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**Touyun Biotech Group Limited**  
**透雲生物科技集團有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 1332)**

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

The board of directors (the “Board”) of Touyun Biotech Group Limited (formerly known as China Touyun Tech Group Limited) (the “Company”) announces the unaudited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021, together with comparative audited figures for the year ended 31 December 2020. For the reasons explained in the section headed “Review of Unaudited Consolidated Annual Results” in this announcement, the auditing progress for consolidated annual results of the Group for the year ended 31 December 2021 has not been completed.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2020</b> <i>HK\$'000</i> <b>(Audited)</b>
<b>Revenue from treasury investment</b>	4		
Fair value losses on financial assets at fair value through profit or loss held for trading, net		<b>(25,143)</b>	(14,205)
Interest income from money lending business		<b>3,178</b>	1,745
Interest income from margin financing		<b>12,672</b>	262
Commission and service income		<b>972</b>	9
Dividend income from financial assets at fair value through profit or loss held for trading		<b>411</b>	170
<b>Revenue from sales of goods and services rendered</b>	4	<b>291,415</b>	<b>218,805</b>
Cost of sales		<b>(176,451)</b>	<b>(122,172)</b>
<b>Gross profit</b>		<b>114,964</b>	96,633
Impairment loss on trade receivables, net		<b>(463)</b>	(272)
Reversal of impairment loss/(impairment loss) on loan and interest receivables	16	<b>6,623</b>	(6,623)
Other income, gains and losses, net	5	<b>(74,300)</b>	(54,188)
Selling and distribution expenses		<b>(18,660)</b>	(17,660)
Administrative expenses		<b>(126,081)</b>	(121,544)
Finance costs	6	<b>(17,143)</b>	(31,852)
Share of result of an associate		<b>–</b>	(24,458)
<b>Loss before tax</b>	7	<b>(122,970)</b>	(171,983)
Income tax	8	<b>(971)</b>	(6)
<b>Loss for the year</b>		<b>(123,941)</b>	(171,989)
<b>Loss for the year attributable to:</b>			
— Owners of the Company		<b>(72,948)</b>	(168,776)
— Non-controlling interests		<b>(50,993)</b>	(3,213)
		<b>(123,941)</b>	(171,989)
<b>Loss per share attributable to owners of the Company</b>			
— Basic and diluted	10	<b>HK2.61 cents</b>	HK6.32 cents

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> <b>(Audited)</b>
<b>Loss for the year</b>	<u><b>(123,941)</b></u>	<u>(171,989)</u>
<b>Other comprehensive income</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u><b>5,360</b></u>	<u>9,906</u>
<b>Other comprehensive income for the year, net of tax</b>	<u><b>5,360</b></u>	<u>9,906</u>
<b>Total comprehensive loss for the year</b>	<u><u><b>(118,581)</b></u></u>	<u><u>(162,083)</u></u>
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	<u><b>(67,588)</b></u>	<u>(158,870)</u>
Non-controlling interests	<u><b>(50,993)</b></u>	<u>(3,213)</u>
	<u><u><b>(118,581)</b></u></u>	<u><u>(162,083)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> <b>(Audited)</b>
<b><i>Non-current assets</i></b>			
Property, plant and equipment	11	327,361	150,383
Right-of-use assets		108,589	21,817
Intangible assets		1,624	10,036
Goodwill	12	–	510
Interests in an associate	13	–	–
Financial assets at fair value through profit or loss	14	318,937	320,686
		756,511	503,432
<b><i>Current assets</i></b>			
Inventories		32,766	33,741
Trade and bills receivables	15	66,287	58,685
Prepayments, deposits and other receivables		35,167	20,064
Loan and interest receivables	16	40,043	101,622
Financial assets at fair value through profit or loss	14	33,756	111,956
Cash and cash equivalents		60,198	142,440
		268,217	468,508
<b><i>Current liabilities</i></b>			
Trade payables	17	37,875	29,967
Contract liabilities		23,477	28,079
Other payables and accruals		62,755	31,236
Lease liabilities		14,413	14,251
Other borrowings	18	292,611	59,580
Amount due to a director	19	92,630	98,900
Margin loans payable	20	3,633	28,470
Tax payable		2,167	4,493
Derivative embedded in convertible bond	21	–	273
Convertible bond	21	–	112,229
		529,561	407,478
<b>Net current (liabilities)/assets</b>		<b>(261,344)</b>	<b>61,030</b>
<b>Total assets less current liabilities</b>		<b>495,167</b>	<b>564,462</b>
<b><i>Non-current liabilities</i></b>			
Lease liabilities		8,122	8,093
		8,122	8,093
<b>Net assets</b>		<b>487,045</b>	<b>556,369</b>

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> <i>(Audited)</i>
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	22	<b>112,238</b>	110,946
Reserves		<b>357,679</b>	377,097
		<hr/>	<hr/>
		<b>469,917</b>	488,043
<b>Non-controlling interests</b>		<b>17,128</b>	68,326
		<hr/>	<hr/>
<b>Total equity</b>		<b>487,045</b>	556,369
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## Notes:

### 1(a). CORPORATE AND GROUP INFORMATION

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 24 October 2011. The principal place of business of the Company is located at 12th Floor, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong. During the year, the principal activities of the Group are (i) provision of QR codes on product packaging and solutions and advertising display services; (ii) the manufacture and sale of packaging products; (iii) investments and trading in securities, money lending, placing and underwriting services, securities brokerage services and margin financing; and (iv) production and sale of chlamydomonas reinhardtii, micro-algae and related products.

With effective from 11 May 2021, the Company has changed its English name from China Touyun Tech Group Limited to Touyun Biotech Group Limited and changed its Chinese name from 中國透雲科技集團有限公司 to 透雲生物科技集團有限公司, to align with the Group's long-term development strategy, which will be beneficial to the co-ordination and development of the Group's business, strengthen the overall branding, and create value to the shareholders and customers of the Group.

### (b) BASIS OF PREPARATION

The Group recorded a net loss of approximately HK\$123,941,000 for the year ended 31 December 2021 (2020: HK\$171,989,000) and its current liabilities exceeded its current assets by approximately HK\$261,344,000 as at 31 December 2021 (2020: net current assets of HK\$61,030,000), including advances from a director and unsecured borrowings from independent third parties of which the aggregate carrying amounts were approximately HK\$385,241,000, while the Group's cash and cash equivalents as at 31 December 2021 amounted to only approximately HK\$60,198,000.

As further set out in note 18, certain of the Group's other borrowings are either past due or repayable on demand, and hence are due for immediate payment as at 31 December 2021. The amounts immediately payable by the Group, taking into account (a) outstanding principal, and (b) interests accrued but unpaid, were approximately HK\$94,102,000 (equivalent to RMB77,000,000) and HK\$1,409,000 (equivalent to RMB1,153,000), respectively ("Overdue Borrowings").

Subsequent to 31 December 2021 and up to the date of this announcement, other than Overdue Borrowings, the Group has defaulted in repaying additional other borrowings, and the respective overdue principal amounts payable by the Group are approximately HK\$94,713,000 (equivalent to RMB77,500,000).

