869
Auditor's remuneration:		
Audit services	1,150	1,150
Non-audit services	300	300
	<u>1,450</u>	<u>1,450</u>
Cost of inventories sold	132,622	123,595
Loss on non-substantial modification of other receivables	676	—
Impairment losses of receivables, net:		
Trade receivables	919	173
Other receivables	4,094	371
	<u>5,013</u>	<u>544</u>
Staff costs, including directors' emoluments:		
Salaries, bonus and allowances	26,844	26,775
Equity-settled share-based payments	2,031	4,279
Retirement benefits scheme contributions	1,477	1,243
	<u>30,352</u>	<u>32,297</u>

## 9. DIVIDENDS

The Board has resolved not to declare any dividend for the year ended 31 December 2021 (2020: Nil).

## 10. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<b>60,323</b>	83,439
	2021	2020
<b>Number of shares</b>		
Issued ordinary shares at 1 January	4,271,752,636	4,271,752,636
Effect of share repurchased	(14,509,134)	—
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,257,243,502	4,271,752,636
Effect of dilutive potential ordinary shares arising from share options ( <i>note a</i> )	9,019,623	—
Weighted average number of ordinary shares used in diluted earnings per share calculation	4,266,263,125	4,271,752,636

*Note:*

- (a) For the year ended 31 December 2020, as the average market share price of the Company's shares during the period from the date of grant of the share options to 31 December 2020 was lower than the assumed exercise price, including the fair value of any services to be supplied to the Group in the future under the share option arrangement, accordingly, there would be no dilutive impact.

## 11. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR SALE

	Investment properties <i>HK\$'000</i>	Investment properties held for sale <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	594,177	5,450	599,627
Disposal of a subsidiary	(50,300)	—	(50,300)
Fair value losses	(16,869)	—	(16,869)
Exchange differences	32,677	336	33,013
	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	<b>559,685</b>	<b>5,786</b>	<b>565,471</b>
Fair value gains	<b>15,190</b>	—	<b>15,190</b>
Exchange differences	<b>18,772</b>	<b>192</b>	<b>18,964</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2021	<b>593,647</b>	<b>5,978</b>	<b>599,625</b>
	<hr/>	<hr/>	<hr/>
		<b>2021</b>	<b>2020</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Analysed as:			
Current assets		<b>5,978</b>	5,786
Non-current assets		<b>593,647</b>	559,685
		<hr/>	<hr/>
		<b>599,625</b>	565,471
		<hr/>	<hr/>

## 12. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	<b>2021</b> <b><i>HK\$'000</i></b>	<b>2020</b> <b><i>HK\$'000</i></b>
<b>Cost</b>		
At 1 January	<b>245,344</b>	216,177
Capitalised expenditure	<b>27,147</b>	8,989
Exchange differences	<b>(13,427)</b>	20,178
	<hr/>	<hr/>
At 31 December	<b>259,064</b>	245,344
	<hr/>	<hr/>



### 13. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	94,114	65,477
Provision for loss allowance	(2,534)	(2,303)
	<u>91,580</u>	<u>63,174</u>

The Group generally allows a credit period of 0 to 180 days (2020: 0 to 180 days) to its customers in trading business and agency service. Overdue balances are reviewed regularly by the management of the Group. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	11,194	31,376
31 to 90 days	15,555	17,908
Over 90 days	64,831	13,890
	<u>91,580</u>	<u>63,174</u>

Reconciliation of loss allowance for trade receivables:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	2,303	5,702
Increase in loss allowance for the year	919	173
Disposal of subsidiaries	—	(3,691)
Amounts written off	(734)	—
Exchange differences	46	119
At 31 December	<u>2,534</u>	<u>2,303</u>

#### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Prepayments	76,275	20,446
Consideration receivables in relation to:		
– Partial disposal of investment in an associate	19,556	23,752
– Partial disposal of investment in a joint venture	6,652	–
– Redemption of unlisted fund investment	–	212,011
– Disposals of subsidiaries	–	58,840
Bid bond receivable	24,538	–
Performance bond receivable	17,177	23,752
Other tax receivables	4,469	7,298
Deposits paid for acquisition of property, plant and equipment	3,936	–
Other receivables	1,067	2,573
Deposits paid	321	143
	<b>153,991</b>	<b>348,815</b>
Provision for loss allowance ( <i>note a</i> )	<b>(4,557)</b>	<b>(383)</b>
	<b>149,434</b>	<b>348,432</b>
Analysed as:		
Current assets	126,553	348,432
Non-current assets	22,881	–
	<b>149,434</b>	<b>348,432</b>

*Note:*

- (a) The movements in the loss allowance for other receivables during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	383	–
Increase in loss allowance for the year	4,094	371
Exchange differences	80	12
At 31 December	<b>4,557</b>	<b>383</b>

## 15. TRADE PAYABLES

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

	2021 HK\$'000	2020 HK\$'000
0 to 90 days	40	1,675
Over 90 days	47	5
	<u>87</u>	<u>1,680</u>

## 16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2020, 31 December 2020 and 1 January 2021	4,271,752,636	42,718
Cancellation of shares	(57,666,000)	(577)
At 31 December 2021	<u>4,214,086,636</u>	<u>42,141</u>

## 17. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2021 HK\$'000	2020 HK\$'000
Contracted, but not provided for:		
Capital contribution to an associate	11,042	10,688
Acquisition of property, plant and equipment	445	—
Capital contribution to an unlisted long-term investment	—	14,251
Acquisition of equity interest of an unlisted long-term investment	—	7,126
Capital contribution to a joint venture	—	3,207

## EXTRACT FROM CO-CHAIRMAN’S STATEMENT

The following are extracted from the sections headed “Recent Development”, “Overview of Operations” and “Prospects” of the co-chairman’s statement as written by one of the co-chairmen of the Board:

### “RECENT DEVELOPMENT

#### Judgment and Perseverance

2021 marked the beginning of the Outline of the 14th Five-Year Plan for the National Economic and Social Development of the PRC and the Long-Range Objectives Through the Year 2035 (the “**14th Five-Year Plan**”). It also represented a new starting point for the golden decade of the Healthy China 2030 Plan (“**Healthy China 2030**”). According to PricewaterhouseCoopers, the size of China’s healthcare market reached 13 trillion dollars in 2020<sup>1</sup>, making it the second-largest market in the world. However, there is still a long way to achieve the strategic goal of “Healthy China 2030” and further narrow the gap with developed countries regarding medical level.

At the same time, the gross domestic product (“**GDP**”) per capita of the PRC in 2021 was RMB80,976<sup>2</sup>, equivalent to US\$12,551 at the average annual exchange rate, exceeding the world per capita GDP level. According to the World Bank’s indicators, the PRC’s gross national income (“**GNI**”) per capita in 2021 was US\$12,400, close to the GNI per capita threshold of US\$12,700 of the high-income countries. The national gross domestic product improvement has objectively provided economic support for developing healthcare consumption. Pursuing health and anti-ageing have become popular demands.

Therefore, standing at the new starting point of the era with the synergy effects of “Healthy China 2030” and “14th Five-Year Plan”, the Group is profoundly optimistic about the future development of the healthcare industry. We believe in the power of time and maintain ourselves as a long-termist in the industry. During the Reporting Period, the Group adhered to the corporate vision of “using technology and expertise to serve more people’s health and beauty needs” and developed its health sector through health applications of cell therapy and cannabinoid. Meanwhile, the Group continued to conduct in-depth research on skin health and its related services and developed product and business model integrating skincare products with efficacy and cosmetic medicine for skin health management by making full use of its advantages in research and development (“**R&D**”), brand and channel in terms of skin health management.

<sup>1</sup> Source: “Review and Outlook of China M&A activity in Healthcare Industry from 2013 to the First Half of 2021” published by PricewaterhouseCoopers

<sup>2</sup> Source: “Statistical Communiqué of the PRC on the 2021 National Economic and Social Development” published by the National Bureau of Statistics

## OVERVIEW OF OPERATIONS

### Healthcare-related Business Segment – Cellular Therapy and Health Management Business

The Group made its deployment in the field of cell therapy through strategic acquisition of equity interest of Shenzhen Wingor Biotechnology Co., Ltd.\* (深圳市茵冠生物科技有限公司) (“**Wingor Bio**”) in 2019, a state-level high-tech enterprise, and the establishment of Beijing Mei Ai Kang Technology Co., Ltd.\* (北京美艾康科技有限公司) (“**Mei Ai Kang**”) in 2020. Thanks to several supportive policies on the cell industry released by the Chinese government at various levels during the Reporting Period, cellular technology’s clinical research and application have entered the phase of rapid development, and the Group’s cell therapy business has ushered in rapid growth. At the level of the central government, “stem cell research and organ repair” was again listed by the Ministry of Science and Technology of the PRC as the “14th Five-year” (2021-2026) National Key R&D Program. The State Council of the PRC (the “**State Council**”) issued the “Implementation Opinions on Comprehensively Strengthening Drug Regulatory Capacity”, focusing on supporting cellular drugs and accelerating the R&D of new products. Besides, “research, application and industrial development of stem cells and immune cells” were mentioned several times in the documents released by the National Health Commission of the PRC and the General Office of the State Council. At the level of local governments, the Standing Committee of the Shenzhen Municipal People’s Congress took the emerging field of cell genes as the focus of legislation in 2021. It also issued the “Cell and Genetic Industry Promotion Regulations of Shenzhen Special Economic Zone (Draft for Comment)” on 12 November 2021. The first-ever regulations for the translational application of cell therapy are on the horizon.

As the leading enterprise in Shenzhen’s local cell treatment industry, Wingor Bio has powerful R&D innovation strength and leading professional technology in the industry after eight years of engagement in the cell therapy industry. Once the specific policies on cell treatment are implemented, Wingor Bio will be likely to realise qualitative development based on its first-mover advantage. Against such a backdrop, Wingor Bio has also achieved much progress in business during the Reporting Period.

Regarding stem cell drug R&D, with the support of years of experience in the exploration and R&D of stem cell processes, pharmaceutical processes and quality standard systems were developed that comply with requirements of the Centre for Drug Evaluation of the National Medical Products Administration according to Chinese Pharmacopoeia and the “Technical Guidelines for Pharmaceutical Research and Evaluation of Human-derived Stem Cell Products (Draft for Comment)”. In addition, multiple product pipelines in fields such as nervous system diseases, autoimmune system diseases, degenerative joint diseases and metabolic diseases were developed.