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group. The Company will endeavour to complete the negotiation and reach an agreement with the existing lenders with regards to the repayment arrangement of those past due borrowings, including but not limited to, agreeing to a repayment schedule. In the opinion of the Directors, the lenders of these other borrowings, in respect of which there were delay in loan principal and interest repayments, will not enforce their rights of requesting for immediate repayment. The Group has implemented various cost control measures to reduce general and administrative and other operating expenses and will seek to obtain any possible financing to manage the liquidity needs of the Group and to improve its financial position. Taking account of the above considerations, Directors are of the opinion that, the Group will be able to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

However, should the Group fail to agree on debt refinancing with the lenders, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which might arise.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules” respectively).

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the Company’s functional currency. All values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements have been prepared under the historical cost convention, except for equity investments classified as financial assets at fair value through profit or loss and derivative component of convertible bond, which have been measured at fair value.

### *Basis of consolidation*

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control above. A change in the ownership interest of a subsidiary, without loss of control, is accounted for an equity transaction.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform — Phase 2  
HKFRS 7, HKFRS 4 and HKFRS 6

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

*Impact on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 (the "2021 Amendment")*

The Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions in prior year and the 2021 Amendment in the current year. The 2021 Amendment extends the availability of the practical expedient set out in paragraph 46A of HKFRS 16 to rent concessions on or before 30 June 2022. The early application of the 2021 Amendment has had no impact to the opening retained profits at 1 January 2021 and the financial position and financial performance for the current year.

*Impact on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2*

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group intends to use the practical expedients in future periods if they become applicable.



### 3. SEGMENT INFORMATION

The Group has four reportable segments. The segments are managed separately as each business offers different products or provides different services and requires different business strategies.

The following summary describes the operations in each of the Group's reportable segments:

QR code business segment	—	Provision of QR code on product packaging and solutions and advertising display services
Packaging products segment	—	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Treasury investment segment	—	Investments and trading in securities, money lending, placing and underwriting services, securities brokerage services and margin financing
Chlamydomonas reinhardtii products business segment	—	Production and sale of chlamydomonas reinhardtii, micro-algae and related products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs, share of result of an associate and head office and corporate income and expenses are excluded from such measurement.

There was no inter-segment sale or transfer during the year (2020: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

	QR code business		Packaging products		Treasury investment		Chlamydomonas reinhardtii products business		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Group's revenue	117,636	83,342	172,464	135,422	-	-	1,315	41	291,415	218,805
Fair value losses on financial assets at fair value through profit or loss held for trading, net	-	-	-	-	(25,143)	(14,205)	-	-	(25,143)	(14,205)
Interest income from money lending business	-	-	-	-	3,178	1,745	-	-	3,178	1,745
Interest income from margin financing	-	-	-	-	12,672	262	-	-	12,672	262
Commission and service income	-	-	-	-	972	9	-	-	972	9
Dividend income from financial assets at FVTPL held for trading	-	-	-	-	411	170	-	-	411	170
Segment revenue	<u>117,636</u>	<u>83,342</u>	<u>172,464</u>	<u>135,422</u>	<u>(7,910)</u>	<u>(12,019)</u>	<u>1,315</u>	<u>41</u>	<u>283,505</u>	<u>206,786</u>
Segment results	<u>24,164</u>	<u>(6,459)</u>	<u>7,461</u>	<u>5,219</u>	<u>(66,258)</u>	<u>(27,561)</u>	<u>(3,148)</u>	<u>(6,375)</u>	<u>(37,781)</u>	<u>(35,176)</u>
Corporate and unallocated income, gains and losses									(30,024)	(54,790)
Corporate and unallocated expenses									(38,022)	(25,707)
Share of result of an associate									-	(24,458)
Finance costs									(17,143)	(31,852)
Loss before tax									<u>(122,970)</u>	<u>(171,983)</u>
<b>Other segment information:</b>										
Capital expenditure										
— operating segment	2,568	1,090	2	1,194	73	283	160,849	123,229	163,492	125,796
— unallocated									16	-
									<u>163,508</u>	<u>125,796</u>
Interest income										
— operating segment	118	69	9	11	-	-	40	60	167	140
— unallocated									6	9
									<u>173</u>	<u>149</u>
Depreciation of property, plant and equipment										
— operating segment	2,316	3,026	662	1,491	72	7	43	1	3,093	4,525
— unallocated									13	14
									<u>3,106</u>	<u>4,539</u>
Amortisation of intangible assets	2,007	7,437	-	-	-	-	-	-	2,007	7,437
Loss/(gain)/written off on disposal of property, plant and equipment, net	226	(515)	-	(129)	-	-	-	-	226	(644)
Impairment loss/(reversal of impairment loss) on trade receivables, net	587	(14)	(124)	286	-	-	-	-	463	272
(Reversal of impairment loss)/impairment loss on loan and interest receivables	-	-	-	-	(6,623)	6,623	-	-	(6,623)	6,623

Revenue from external customers based on the locations of these customers is analysed as follows:

	<b>2021</b> <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
QR code business		
— The People's Republic of China ("PRC")	<u>117,636</u>	<u>83,342</u>
Packaging products		
— Hong Kong and the PRC	<b>98,218</b>	64,932
— Europe	<b>53,164</b>	36,668
— North and South America	<b>10,020</b>	18,129
— Others	<u>11,062</u>	<u>15,693</u>
	<b>172,464</b>	135,422
Treasury investment		
— Hong Kong	<u>(7,910)</u>	<u>(12,019)</u>
Chlamydomonas reinhardtii products business		
— Hong Kong	<u>1,315</u>	<u>41</u>
Segment revenue	<u><b>283,505</b></u>	<u>206,786</u>

The geographical locations of the Group's non-current assets, except for financial assets at fair value through profit or loss are analysed as follows:

	<b>2021</b> <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Hong Kong	<b>10,863</b>	19,745
PRC	<u>426,711</u>	<u>163,001</u>
	<u><b>437,574</b></u>	<u>182,746</u>

The non-current asset information above is based on the locations of the assets.

#### Information about major customers

Revenue derived from customers in the packaging products segment and QR code business segment which individually accounted for more than 10% of the Group's revenue is as follows:

	<b>2021</b> <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Packaging products segment:		
Customer A	<b>51,560</b>	25,936
Customer B	N/A	30,331
QR code business segment:		
Customer C	<u>N/A</u>	<u>28,704</u>

#### 4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, value of services rendered, net fair value gains/(losses) on financial assets at fair value through profit or loss, dividend income on investment portfolio, interest income from money lending business, interest income from margin financing and commission and service income.

An analysis of the Group's revenue is as follows:

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Manufacturing and sales of packaging products	<b>172,464</b>	135,422
Provision of QR code packaging products and solutions	<b>117,627</b>	82,971
Advertising display service income	<b>9</b>	371
Manufacturing and sales of chlamydomonas reinhardtii products	<b>1,315</b>	41
	<b>291,415</b>	218,805
Fair value losses on financial assets at fair value through profit or loss held for trading, net ( <i>note (i)</i> )	<b>(25,143)</b>	(14,205)
Interest income from money lending business	<b>3,178</b>	1,745
Interest income from margin financing	<b>12,672</b>	262
Commission and service income	<b>972</b>	9
Dividend income from financial assets at fair value through profit or loss held for trading	<b>411</b>	170
	<b>283,505</b>	206,786

*Note:*

- (i) During the year ended 31 December 2021, the gross proceeds from the disposal of listed equity investments classified as financial assets at fair value through profit or loss for the year were approximately HK\$14,576,000 (2020: HK\$34,672,000).

The revenue within the scope of HKFRS 15 categorised by timing of revenue recognition is as follows:

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
(a) At a point of time:		
Manufacturing and sales of packaging products	<b>172,464</b>	135,422
Provision of QR code packaging products and solutions	<b>117,627</b>	82,971
Manufacturing and sales of chlamydomonas reinhardtii products	<b>1,315</b>	41
Commission and service income	<b>972</b>	9
	<b>292,378</b>	218,443
(b) By over time:		
Advertising display service income	<b>9</b>	371
	<b>292,387</b>	218,814

## 5. OTHER INCOME, GAINS AND LOSSES, NET

An analysis of the Group's other income, gains and losses, net is as follows:

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Bank interest income	173	149
Gain on early termination of lease	–	122
Waiver of loan interest expense	–	1,118
Gain on early redemption of convertible bond (“CB”)	–	3
Fair value gain on derivative component of CB (including changes arising from early redemption of CB)	273	183
Gain on extinguishment of CB	–	8,809
Fair value loss on financial assets at fair value through profit or loss (not held for trading), net	(54,049)	(55,921)
Loss on disposal of subsidiaries	(22,680)	–
Loss on deemed disposal of an associate	–	(15,023)
Foreign exchange differences, net	(1,246)	(1,849)
Covid-19-related rent concessions	–	1,195
Government grant	–	2,970
(Loss)/gain/(written off) on disposal of property, plant and equipment, net	(226)	644
Others	3,455	3,412
	<b>(74,300)</b>	<b>(54,188)</b>

For year ended 31 December 2020, the Group recognised concessions of approximately HK\$4,165,000 in respect of Covid-19-related subsidies, of which approximately HK\$2,970,000 is related to Employment Support Scheme provided by The Government of Hong Kong Special Administrative Region and approximately HK\$1,195,000 is related to rent concessions provided by the landlord.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Interest expense on CB ( <i>note (i)</i> )	11,648	28,374
Interest on lease liabilities	1,009	1,234
Interest on other borrowings	16,873	3,147
Interest on margin loans payable	2,321	469
Interest on advance drawn of bills receivable	–	864
Less: Interest capitalised into construction in progress ( <i>note (ii)</i> )	(14,708)	(2,236)
	<b>17,143</b>	<b>31,852</b>

*Notes:*

- (i) Included in interest expense on CB for the year ended 31 December 2020 was an amount of approximately HK\$9,393,000 related to penalty interest expense for the default of repayment before the Amendment Deed (as described and defined in note 21).
- (ii) The finance costs have been capitalised at a rate of ranging from 0.5% to 1% (2020: 1%) per month.

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Auditor's remuneration	1,530	1,470
Cost of inventories sold	176,451	122,172
Depreciation of property, plant and equipment	3,106	4,539
Depreciation of right-of-use assets	17,587	16,473
Amortisation of intangible assets	2,007	7,437
Short-term lease payments	3,842	1,970
Research and development cost	21,931	20,868
Employee benefits expenses (including Directors' remuneration):		
Wages and salaries	57,705	55,677
Pension scheme contributions	1,655	1,590
	<u>59,360</u>	<u>57,267</u>
Equity-settled share option expense	<u>16,180</u>	<u>4,261</u>

## 8. INCOME TAX

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Current tax — Hong Kong Profits Tax		
Provision for the year	1,081	—
Over-provision in respect of previous year	(349)	—
Current tax — PRC Corporate Income Tax		
Provision for the year	239	—
Under-provision in respect of previous year	—	6
	<u>971</u>	<u>6</u>
Deferred tax	<u>—</u>	<u>—</u>
	<u>971</u>	<u>6</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Qualipak Manufacturing Limited, a subsidiary of the Group, is qualified for the two-tiered profits tax rates regime and accordingly its profits tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000, and profits of other group entities in Hong Kong are taxed at 16.5%.

In accordance with the PRC Corporate Income Tax Law, the PRC Corporate Income Tax is calculated at a statutory rate of 25% (2020: 25%) of the assessable profits except for 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.\*, “SHTY”) and 透雲物聯網科技(北京)有限公司 (TY Technology (Beijing) Co., Ltd.\*, “BJTY”), two indirect wholly-owned subsidiaries of the Group. Both companies obtained the High-new Technology Certificate for the years from 2021 to 2023 and are entitled to a tax rate of 15%.

## 9. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year (2020: Nil).

## 10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic and diluted loss per share attributable to owners of the Company for the years ended 31 December 2021 and 2020 are based on the following data:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Loss for the year attributable to owners of the Company	<u>(72,948)</u>	<u>(168,776)</u>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><b>2,794,954</b></u>	<u>2,672,412</u>

The computation of diluted loss per share for the years ended 31 December 2021 and 2020 does not assume the conversion of the Company's outstanding convertible bond and the exercise of share options since their assumed exercise would result in a decrease in loss per share.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred construction costs of approximately HK\$161,590,000 (2020: HK\$124,025,000) primarily related to the production plant for chlamydomonas reinhardtii, micro-algae and related products business.

\* For identification purpose only

## 12. GOODWILL

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
<b>Cost</b>		
1 January	<b>570,457</b>	569,947
Goodwill arising from acquisition of a subsidiary	–	510
Disposal of subsidiaries	<b>(510)</b>	–
	<u><b>569,947</b></u>	<u>570,457</u>
31 December	<u><b>569,947</b></u>	<u>570,457</u>
<b>Accumulated impairment losses</b>		
1 January	<b>569,947</b>	569,947
Impairment loss for the year	–	–
	<u><b>569,947</b></u>	<u>569,947</u>
31 December	<u><b>569,947</b></u>	<u>569,947</u>
<b>Net carrying amount</b>		
31 December	<u><b>–</b></u>	<u>510</u>

The goodwill has been allocated to two cash generating units (“CGUs”): (i) a group of subsidiaries engaged in the provision of QR code on product packaging and advertising display services (the “QR Code CGUs”); and (ii) Hope Capital Limited and its subsidiary (collectively referred to as the “Hope Group”) engaged in securities brokerage services and margin financing (the “Hope Group CGUs”).

### QR Code CGUs

The allocated goodwill of QR Code CGUs was fully impaired in previous years and accordingly there was nil carrying amount of goodwill from QR Code CGUs as of 31 December 2021 and 31 December 2020.

### Hope Group CGUs

The goodwill amounting to approximately HK\$510,000 as at 31 December 2020 was resulted from the acquisition of Hope Group.



### 13. INTERESTS IN AN ASSOCIATE

On 2 July 2020, FreeOpt Holdings Limited (“FreeOpt”) effected an increase in registered capital whereby a new independent third party investor injected HK\$400,000,000 into FreeOpt. As a result, the Group’s interest in FreeOpt was diluted from 31.38% to 17.61%. Taking account of the dilution of the Group’s interest in FreeOpt to less than 20% and the fact that no director of FreeOpt was appointed by the Group. The Group ceased to have significant influence over FreeOpt and the investment in FreeOpt has been reclassified as financial assets at fair value through profit or loss from 2 July 2020. On 2 July 2020, the financial asset at fair value through profit or loss measured at its fair value amounted to HK\$169,725,000, which was determined based on fair value of shareholding of adjusted net asset of FreeOpt; and the Group recognised a loss on deemed disposal of interests in an associate of HK\$15,023,000 in profit or loss in accordance with HKAS 28 “Investments in associates and joint ventures”. Subsequent measurement on the Group’s interest in FreeOpt as financial assets at fair value through profit or loss is set out in the Group’s accounting policies.