In terms of the field of technology, after over three years' research, Shenzhen Key Technological Breakthrough Program – “R&D of Key Technology for Treatment of Malignant Tumors with New Chimeric Antigen Receptor T-Cell (“**CAR-T**”) Technology (Z20170457)” undertaken by Wingor Bio since 2018 passed an inspection of scientific and technological programs by the Scientific and Technological Innovation Commission of Shenzhen on 11 June 2021. On 7 February 2021, Wingor Bio's new patent for invention was licensed, which was entitled B-cell Maturation Antigen (“**BCMA**”) Chimeric Antigen Receptor (“**CAR**”) Based on Single Domain Antibody and Its Applications. Compared with BCMA CAR derived from traditional antibodies, such an invention has a stronger binding with target cells, better killing effects and longer duration in the body. The technology has currently carried out initial exploratory clinical application research, and such a project has won the “20th Shenzhen Enterprise Innovation Record”.

In terms of supporting facilities, Wingor Bio started to use a newly built production and R&D centre in March 2021. The centre is designed and constructed as per international standards such as cGMP (Current Good Manufacturing Practice), has obtained an inspection report from Guangdong Institute for Drug Control, and has the most advanced B+A level clean laboratory in the industry. It is also the “South China Comprehensive Cell Bank” and “South China Regional Cell Preparation Centre” approved by the Development and Reform Commission of Shenzhen Guangming District. The initiation of such a new production and R&D centre will further enhance the scientific research strength of Wingor Bio.

In terms of financing, Wingor Bio completed new financing in 2021 rounds and has obtained tens of millions Renminbi invested from the Sub-Fund of Shenzhen Municipal Government Guiding Fund – Small and Medium Enterprise Development Fund (Shenzhen Nanshan Limited Partnership) (with well-known investment institution Oriental Fortune Capital as its general partner) and Hanshang Group Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600774), a Chinese A-share listed company). Thanks to advantages in policies, strength and funds, Wingor Bio may boast a new round of more vigorous growth.

During the Reporting Period, Mei Ai Kang made several achievements. It cooperated with the Fifth Medical Centre of the General Hospital of the People's Liberation Army, the Fourth People's Hospital of Nanning, Shanghai Public Health Clinical Centre and Yunnan Provincial Infectious Disease Hospital to conduct clinical studies, and it overcame the adverse effect brought forth by the Coronavirus Disease 2019 (“**COVID-19**”) epidemic (the “**Epidemic**”). It enrolled 17 cases in the study, improved clinical proposals, and detailed the experimental process for the convenience of application for treatment technology in future. Mei Ai Kang is currently applying for a relevant patent cluster related to the project's core technology, and a patent for a self-transfusion injector has been approved.

In terms of downstream products and services as well as high-end health management, the public demand for healthcare has been rising due to the Epidemic. The Group has been operating steadily in the health management segment. At the same time, the Group continued to grow our healthcare business and replicated the successful business model of our clinic in Shenzhen with high growth, high returns and high quality in the most promising cities across the country. Our clinic in Nanjing commenced service in March 2021.

With the gradually loosened and progressive policies, the Group will continue to leverage on its strengths in the industry chain to strengthen exploration and investment in the cell treatment field and derivative industries of cellular technology, achieve breakthroughs in R&D, clinical research and downstream markets, and expand external cooperation to establish an endogenous association between the health management business and other business segments, so as to lay the foundation for more robust endogenous growth.

### **Industrial Hemp Business Segment**

In terms of domestic business, the Group further developed the industrial hemp industry chain by investing in the establishment of Shenzhen Meiray Vap Technology Co., Ltd.\* (深圳市美深瑞科技有限公司) in 2020 and taking a strategic stake in Shenzhen Mason Vap Technology Co., Ltd.\* (深圳市美深威科技有限公司) (“**Meiray Vap**”), which is a leader in atomisation technology, in 2021, to realise R&D, production and sales of high-quality CBD atomisers. During the Reporting Period, the Group sold CBD skincare products of its subordinate brand Mazhuang, achieving a good reputation and result. However, due to the strict supervision of industrial hemp extract in the PRC in the first half of 2021, ingredients related to industrial hemp were forbidden to be used as raw materials for cosmetic products in the PRC. The Group made prompt adjustments according to the new policies. At the same time, based on the insight and analysis of the global industrial hemp market, the Group continued to build and invest in CBD health consumption brands in multiple countries and different fields against the backdrop of accelerated legalisation of industrial hemp in the world.

In terms of overseas business, at the end of 2020, the United Nations Commission on Narcotic Drugs (CND) decided to lower the level of control on cannabis and cannabis-related substances. During the Reporting Period, the relaxation of the international convention led to more liberal industrial hemp policies in several countries around the world. In Europe, as early as 2019, the Group established its subsidiary Green Gold Health SA in Switzerland and organised a local professional team to expand CBD markets in Europe. In 2021, the high-end CBD health consumption brand independently developed and produced in Switzerland, AlpReleaf, was formally launched into the markets in Europe. AlpReleaf products have four series, mainly targeted at high-end customers pursuing high-quality life, and are currently available in 22 European countries. In Japan, the Group and a subsidiary of Shenzhen Gippro Technology Innovation Limited\* (深圳龍舞科技創新有限公司), a renowned health-related atomisation brand, established Meipro Biological Technology Company Limited (“**Meipro Biological**”), a subsidiary of the Company in Hong Kong. The CBD atomisation brand under Meipro Biological, CANNERGY has launched a variety of CBD atomisation products and healthcare products in Japan.