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$’000</i> (Unaudited)	2020 <i>HK\$’000</i> (Audited)
<b>Non-current assets</b>		
Unlisted equity investments, at fair value ( <i>Note (i)</i> )		
Company A ( <i>Note (ii)</i> )	59,708	89,023
Company B ( <i>Note (iii)</i> )	–	–
Company C ( <i>Note (iv)</i> )	27,000	43,040
Company D ( <i>Note (v)</i> )	29,504	38,163
Company E ( <i>Note (vi)</i> )	144,479	150,460
Company F ( <i>Note (vii)</i> )	33,246	–
Company G ( <i>Note (viii)</i> )	25,000	–
	<u>318,937</u>	<u>320,686</u>
<b>Current assets</b>		
Listed equity investments held for trading, at fair value ( <i>Note (ix)</i> )	17,600	111,956
Wealth management products	16,156	–
	<u>33,756</u>	<u>111,956</u>

#### Notes:

- (i) During the year ended 31 December 2021, the Group had acquired 3.73% equity interest in Company F at a consideration of approximately HK\$27,300,000 (equivalent to US\$3,500,000) and 2.97% equity interest in Company G at a consideration of HK\$25,000,000.

As at 31 December 2021, the unlisted equity investments relate to investments in seven private entities (2020: five), which were intended to be held for long-term strategic purpose at the time of acquisition. The investee private entities are engaged in the provision of advisory and financial services, property holding, research and development and marketing of micro-algae products, securities brokerage and asset management, investment in securities trading and money lending.

- (ii) As at 31 December 2021, the shareholding was diluted to 2.56% (2020: 2.76%) as Company A issued additional shares to another investors during the year ended 31 December 2021.

- (iii) As at 31 December 2021, the Group's equity interest in Company B was approximately 2.95% (2020: 2.95%).
- (iv) As at 31 December 2021, the shareholding was diluted to 0.55% (2020: 0.73%) as Company C issued additional shares to another investors during the year ended 31 December 2021.
- (v) As at 31 December 2021, the Group's equity interest in Company D was approximately 12.12% (2020: 12.12%).
- (vi) On 2 July 2020, Company E (being FreeOpt (see note 13)) effected an increase in registered capital whereby a new independent third party investor injected HK\$400,000,000 into Company E. As a result, the Group's interest in Company E was diluted from 31.38% to 17.61% and the Group ceased to have significant influence over Company E. The interest in Company E has then been reclassified from interests in an associate to financial assets at fair value through profit or loss in the opinion of the Directors. Further details are set out in note 13.
- (vii) On 28 January 2021, the Group acquired 3.73% equity interest in Company F from an independent third party at a consideration of US\$3,500,000 (equivalent to approximately HK\$27,300,000). Company F is engaged in research and development and marketing of micro-algae products in the United States of America.
- (viii) On 2 December 2021, Era Bright Limited ("Era Bright"), an indirect non-wholly-owned subsidiary of the Group, entered into a subscription agreement with Company G, an independent third party, pursuant to which Company G has agreed to allot and issue 17,000,000 new shares to Era Bright and Era Bright has agreed to subscribe the 17,000,000 new shares of Company G at a consideration of HK\$25,000,000. 17,000,000 new shares, when issued, represented approximately 2.97% of the existing issued share capital of Company G.

Company G is engaged in the provision of brokerage and related services, and is licensed under the Securities and Futures Ordinance (Cap. 571) to carry out regulated activities Type 1 "Dealing in Securities", Type 2 "Dealing in Futures Contracts", Type 4 "Advising on Securities", Type 5 "Advising on Futures Contracts" and Type 9 "Asset Management".

- (ix) As at 31 December 2021, certain financial assets at fair value through profit or loss of approximately HK\$17,600,000 (2020:HK\$65,529,000) of the Group were pledged to a security brokerage company to secure the margin loans payable of approximately HK\$3,633,000 (2020: HK\$28,470,000).

## 15. TRADE AND BILLS RECEIVABLES

	<b>2021</b> <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Trade receivables — margin financing	–	23,583
Trade and bills receivables — non-margin financing	<b>68,286</b>	36,638
Less: Impairment loss allowance	<b>(1,999)</b>	(1,536)
	<b>66,287</b>	58,685

As at 31 December 2020, trade receivables of approximately HK\$23,583,000 arose from margin loans to individual third parties for securities trading in Hong Kong. The margin loans to securities margin clients are secured by clients' pledged securities with fair value of HK\$87,392,000. The pledged securities are listed equity securities in Hong Kong. The margin loans are repayable on demand subsequent to settlement date and carry interest typically from 12% to 24% per annum as at 31 December 2020. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. Therefore, no impairment loss for trade receivables (margin financing) was recognised during the year.

The Group ceased to engage in securities brokerage services and margin financing upon the disposal of Hope Capital Limited and its subsidiary on 1 November 2021, and no trade receivables arose from margin loans to individual third parties for securities trading in Hong Kong as at 31 December 2021.

The Group's trading terms with other customers (non-margin financing) are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances (non-margin financing). Trade and bills receivables (non-margin financing) are non-interest-bearing.

An aged analysis of the trade and bills receivables (non-margin financing) as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>2021</b> <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within 1 month	<b>28,547</b>	23,288
1 to 2 months	<b>16,266</b>	7,192
2 to 3 months	<b>12,569</b>	2,452
Over 3 months	<b>8,905</b>	2,170
	<b>66,287</b>	35,102

## 16. LOAN AND INTEREST RECEIVABLES

The exposure of the Group's fixed rate loan to interest rate risks and their contractual maturity dates are as follows:

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Unsecured loan and interest receivables	<b>40,043</b>	108,245
Less: Impairment loss allowance	<u>–</u>	<u>(6,623)</u>
	<b><u>40,043</u></b>	<b><u>101,622</u></b>
Analysed for reporting purpose as:		
Current portion	<b><u>40,043</u></b>	<b><u>101,622</u></b>

Directors regularly review and assess the credit quality of the counterparties. Since these receivables are not past due, and there has no historical default record, the Directors consider that the Group's credit risk is not significant after considering the financial background and condition of the counterparties.

As at 31 December 2021, unsecured loan and interest receivables of approximately HK\$40,043,000 (2020: HK\$108,245,000) are unsecured and will mature within one year (2020: mature within one year).

The range of effective interest rates which are equal to contractual interest rates on the Group's loan and interest receivables are as follows:

	<b>Effective interest rate per annum</b>	
	<b>2021</b> <b>(Unaudited)</b>	2020 (Audited)
Unsecured loan and interest receivables	<b><u>3%</u></b>	<b><u>6% to 10%</u></b>

Analysis of changes in the corresponding credit loss allowance is as follow:

	<i>HK\$'000</i>
Balance at 1 January 2020	–
Impairment losses recognised for unsecured loan and interest receivables	<u>6,623</u>
Balance at 31 December 2020 and 1 January 2021	6,623
Reversal of impairment losses recognised for unsecured loan and interest receivables	<u>(6,623)</u>
Balance at 31 December 2021	<b><u>–</u></b>

## 17. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Within 1 month	<b>28,306</b>	20,362
1 to 2 months	<b>6,719</b>	3,799
2 to 3 months	<b>1,434</b>	1,266
Over 3 months	<b>1,416</b>	4,540
	<u><b>37,875</b></u>	<u>29,967</u>

As at 31 December 2020, trade payables of approximately HK\$1,083,000 represents the payables to the securities clearing house arising from the securities brokerage business, which are repayable on two business days after trade date.

Other trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

## 18. OTHER BORROWINGS

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Unsecured loan payable	<b>291,202</b>	58,990
Loan interest payable	<b>1,409</b>	590
	<u><b>292,611</b></u>	<u>59,580</u>

The amounts represent unsecured borrowings from independent third parties bearing an interest rate ranging from 0.5% to 1% per month (2020: 1% per month) and are repayable within one year (2020: repayable within one year).

As at 31 December 2021, certain of the Group's other borrowings are either past due or repayable on demand, and hence are due for immediate payment as at 31 December 2021. The amounts immediately payable by the Group, taking into account (a) outstanding principal, and (b) interests accrued but unpaid, were approximately HK\$94,102,000 (equivalent to RMB77,000,000) and HK\$1,409,000 (equivalent to RMB1,153,000), respectively ("Overdue Borrowings").

Subsequent to 31 December 2021 and up to the date of this announcement, other than Overdue Borrowings, the Group has defaulted in repaying additional other borrowings and the respective overdue principal amounts payable by the Group are approximately HK\$94,713,000 (equivalent to RMB77,500,000).

## 19. AMOUNT DUE TO A DIRECTOR

The amount is payable to the Company's director, which is unsecured, non-interest bearing and repayable on demand.

## 20. MARGIN LOANS PAYABLE

As at 31 December 2021, the margin loans payable were secured by the listed equity securities held under the margin accounts, with a total market value of approximately HK\$17,600,000 (2020: HK\$65,529,000) (note 14).

	2021	Effective interest rate	2020	Effective interest rate
	<i>HK\$'000</i> (Unaudited)	<i>(%) p.a.</i>	<i>HK\$'000</i> (Audited)	<i>(%) p.a.</i>
Within one year	<u>3,633</u>	<u>12%–24%</u>	<u>28,470</u>	<u>12%–20%</u>

The Group's variable-rate margin loans payable are mainly subject to interest ranging from 12% to 24%. The range of effective interest rates are equal to contractual interest rates.

## 21. CONVERTIBLE BOND

On 3 October 2017, the Company and China Huarong International Holdings Limited (the "CB Holder") entered into an agreement (the "CB Agreement"), pursuant to which the Company conditionally agreed to issue, and the CB Holder conditionally agreed to subscribe for, the convertible bond ("CB") in the aggregate principal amount of US\$40,000,000 (equivalent to HK\$312,000,000). The net proceeds from the issue of the CB of approximately US\$39,671,000 (equivalent to HK\$309,439,000) would be used for development of the business operations of SHTY, a subsidiary of the Company, in particular, Touyun Retailers Management System, and for other general corporate purposes. The CB Agreement was completed on 10 November 2017 (the "Issue Date").

The CB was secured by the share capital or registered capital of certain subsidiaries of the Group and personal guarantee provided by Mr. Wang Liang, a director and a shareholder of the Company. The CB bore interest from and including the Issue Date at the rate of 7.0% per annum, payable semi-annually. The CB matured on the date falling on the second anniversary of the Issue Date (i.e. 10 November 2019) subject to an automatic extension to the third anniversary of the Issue Date (i.e. 10 November 2020) if the following conditions were satisfied (the "Maturity Date"):

- (i) the revenue for the six months ending 30 June 2019 as shown in the unaudited consolidated accounts of SHTY shall not be less than RMB500 million; and
- (ii) the total debt of SHTY as at 30 June 2019 as shown in its unaudited consolidated accounts for the six months ended 30 June 2019 shall not be more than 40% of its total assets.

On 10 November 2019, condition (i) above had not been satisfied and the maturity date of the CB was not extended to the third anniversary of the Issue Date. (i.e. 10 November 2020).

The initial conversion price was HK\$1.968 per share (adjusted for the effect of share consolidation), subject to anti-dilutive adjustments. The CB Holder had the right to convert the principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period beginning on, and including, the date falling on the 180th day from the Issue Date and ending on, the Maturity Date.

In the situation where the CB was not redeemed on the Maturity Date, the conversion right attached to the CB would be revived and/or would continue to be exercisable up to, and including, on the date upon which the full amount of the moneys payable in respect of the CB is duly received by the CB Holder.

Unless previously redeemed, converted or purchased and cancelled, the Company would redeem all the outstanding CB on the Maturity Date at an amount equal to the Redemption Amount\*. The Company may give notice to redeem in whole, or in part, such CB for the time being outstanding at the Redemption Amount after the 180th calendar day after the Issue Date. Unless previously redeemed, converted or purchased and cancelled, the CB Holder may give notice to redeem in whole, or in part, such CB for the time being outstanding at the Redemption Amount upon occurrence of two consecutive breaches of certain financial covenants as set forth in the CB Agreement.

\* Redemption Amount is defined as an amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB held by the relevant CB Holder; (b) any accrued but unpaid interest on such outstanding CB on the relevant redemption date; (c) if the sum of the amounts referred in paragraphs (a) and (b) above, plus interest already paid on such outstanding CB, falls short of making up a return equal to an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB calculated from the Issue Date until the redemption date, such additional amount which would make up an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB; and (d) (in respect of any redemption made as a result of any events of default) any default interest accrued but unpaid.

The net proceeds of the CB were HK\$309,439,000, after netting off the issuance cost of HK\$2,561,000.

On initial recognition, the CB contained two components, the debt component and the derivative (including conversion and early redemption options) component. Since the Redemption Amount, and the principal payable on the Maturity Date were denominated and settled in United States dollars (“US\$”), which is not same as the Company’s functional currency which is HK\$, the conversion option would not result in an exchange of a fixed amount of cash (in the context of the functional currency of the Company) for a fixed number of shares and hence the conversion option did not meet the definition of an equity instrument under the applicable accounting standards. The effective interest rate of the debt component was 13.08%. The derivative component was measured at fair value with changes in fair value recognised in profit or loss.

On 31 August 2018, the Company redeemed US\$13.0 million in principal amount of the CB at the Redemption Amount of approximately US\$13.6 million together with the relevant interest up to 31 August 2018 of approximately US\$0.3 million in accordance with the terms of the CB. Upon completion of the redemption, the outstanding principal amount of the CB was US\$27.0 million.

During the year ended 31 December 2018, the Group failed to comply with certain financial covenants of the CB Agreement. As a result of such breach of the financial covenants, the CB Holder had the rights to serve written notice on the Company to demand immediate repayment of the CB within 3 months from the date of the notice served. Hence, the CB in principal amount of HK\$210,600,000 at the Redemption Amount of HK\$219,461,000 had been classified as a current liability as at 31 December 2018.