As of the end of the Reporting Period, the Group continuously made deployment in the downstream application in the industrial hemp industry chain and created an integrated industry covering domestic and international R&D, production and branding. In future, the Group will maintain the first-mover advantage, build a brand moat and create a sustainable and healthy source of revenue growth.

### **Healthcare-related Business Segment — Skin Health Management Business**

With the iteration of the four factors: people, cognition, channels and technology, the beauty economy is rising, bringing revolutionary opportunities to the trillion-scale traditional beauty industry. Technological development has driven the iteration of skincare methods, where more effective skincare methods such as light aesthetic medicine are winning with efficacy. The number of Chinese consumers of aesthetic medicine is estimated to exceed 20 million in 2022. At the same time, the proportion of non-surgical users of aesthetic medicine continues to increase, from 72.6% to 83.1%<sup>3</sup>.

With that in mind, based on La Clinique De Paris’s 40 years of anti-ageing experience and operation and management concepts, the Group made full use of its advantages in product R&D, medical care team, operation management, brand and channel for skin health management. Through strenuous R&D, Jixiaojian\* (肌小簡) was launched as a highlighted brand combining medical aesthetics and skincare during the Reporting Period.

<sup>3</sup> Source: 2021 Medical Beauty Industry White Paper published by Xinyang Data Research Institute\* (新氧數據顏究院) on 14 December 2021



Jixiaojian is a light aesthetic medicine brand dedicated to facial rejuvenation and a streamlined skincare product portfolio, pioneering the integration of the two fields: aesthetic medicine and effective skincare. Jixiaojian adheres to the concept of “Extremely Professional, Ultra Effective and Zero Routines”, where it combines 60% light aesthetic medicine with 40% streamlined and effective skincare, uses digital tools to minimise costs, and innovates and leads scientific skincare. Not only does it provide users with light aesthetic medical services and a streamlined skincare product portfolio, but it also aims to offer a more cost-effective and worry-free one-stop “ultra-smart skincare” service.

In the field of aesthetic medical devices, during the Reporting Period, the Group has entered into a strategic cooperation agreement with Lumenis, a world-renowned laser beauty leader. Its youthful light aesthetic medicine brand has also been awarded the High-quality, Safe & Secure Medical Beauty Institution and other honours. In the field of skincare products, the Group has established close cooperative relations with BAFS and Ashland, internationally renowned raw material companies, and launched the first product line of the brand Jixiaojian — photoelectric repair series.

As at the end of the Reporting Period, the Group continued to increase investment and planning in the field of skin health management, kept optimising products and services, expanded external cooperation, and strived to create a scientific skincare brand that combines online and offline integration, aesthetic medicine and effective skincare. Besides, it is committed to recalibrating the skincare habits of the new generation and reshaping the landscape of the skincare industry, with the help of this skincare revolution arising from the iteration of people, cognition and technology.

## **PROSPECTS**

Looking back on 2021, under the residual effect of the Epidemic and multiple changes caused by various challenges, the Group promoted innovation and upgrading to turn crisis into opportunity. Looking forward to 2022, we as mankind will continue to face the dual challenge of significant changes unseen in a century and the Epidemic and the international situation is confronted with both risks and opportunities.

Regarding assets, during the Reporting Period, the Group had current assets of HK\$875.7 million, including bank and cash balances of HK\$272.6 million and redeemable investments at fair value through profit or loss of HK\$107.8 million. As for the business, the traditional business will continue to grow steadily and provide steady cash flow. The cell therapy, health management and industrial hemp-related businesses have maintained a good growth momentum with a comprehensive business layout. The innovative skin health management products and business models with great potential will help seek new growth points for the Group. As a result of these favourable factors, the Group has laid a solid foundation for its long-term development and gained competitive advantages, which has given the Group full confidence to deal with the uncertain economic situation. The Group is completely confident in future business development and even expansion under the trying times.”

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	253,031	265,135
Gross profit	100,929	111,251
Gross profit margin	39.9%	42.0%
Other income and gains, net	21,869	32,255
Total operating expenses ( <i>Note</i> )	42,662	50,408
Finance costs	8,385	13,682
Profit before tax	85,704	103,587
Profit after tax	60,456	85,066
Profit attributable to owners of the Company	60,323	83,439

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

### Revenue

Revenue for the year ended 31 December 2021 was HK\$253.0 million (2020: HK\$265.1 million), mainly generated by (i) sale of CBD downstream products; (ii) healthcare management service income; (iii) healthcare-related products sale agency service income; (iv) sale of healthcare-related products; (v) aesthetic medical service income; (vi) sale of construction materials; (vii) property sales and consultancy service income; and (viii) rental income.

Revenue decreased by approximately 4.6% from HK\$265.1 million for the year ended 31 December 2020 to HK\$253.0 million for the year ended 31 December 2021. The decrease in revenue of HK\$12.1 million was mainly due to a reduction in healthcare management service income of HK\$24.4 million, resulting from the disposal of clinics in Hong Kong and Shanghai during the second half of 2020. Such a decrease was offset by an increase in the sale of construction materials of HK\$12.8 million, mainly resulting from an increase in steel price in 2021.