During the year ended 31 December 2019, the Group repaid principal and interest amounting to US\$420,000 and US\$1,915,000 (equivalent to HK\$3,276,000 and HK\$14,937,000) respectively. As at 31 December 2019, the CB was past due and was due for immediate payment.

As at 31 December 2019, the amount immediately payable by the Group, taking into account (a) outstanding principal; (b) interest accrued but unpaid; (c) additional interest to make up an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB; and (d) default interest at a rate of 18% per annum, was approximately US\$28,876,000 (equivalent to HK\$225,236,000).

In March 2020, the Company repaid the CB principal and interest in the amounts of US\$6,000,000 and US\$587,000 (equivalent to HK\$46,800,000 and HK\$4,580,000) respectively, and US\$20,580,000 (equivalent to HK\$160,524,000) of the principal amount of the CB remained outstanding. In May and July 2020, the Company repaid interest of US\$642,000 and US\$1,814,700 (equivalent to HK\$5,008,000 and HK\$14,155,000) respectively.

On 21 July 2020, the Company entered into an amendment deed (the “Amendment Deed”) with the CB Holder and agreed to extend the maturity date of the CB from the second anniversary of the issue date (i.e. 10 November 2019) to the fourth anniversary of the issue date (i.e. 10 November 2021) (the “Revised Maturity Date”). Interest of the CB would be charged at 12% per annum from 10 November 2019 to the Revised Maturity Date. The conversion price was amended to HK\$0.8 per share, subject to anti-dilutive adjustments. The CB was secured by the share capital or registered capital of certain subsidiaries of the Group and certain cash/securities account and personal guarantee provided by Mr. Wang Liang.

The conditions precedent in the Amendment Deed were fulfilled on 10 August 2020, and accordingly the Amendment Deed became effective on 10 August 2020. According to the Amendment Deed, CB Holder would be entitled to require the Company to redeem the CB in whole, or in part for the time being outstanding at the revised redemption amount (“Revised Redemption Amount”)\* from 10 October 2020. Details of these are set out in the Company’s announcement dated 21 July 2020.

\* Revised Redemption Amount is defined as an amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB held by the relevant CB Holder; (b) any accrued but unpaid interest on such outstanding CB on the relevant redemption date; and (c) in respect of any redemption made pursuant to the occurrence of events of default any default interest of 18% per annum accrued but unpaid from the due date.

According to the Amendment Deed, the contractual terms of the CB were modified, such as extending the tenure, change in exercise price of the conversion options. The revised terms resulted in a substantial modification from the original terms; after taking into account all relevant facts and circumstances including qualitative factors, such modification was accounted for as derecognition of the original debt component of CB with carrying amount of approximately HK\$175,517,000 (equivalent to approximately US\$22,502,000) as at 10 August 2020 (i.e. effective date of Amendment Deed) and the recognition of new debt component of CB with fair value of HK\$164,916,000 and new derivative component of CB with fair value of HK\$456,000 as at 10 August 2020 and incurred costs of HK\$1,336,000 for modification of CB. The difference of HK\$8,809,000 taking into account the costs incurred for modification was recognised as net gain on extinguishment of CB in profit or loss. The effective interest rate of the debt component was 12.04% per annum after the effective date of the Amendment Deed.



On 21 December 2020, the Company repaid principal and interest amounting to US\$6,400,000 and US\$1,322,000 (equivalent to approximately HK\$49,920,000 and approximately HK\$10,314,000) respectively.

On 4 May 2021, the Company repaid interest in the amount of US\$850,800 (equivalent to HK\$6,637,000). The CB matured on 10 November 2021 and was fully redeemed by the Company through repayment of the principal and interest amounting to US\$14,180,000 and US\$850,800 (equivalent to approximately HK\$110,604,000 and approximately HK\$6,636,000), respectively.

The movement of the components of the CB for the years ended 31 December 2021 and 2020 is set out below:

	2021			2020		
	Debt component <i>HK\$'000</i> (Unaudited)	Derivative component <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)	Debt component <i>HK\$'000</i> (Audited)	Derivative component <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
At 1 January	112,229	273	112,502	225,236	–	225,236
Finance cost-interest paid	(13,273)	–	(13,273)	(23,743)	–	(23,743)
Redemption/ repayment of CB	(110,604)	–	(110,604)	(46,800)	–	(46,800)
Finance cost-interest charge	11,648	–	11,648	20,824	–	20,824
Change in fair value	–	(273)	(273)	–	–	–
Extinguishment of CB	–	–	–	(175,517)	–	(175,517)
Carrying amount at 31 December/10 August	–	–	–	–	–	–
CB raised	–	–	–	164,916	456	165,372
Finance cost-interest paid	–	–	–	(10,314)	–	(10,314)
Repayment of CB	–	–	–	(49,920)	–	(49,920)
Finance cost-interest charge	–	–	–	7,550	–	7,550
Gain on early redemption of CB	–	–	–	(3)	–	(3)
Change in fair value	–	–	–	–	(183)	(183)
Carrying amount at 31 December	–	–	–	112,229	273	112,502
Classified as:						
Current liability	–	–	–	112,229	273	–
Non-current liability	–	–	–	–	–	–
	–	–	–	112,229	273	–

## 22. SHARE CAPITAL

	Number of shares		Share capital	
	2021 '000 (Unaudited)	2020 '000 (Audited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Ordinary share of HK\$0.04 each				
Authorised:				
At beginning and end of year	<u>12,500,000</u>	<u>12,500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At beginning of year	2,773,652	2,449,328	110,946	97,973
Exercise of share option (Note 1)	2,300	–	92	–
Share subscription (Note 2)	30,000	–	1,200	–
Share subscription (Note 3)	–	135,135	–	5,406
Share subscription (Note 4)	–	135,135	–	5,406
Share subscription (Note 5)	–	54,054	–	2,161
At end of year	<u>2,805,952</u>	<u>2,773,652</u>	<u>112,238</u>	<u>110,946</u>

### Notes:

- (1) During the year ended 31 December 2021, a total of 2,300,000 new shares were issued as a result of exercise of 2,300,000 share options by certain employees. The proceeds from the exercises of share options are HK\$3,081,000 and are applied as general working capital of the Group.
- (2) On 12 April 2021, the Company entered into a share subscription agreement with an independent third party, Zhai Jin Ping, in relation to the subscription for 30,000,000 new shares of the Company at HK\$0.94 per share. The gross proceeds and net proceeds from the subscription are HK\$28,200,000 and approximately HK\$28,184,000, respectively. The proceeds are applied as general working capital of the Group.
- (3) On 13 March 2020, the Company entered into a share subscription agreement with an independent third party of the Company, Tian Yuze (who was subsequently appointed as a Non-executive Director of the Company on 7 April 2020), in relation to the subscription for 135,135,135 new shares of the Company at HK\$0.37 per share. The gross proceeds and net proceeds from the subscription are HK\$50,000,000 and approximately HK\$49,876,000 respectively. The proceeds are applied as general working capital of the Group.
- (4) On 14 April 2020, the Company entered into a share subscription agreement with an independent third party, Ngai Shun, in relation to the subscription for 135,135,135 new shares of the Company at HK\$0.37 per share. The gross proceeds and net proceeds from the subscription are HK\$50,000,000 and approximately HK\$49,987,000 respectively. The proceeds are applied as general working capital of the Group.
- (5) On 17 July 2020, the Company entered into a share subscription agreement with an independent third party, Liu Jing, in relation to the subscription for 54,054,054 new shares of the Company at HK\$0.37 per share. The gross proceeds and net proceeds from the subscription are HK\$20,000,000 and approximately HK\$19,984,000 respectively. 70% and 30% of the proceeds are applied as repayment to the interest of CB and general working capital of the Group respectively.