### **Gross Profit and Gross Profit Margin**

The Group's gross profit for the year ended 31 December 2021 was HK\$100.9 million (2020: HK\$111.3 million), representing a decrease of 9.3% compared to 2020. The gross profit margin for the year ended 31 December 2021 decreased to 39.9% from 42.0% for the year ended 31 December 2020.

The decrease in gross profit of HK\$10.4 million was mainly due to a decline in gross profit in the healthcare-related business of HK\$11.3 million, resulting from the disposal of clinics in Hong Kong and Shanghai during the second half of 2020. In addition, the reduction in gross profit margin was mainly due to an increase in the proportion of the revenue derived from the trading business to the Group's total revenue in 2021 compared to 2020, while the trading business has a lower gross profit margin compared to other business segments in the Group.

### **Other Income and Gains, Net**

Other income and gains, net for the year ended 31 December 2021 were HK\$21.9 million (2020: HK\$32.3 million), representing a decrease of HK\$10.4 million or 32.2% compared to 2020. Such a decrease was mainly due to unfavourable financial impact arising from foreign exchange rate changes, which changed from an exchange gain of HK\$5.2 million for the year ended 31 December 2020 to an exchange loss of HK\$9.9 million for the year ended 31 December 2021. Such unfavourable financial impact was offset by an increase in interest income of HK\$4.2 million in 2021.

### **Total Operating Expenses**

Total operating expenses for the year ended 31 December 2021 was HK\$42.7 million (2020: HK\$50.4 million), representing a decrease of HK\$7.7 million or 15.3% compared to 2020. Such a decrease was mainly due to a reduction in operating expenses of HK\$6.6 million in 2021, resulting from the disposal of clinics in Hong Kong and Shanghai during the second half of 2020.

## **Finance Costs**

Finance costs for the year ended 31 December 2021 were HK\$8.4 million (2020: HK\$13.7 million), representing a decrease of HK\$5.3 million or 38.7% compared to 2020. Such a decrease was mainly due to a reduction in interest on bank loans of HK\$4.7 million, primarily resulting from a decrease in the average balance in bank borrowings in 2021 compared to 2020.

## **Profit After Tax**

Profit after tax for the year ended 31 December 2021 was HK\$60.5 million (2020: HK\$85.1 million), representing a decrease of HK\$24.6 million or 28.9% compared to 2020. Such a decrease was mainly due to:

- (i) the absence of the one-off gain on partial disposal of investment in an associate of HK\$31.7 million recorded during the year ended 31 December 2020;
- (ii) the absence of the one-off gain on disposals of subsidiaries of HK\$14.1 million recorded during the year ended 31 December 2020;
- (iii) a decrease in other income and gains, net of HK\$10.4 million;
- (iv) a decrease in gross profit of HK\$10.4 million; and
- (v) unfavourable financial impact arising from share of results of joint ventures, which changed from share of profits of HK\$0.1 million for the year ended 31 December 2020 to share of losses of HK\$6.7 million for the year ended 31 December 2021.

Such decreases were offset by (i) favourable financial impact arising from fair value changes of investment properties, which changed from a loss of HK\$16.9 million for the year ended 31 December 2020 to a gain of HK\$15.2 million for the year ended 31 December 2021; and (ii) the recognition of one-off gain on deemed disposals of investments in an associate and a joint venture of HK\$13.3 million during the year ended 31 December 2021.

## **BUSINESS REVIEW**

### **Industrial Hemp Business**

The revenue derived from the industrial hemp business for the year ended 31 December 2021 was HK\$26.5 million, representing an increase of 4.3% compared to HK\$25.4 million for the year ended 31 December 2020. The profit derived from this segment for the year ended 31 December 2021 was HK\$5.4 million, representing an increase of 35.0% compared to HK\$4.0 million for the year ended 31 December 2020. Such an increase was mainly due to a rise in gross profit of HK\$1.9 million, primarily resulting from an increase in the sale of CBD downstream products in 2021.

### **Healthcare-related Business**

The revenue derived from the healthcare-related business for the year ended 31 December 2021 was HK\$28.5 million, representing a decrease of 48.0% compared to HK\$54.8 million for the year ended 31 December 2020. The profit derived from this segment for the year ended 31 December 2021 was HK\$12.0 million, representing a decrease of 14.9% compared to HK\$14.1 million for the year ended 31 December 2020. Such a decrease was mainly due to (i) the recognition of impairment loss of other receivables of HK\$1.2 million during the year ended 31 December 2021; and (ii) a reduction in other income and gains, net of HK\$0.8 million, primarily resulting from a decrease in government grant in 2021.

### **Trading Business**

The revenue derived from the trading business for the year ended 31 December 2021 was HK\$146.8 million, representing an increase of 9.6% compared to HK\$134.0 million for the year ended 31 December 2020. The profit derived from this segment for the year ended 31 December 2021 was HK\$14.7 million, representing a decrease of 35.0% compared to HK\$22.6 million for the year ended 31 December 2020. Such a decrease was mainly due to (i) unfavourable financial impact arising from movements of loss allowance for trade and other receivables, which changed from reversal of impairment loss of HK\$3.5 million for the year ended 31 December 2020 to impairment loss of HK\$0.8 million for the year ended 31 December 2021; and (ii) a decrease in other income and gains, net of HK\$2.7 million, primarily resulting from the recognition of a loss on non-substantial modification of other receivables during the year ended 31 December 2021 and a decrease in government grants in 2021.

## **Agency Service**

The revenue derived from the agency service for the year ended 31 December 2021 was HK\$31.8 million, representing an increase of 6.7% compared to HK\$29.8 million for the year ended 31 December 2020. The profit derived from this segment for the year ended 31 December 2021 was HK\$22.1 million, representing a decrease of 8.3% compared to HK\$24.1 million for the year ended 31 December 2020. Such a decrease was mainly due to an increase in operating expenses of HK\$1.4 million, primarily resulting from an increase in headcount during the year ended 31 December 2021 to support the Group's business development in this segment.

## **Property Investment and Leasing**

The revenue derived from the property investment and leasing business for the year ended 31 December 2021 was HK\$19.4 million, representing a decrease of 8.5% compared to HK\$21.2 million for the year ended 31 December 2020. The profit derived from this segment for the year ended 31 December 2021 was HK\$31.1 million, representing an increase of 16.3 times compared to HK\$1.8 million for the year ended 31 December 2020. Such an increase was mainly due to favourable financial impact arising from fair value changes of investment properties, which changed from a loss of HK\$16.9 million for the year ended 31 December 2020 to a gain of HK\$15.2 million for the year ended 31 December 2021.

## **Property Development**

The Group has a 100% interest in a residential development project located at Lot A & B, 626 Heidelberg Road, Alphington, VIC, 3078, Australia. The project covers a total site area of approximately 11,488 square meters ("sq.m.") and a total gross floor area of approximately 18,752 sq.m. During the year ended 31 December 2021, the project was progressing satisfactorily. Up to 31 December 2021, approximately 80% of civil works have been completed. Up to the date of this announcement, the project's civil works have already been completed, and its construction phase is scheduled to be commenced in April 2022.

## REVIEW OF FINANCIAL POSITION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current Assets</b>		
Investment properties	593,647	559,685
Investments at fair value through profit or loss	81,688	—
Investments in joint ventures	73,044	69,164
Investments in associates	52,219	47,327
Prepayments, deposits and other receivables	22,881	—
Goodwill	18,500	18,500
Equity investments at fair value through other comprehensive income	—	28,572
Others	19,347	19,433
	<hr/>	<hr/>
Total Non-current Assets	861,326	742,681
	<hr/>	<hr/>
<b>Current Assets</b>		
Bank and cash balances	272,591	233,467
Properties held for sale under development	259,064	245,344
Prepayments, deposits and other receivables	126,553	348,432
Investments at fair value through profit or loss	107,795	47,813
Trade receivables	91,580	63,174
Others	18,085	21,949
	<hr/>	<hr/>
Total Current Assets	875,668	960,179
	<hr/>	<hr/>
Total Assets	1,736,994	1,702,860
	<hr/>	<hr/>
<b>Liabilities</b>		
Bank borrowings	168,699	150,825
Deferred tax liabilities	77,700	62,974
Accruals and other payables	30,886	37,867
Contract liabilities	4,303	15,814
Others	24,761	32,117
	<hr/>	<hr/>
Total Liabilities	306,349	299,597
	<hr/>	<hr/>
Net Assets	1,430,645	1,403,263
	<hr/> <hr/>	<hr/> <hr/>

Non-current assets of the Group as at 31 December 2021 were HK\$861.3 million (2020: HK\$742.7 million), representing an increase of HK\$118.6 million, which was mainly due to (i) an increase in investments at fair value through profit or loss of HK\$81.7 million; and (ii) an increase in investment properties of HK\$34.0 million. Current assets of the Group as at 31 December 2021 were HK\$875.7 million (2020: HK\$960.2 million), representing a decrease of HK\$84.5 million, which was mainly due to a decrease in prepayments, deposits and other receivables of HK\$221.8 million, which was offset by (i) an increase in investments at fair value through profit or loss of HK\$60.0 million; (ii) an increase in bank and cash balances of HK\$39.1 million; (iii) an increase in trade receivables of HK\$28.4 million; (iv) an increase in properties held for sale under development of HK\$13.7 million.

As at 31 December 2021, the Group's total liabilities were HK\$306.3 million (2020: HK\$299.6 million), representing an increase of HK\$6.7 million mainly due to an increase in bank borrowings of HK\$17.9 million, which was offset by a decrease in contract liabilities of HK\$11.5 million.

## NET ASSET VALUE

As at 31 December 2021, the Group's total net assets amounted to HK\$1,430.7 million (2020: HK\$1,403.3 million), representing an increase of HK\$27.4 million, which was mainly due to profit for the year ended 31 December 2021 of HK\$60.5 million, and exchange gain arising from the translation of foreign operations of HK\$13.7 million, which were offset by the repurchase of shares of HK\$40.7 million and fair value losses of equity investments at fair value through other comprehensive income of HK\$8.7 million.