## 23. SHARE OPTION SCHEME

The Company operates a share option scheme (the ‘‘Scheme’’) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the ‘‘Eligible Group’’); or (ii) the trustee of any trust the beneficiary of which, or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Accordingly, the remaining life of the Scheme is approximately 1.5 months.

‘‘Related Group’’ means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above.

Pursuant to the Scheme, details of share options granted to eligible participants were as follows:

Date of grant	Number of share options granted*	Exercise price/ Adjusted exercise price*
25/1/2017	29,925,000	1.34
12/12/2017	24,437,500	1.34
21/2/2019	126,000,000	0.48
8/10/2020	47,000,000	0.36
16/11/2020	68,900,000	0.53

As at date of this announcement, an aggregate of 187,355,000 shares, representing approximately 6.68% of the total number of issued shares as at the date of this announcement, may be issued upon full exercise of all vested and unvested share options granted under the Scheme, out of which 72,019,375 shares are immediately issuable, representing approximately 2.57% of the total number of issued shares as at the date of this announcement, and 115,335,625 shares are issuable upon vesting and full exercise of share options, representing approximately 4.11% of the total number of issued shares as at the date of this announcement. The option holders should remain as eligible participants throughout the vesting period. Movements of the options granted under the Scheme, during the year were as follows:

Date of grant	Exercise price* HK\$	Exercisable period	Number of options outstanding at 1 January 2020 (Audited)	Lapsed/ cancelled during the year (Audited)	Number of options outstanding at 31 December 2020 (Audited)	Exercise during the year (Unaudited)	Lapsed/ cancelled during the year (Unaudited)	Number of options outstanding at 31 December 2021 (Unaudited)
<b>Employees</b>								
25/01/2017	1.34	02/07/2018 to 01/07/2022	3,447,500	(350,000)	3,097,500	(728,125)	(290,625)	2,078,750
25/01/2017	1.34	02/07/2019 to 01/07/2022	3,447,500	(350,000)	3,097,500	(578,125)	(290,625)	2,228,750
25/01/2017	1.34	02/07/2020 to 01/07/2022	3,447,500	(350,000)	3,097,500	(505,625)	(290,625)	2,301,250
25/01/2017	1.34	02/07/2021 to 01/07/2022	3,447,500	(350,000)	3,097,500	(468,125)	(290,625)	2,338,750
			<u>13,790,000</u>	<u>(1,400,000)</u>	<u>12,390,000</u>	<u>(2,280,000)</u>	<u>(1,162,500)</u>	<u>8,947,500</u>

The above options, being granted on 25 January 2017, were all vested on 2 July 2018. As at 31 December 2021, 8,947,500 (2020: 9,292,500) shares options were exercisable.

Date of grant	Exercise price* HK\$	Exercisable period	Number of options outstanding at 1 January 2020 (Audited)	Lapsed/ cancelled during the year (Audited)	Number of options outstanding at 31 December 2020 (Audited)	Exercised during the year (Unaudited)	Lapsed/ cancelled during the year (Unaudited)	Number of options outstanding at 31 December 2021 (Unaudited)
<b>Employees</b>								
12/12/2017	1.34	10/06/2019 to 09/06/2023	4,575,000	(2,479,375)	2,095,625	(12,500)	(241,250)	1,841,875
12/12/2017	1.34	10/06/2020 to 09/06/2023	4,575,000	(2,479,375)	2,095,625	(7,500)	(243,750)	1,844,375
12/12/2017	1.34	10/06/2021 to 09/06/2023	4,575,000	(2,479,375)	2,095,625	–	(247,500)	1,848,125
12/12/2017	1.34	10/06/2022 to 09/06/2023	4,575,000	(2,479,375)	2,095,625	–	(247,500)	1,848,125
			<u>18,300,000</u>	<u>(9,917,500)</u>	<u>8,382,500</u>	<u>(20,000)</u>	<u>(980,000)</u>	<u>7,382,500</u>
<b>Directors</b>								
12/12/2017	1.34	10/06/2019 to 09/06/2023	1,281,250	–	1,281,250	–	(93,750)	1,187,500
12/12/2017	1.34	10/06/2020 to 09/06/2023	1,281,250	–	1,281,250	–	(93,750)	1,187,500
12/12/2017	1.34	10/06/2021 to 09/06/2023	1,281,250	–	1,281,250	–	(93,750)	1,187,500
12/12/2017	1.34	10/06/2022 to 09/06/2023	1,281,250	–	1,281,250	–	(93,750)	1,187,500
			<u>5,125,000</u>	<u>–</u>	<u>5,125,000</u>	<u>–</u>	<u>(375,000)</u>	<u>4,750,000</u>

The above options, being granted on 12 December 2017, were all vested on 10 June 2019. As at 31 December 2021, 9,096,875 (2020: 6,753,750) share options were exercisable.

Date of grant	Exercise price* HK\$	Exercisable period	Number of options outstanding at 1 January 2020 (Audited)	Lapsed/ cancelled during the year (Audited)	Number of options outstanding at 31 December 2020 (Audited)	Lapsed/ cancelled during the year (Unaudited)	Number of options outstanding at 31 December 2021 (Unaudited)
<b>Employees</b>							
21/02/2019	0.48	21/02/2020 to 20/02/2024	8,000,000	–	8,000,000	–	8,000,000
21/02/2019	0.48	21/02/2021 to 20/02/2024	8,000,000	–	8,000,000	–	8,000,000
21/02/2019	0.48	21/02/2022 to 20/02/2024	8,000,000	–	8,000,000	–	8,000,000
			<u>24,000,000</u>	<u>–</u>	<u>24,000,000</u>	<u>–</u>	<u>24,000,000</u>
<b>Other Participants (Note)</b>							
21/02/2019	0.48	21/02/2020 to 20/02/2024	10,000,000	–	10,000,000	–	10,000,000
21/02/2019	0.48	21/02/2021 to 20/02/2024	10,000,000	–	10,000,000	–	10,000,000
21/02/2019	0.48	21/02/2022 to 20/02/2024	10,000,000	–	10,000,000	–	10,000,000
			<u>30,000,000</u>	<u>–</u>	<u>30,000,000</u>	<u>–</u>	<u>30,000,000</u>

*Note:* The above other participants represent 2 business consultants of the Group. Each participant was granted 15,000,000 share options. The Company considers that the business consultants are able to provide advice, latest industry/regulatory updates and share their business experience for the Group's business development/improvements, and whose contribution are expected to be beneficial to the Group.

The above options, being granted on 21 February 2019, were all vested on 21 February 2020. As at 31 December 2021, 36,000,000 (2020: 18,000,000) share options were exercisable.