## LIQUIDITY AND FINANCIAL RESOURCES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net cash (used in)/generated from operating activities	<b>(83,270)</b>	70,805
Net cash generated from investing activities	<b>161,564</b>	108,138
Net cash used in financing activities	<b>(38,220)</b>	(108,877)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>40,074</b>	70,066
Effect of foreign exchange rate changes	<b>(950)</b>	7,172
Cash and cash equivalents at 1 January	<b>233,467</b>	156,229
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	<b>272,591</b>	233,467
	<hr/> <hr/>	<hr/> <hr/>



As at 31 December 2021, the total cash and cash equivalents of the Group was HK\$272.6 million (2020: HK\$233.5 million), of which approximately 55.8% was denominated in Australian dollars (“AUD”), 28.4% was in Hong Kong dollars (“HKD”), 14.2% was in Chinese Yuan Renminbi (“RMB”), 0.9% was in Japanese Yen (“JPY”), 0.6% was in United States dollars (“USD”), and 0.1% was in Swiss Franc (“CHF”) (2020: 76.6% was in RMB, 17.6% was in HKD, 2.4% was in USD, 2.1% was in AUD, 1.2% was in JPY and 0.1% was in CHF).

Net cash used in operating activities for the year ended 31 December 2021 was HK\$83.3 million, which was mainly used to satisfy the Group’s working capital required for daily operation during the year ended 31 December 2021.

Net cash generated from investing activities was HK\$161.6 million, which was mainly contributed to (i) the net amount of acquisition and redemption of fund investment and investment in financial products of HK\$154.6 million; (ii) deferred considerations received in respect of disposals of subsidiaries in the prior year of HK\$58.8 million; (iii) interest income received amounting to HK\$12.4 million. Such cash inflows were offset by considerations paid for acquiring listed and unlisted equity investments of HK\$63.2 million.

Net cash used in financing activities was HK\$38.2 million, which was mainly represented a net amount of (i) payments for shares repurchase of HK\$40.7 million; (ii) proceeds received from new bank borrowings of HK\$36.2 million; (iii) repayment of bank borrowings of HK\$23.5 million; and (iv) payment of loan interest of HK\$8.3 million.

As at 31 December 2021, the total bank borrowings of the Group were HK\$168.7 million (2020: HK\$150.8 million), which are mainly used as working capital of the Group. The Group has no unutilised banking facilities as at 31 December 2021 (2020: the unutilised banking facilities were HK\$31.7 million).

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

	<b>2021</b>	2020
	<b>HK\$’000</b>	HK\$’000
Floating rate RMB bank loan	<b>131,892</b>	140,137
Fixed rate RMB bank loan	<b>36,807</b>	10,688
	<b>168,699</b>	150,825

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

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within one year	<b>58,337</b>	30,575
In the second year	<b>21,106</b>	19,629
In the third to fifth years, inclusive	<b>57,420</b>	54,837
Beyond five years	<b>31,836</b>	45,784
	<hr/> <b>168,699</b> <hr/>	<hr/> 150,825 <hr/>

Based on the Group's steady cash flow, coupled with sufficient bank and cash balances and the remaining unutilised proceeds raised from placing of shares in prior years and considering the potential impact of the outbreak of the Pandemic on the Group's operation, the Group has adequate liquidity and financial resources to meet its future capital expenditures, daily operations and working capital requirements in the next financial year.

## **CAPITAL STRUCTURE OF THE GROUP**

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

## **TREASURE POLICIES**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2021. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

On 11 April 2019, a total of 360,000,000 new shares were successfully placed by the placing agent to not less than six placees, who and whose ultimate beneficial owners were independent third parties, at the placing price of HK\$0.91 per placing share pursuant to the terms and conditions of the placing agreement under the general mandate and the placing of new shares raised net

proceeds, after deducting related placing commission, professional fees and all related expenses, of HK\$325.7 million (with a net price of approximately HK\$0.905 per placing share) which was intended to be used for investing in the industrial hemp CBD extraction and application businesses and as general working capital of the Group.

As at 31 December 2021, the net proceeds have been used in the following manner:

	<i>HK\$ million</i>
Net proceeds unutilised as at 31 December 2020	225.2
<b>Net proceeds utilised up to 31 December 2021</b>	
Working capital for the development of residential properties	(30.5)
Working capital for the operation of industrial hemp business	(1.0)
Capital injected to Meiray Vap	(3.3)
	<hr/>
Net proceeds unutilised as at 31 December 2021	190.4
	<hr/> <hr/>

As at 31 December 2021, net proceeds unutilised of approximately HK\$190.4 million were kept in the Group's bank accounts and used as general working capital.

## GEARING RATIO

The Group's gearing ratio, expressed as the percentage of net debts (includes bank borrowings, trade payables, contract liabilities, accruals and other payables and amounts due to related parties, less bank and cash balances) over the sum of equity attributable to owners of the Company and net debt, was negative (i.e. -4.5%) (2020: -1.4%).

As at 31 December 2021, the Group had net cash (i.e. negative net debt) of HK\$61.1 million (2020: net cash of HK\$19.8 million), while the equity attributable to owners of the Company amounted to HK\$1,428.0 million (2020: HK\$1,400.9 million).

## CAPITAL EXPENDITURE

During the year ended 31 December 2021, the expenditure of purchasing intangible assets, namely computer systems, was HK\$35,000 (2020: HK\$52,000), while the expenditure of purchasing property, plant and equipment amounted to HK\$2,609,000 (2020: HK\$365,000).

## CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments of HK\$11.5 million (2020: HK\$35.3 million) in respect of (i) capital contribution payable to an associate; and (ii) acquisition of property, plant and equipment (2020: (i) capital contributions payable to a joint venture, an associate and an unlisted long-term investment; and (ii) acquisition of equity interest of an unlisted long-term investment), which are contracted for but not provided for in the consolidated financial statements.

## CHARGES ON GROUP ASSETS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Investment properties	355,214	338,680
Restricted deposit	369	—
	<u>355,583</u>	<u>338,680</u>

## CONTINGENT LIABILITIES

As at 31 December 2020 and 2021, the Group did not have any significant contingent liabilities.

## GENERAL DESCRIPTION OF THE GROUP'S INVESTMENT STRATEGIES

With continued accelerations of the legalisation of industrial hemp in the overseas markets in recent years, cannabinoids, with CBD as their representative product, will have increasingly broad applications in healthcare and consumer goods fields. In addition, standing at the new starting point of the era with the synergy effects of “Healthy China 2030” and “14th Five-Year Plan”, the Group is profoundly optimistic about the future development of the healthcare industry. The Group adheres to the corporate vision of “using technology and expertise to serve more people’s health and beauty needs”. Therefore, the Group manages its investment portfolio with a primary objective to capture market opportunities in the healthcare industry, including but not limited to the increasingly wider health applications of industrial hemp and cell therapy as well as the continuous growth in market scale of medical aesthetics.

On the other hand, in order to preserve liquidity and enhance interest yields, the Group had allocated certain resources to fund investments and various investments in financial products in order to maximise the return on its unutilised funds before the Group utilises the funds to invest in the industrial hemp and other healthcare-related businesses.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Saved as disclosed elsewhere in this announcement, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021 and up to the date of this announcement.

## **SIGNIFICANT INVESTMENTS HELD**

As at 31 December 2021, the investment portfolio of the Group amounted to HK\$315.0 million (2020: HK\$193.1 million) as recorded in the consolidated statement of financial position under various categories, including:

- investments in associates and joint ventures, which are accounted for by using the equity method;
- equity investments at fair value through other comprehensive income;
- investments at fair value through profit or loss; and
- derivative financial instruments.

There was no single investment in the Group's investment portfolio that was considered a significant investment, given that none of the investments has a carrying amount accounting for more than 5% of the Group's audited total assets as at 31 December 2021.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Saved as disclosed in the section "Capital Commitments" above, these were no other plans authorised by the Board for material investments or additions of capital assets as at 31 December 2021.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE**

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

The Group did not enter into any foreign currency forward contract during the year ended 31 December 2021. As at 31 December 2021 and 2020, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group had approximately 138 employees (2020: 116 employees). Staff costs (including Directors' emoluments) charged to profit or loss amounted to HK\$30.4 million (2020: HK\$32.3 million) for the year ended 31 December 2021.

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

The Company adopted a share option scheme pursuant to which eligible persons may be granted options to subscribe for the shares of the Company.

## **EVENTS AFTER THE REPORTING PERIOD**

The Directors are not aware of any event having a significant effect on the Group after the end of the Reporting Period and up to the date of this announcement.

## **DIVIDENDS**

The Board has resolved not to declare any dividend for the year ended 31 December 2021 (2020: Nil).

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, the Company repurchased a total of 91,350,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$40,535,610. All the repurchased shares were subsequently cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net assets value per share and/or earnings per share.

Particulars of the repurchases are as follows:

Month of repurchase	Total number of shares repurchased	Purchase price per share		Aggregate consideration (before expenses)
		Highest	Lowest	
		HK\$	HK\$	HK\$
September	25,992,000	0.46	0.42	11,530,950
October	22,350,000	0.455	0.42	9,777,510
November	12,348,000	0.46	0.42	5,371,440
December	30,660,000	0.48	0.425	13,855,710
	<u>91,350,000</u>			<u>40,535,610</u>

Saved as disclosed above, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board considers that good corporate governance practices are crucial to the effective management of the Group. The Company is committed to the transparency, accountability and independence highlighted by the principles of the code provisions in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to protect the rights of shareholders and stakeholders, enhance shareholder value and ensure proper management of corporate assets.

The Board is of the opinion that during the financial year ended 31 December 2021, the Company had adopted the principles and complied with all the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules.

## **COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors have confirmed that, for the year ended 31 December 2021, they have complied with the required standard set out in the Model Code.

## **REVIEW OF ACCOUNTS**

The audit committee of the Company has reviewed with the management of the Group the consolidated financial statements of the Group for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group.

## **SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group’s auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently, no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

## **ANNUAL GENERAL MEETING**

Notice of the annual general meeting of the Company will be published and dispatched to the Company’s shareholders in the manner required by the Listing Rules in due course.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.meilleure.com.cn](http://www.meilleure.com.cn)). The annual report for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.



## APPRECIATION

On behalf of the Board, I would like to express my deepest appreciation to all staff of the Group for their excellent contribution, thank our shareholders for their trust and acknowledge our business partners for their support.

By Order of the Board  
**Meilleure Health International Industry Group Limited**  
**Zhou Wen Chuan**  
*Executive Director and Chief Executive Officer*

Hong Kong, 25 March 2022

*As at the date of this announcement, the Board comprises Mr. Zhou Xuzhou, Dr. Zeng Wentao and Ms. Zhou Wen Chuan as executive Directors, Dr. Mao Zhenhua as non-executive Director and Mr. Gao Guanjiang, Professor Chau Chi Wai, Wilton and Mr. Wu Peng as independent non-executive Directors.*

*\* For identification purposes only*