Date of grant	Exercise price HK\$	Exercisable period	Number of	Granted during the year	Lapsed/	Number of	Lapsed/	Number of
			options outstanding at 1 January 2020 (Audited)		cancelled during the year (Audited)	options outstanding at 31 December 2020 (Audited)	cancelled during the year (Unaudited)	options outstanding at 31 December 2021 (Unaudited)
<b>Employees</b>								
08/10/2020	0.36	8/10/2023 to 7/10/2028	-	11,750,000	-	11,750,000	-	11,750,000
08/10/2020	0.36	8/10/2024 to 7/10/2028	-	11,750,000	-	11,750,000	-	11,750,000
08/10/2020	0.36	8/10/2025 to 7/10/2028	-	11,750,000	-	11,750,000	-	11,750,000
08/10/2020	0.36	8/10/2026 to 7/10/2028	-	11,750,000	-	11,750,000	-	11,750,000
			-	47,000,000	-	47,000,000	-	47,000,000

The above options, being granted on 8 October 2020, will be all vested on 8 October 2023. As at 31 December 2021, no share options were exercisable.

Date of grant	Exercise price HK\$	Exercisable period	Number of	Granted during the year	Lapsed/	Number of	Lapsed/	Number of
			options outstanding at 1 January 2020 (Audited)		cancelled during the year (Audited)	options outstanding at 31 December 2020 (Audited)	cancelled during the year (Unaudited)	options outstanding at 31 December 2021 (Unaudited)
<b>Employees</b>								
16/11/2020	0.53	16/11/2022 to 15/11/2027	-	6,299,991	-	6,299,991	(1,199,999)	5,099,992
16/11/2020	0.53	16/11/2023 to 15/11/2027	-	6,299,991	-	6,299,991	(1,199,999)	5,099,992
16/11/2020	0.53	16/11/2024 to 15/11/2027	-	6,300,018	-	6,300,018	(1,200,002)	5,100,016
			-	18,900,000	-	18,900,000	(3,600,000)	15,300,000
<b>Other participants (Note)</b>								
16/11/2020	0.53	16/11/2022 to 15/11/2027	-	16,666,666	-	16,666,666	-	16,666,666
16/11/2020	0.53	16/11/2023 to 15/11/2027	-	16,666,666	-	16,666,666	-	16,666,666
16/11/2020	0.53	16/11/2024 to 15/11/2027	-	16,666,668	-	16,666,668	-	16,666,668
			-	50,000,000	-	50,000,000	-	50,000,000

*Note:* The above other participants represent 3 consultants of the Group, namely technology consultant, strategic financial planning consultant and sales and marketing consultant — South Asia Region. 26,000,000, 12,000,000 and 12,000,000 share options were granted to them respectively. The Company considers that (i) technology consultant will be able to provide the latest information technology industry updates related to the Group's business and business advice for business improvements for the Group; (ii) strategic financial planning consultant will be able to make use of his investment bank connections and network in finding potential investors and projects for the Company; and (iii) sales and marketing consultant — South Asia Region will be able to provide the sales network related to the Group's businesses and introduce new potential customers in South Asia Region to the Group, and whose contribution are expected to be beneficial to the Group.

The above options, being granted on 16 November 2020, will be all vest on 16 November 2022. As at 31 December 2021, no share options were exercisable.

The fair values of the share options granted on 25 January 2017, 12 December 2017, 21 February 2019, 8 October 2020 and 16 November 2020 determined using the Binomial Option Pricing Model (the “Model”), were HK\$17,892,000, HK\$17,950,000, HK\$27,504,000, HK\$12,731,000 and HK\$25,407,000 respectively. The inputs into the Model and the estimated fair values of the share options are as follows:

	<b>25 January 2017</b>	<b>12 December 2017</b>	<b>21 February 2019</b>	<b>8 October 2020</b>	<b>16 November 2020</b>
Closing price of the shares	HK\$1.14*	HK\$1.22*	HK\$0.42*	HK\$0.36	HK\$0.53
Exercise price	HK\$1.34*	HK\$1.34*	HK\$0.48*	HK\$0.40	HK\$0.60
Dividend yield	Nil	Nil	Nil	Nil	Nil
Expected volatility	93.19%	87.92%	94.36%	92.04%	94.06%
Risk-free interest rate	1.289%	1.582%	1.423%	0.42%	0.33%
Fair value per share option	HK\$0.572* to HK\$0.612*	HK\$0.716* to HK\$0.744*	HK\$0.216* to HK\$0.22*	HK\$0.064 to HK\$0.071	HK\$0.116 to HK\$0.129

Expected volatility was estimated based on the historical volatilities of the Company’s share price while dividend yield was estimated by the historical dividend payment record of the Company.

During the year ended 31 December 2021, the Group recognised an expense of approximately HK\$16,180,000 (2020: HK\$4,261,000) as equity-settled share based payments in the consolidated statement of profit or loss with reference to their respective vesting period.

*Note:* Other participants represent the business partners providing marketing and promotion activities/ assistance for promoting the Group’s business, whose contributions are expected to be beneficial to the Group.

\* On 12 August 2019, the Company implemented the share consolidated (“Share Consolidated”) on the basis that every four issued and unissued existing shares, of a par value of HK\$0.01 each, in the share capital of the Company be consolidated into one consolidated ordinary share of HK\$0.04 each. The exercise price has been adjusted for the effect of Share Consolidation accordingly.

## **24. EVENTS AFTER REPORTING PERIOD**

Subsequent to 31 December 2021 and up to the date of this announcement, other than Overdue Borrowings, the Group has defaulted in repaying additional other borrowings and the respective overdue principal amounts payable by the Group are approximately HK\$94,713,000 (equivalent to RMB77,500,000). Management is currently in negotiation with the existing lenders with regards to the repayment arrangement of those past due borrowings, including but not limited to, agreeing to a repayment schedule. The negotiations, as represented by the management, in respect of these debt refinancing plans are in progress up to the date of this announcement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CHANGE OF COMPANY NAMES AND STOCK SHORT NAMES**

Pursuant to a resolution passed at the special general meeting held on 31 March 2021, the English and Chinese names of the Company were changed from China Touyun Tech Group Limited 中國透雲科技集團有限公司 to Touyun Biotech Group Limited 透雲生物科技集團有限公司. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in Bermuda on 13 April 2021 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 11 May 2021 (the “Change of Company Name”). To reflect the Change of Company Name, the stock short name for trading of its shares on Stock Exchange was changed from “CHINA TOUYUN” to “TOUYUN BIOTECH” in English and from “中國透雲” to “透雲生物” in Chinese with effect from 9:00 a.m. on 26 May 2021. The website of the Company also was changed from “www.chinatouyun.com.hk” to “www.touyunbiotech.com.hk”.

### **FINANCIAL REVIEW AND PROSPECTS**

For the year ended 31 December 2021, the Group recorded revenue of approximately HK\$283.5 million (2020: HK\$206.8 million), representing an increase of approximately 37.1% as compared to the last year. The increase in turnover was primarily attributable to the increase in sales orders of packaging products, QR code business and Chlamydomonas reinhardtii products.

The loss for the year ended 31 December 2021 was approximately HK\$123.0 million (2020: HK\$172.0 million), representing a decrease of approximately 28.5% as compared to financial year 2020.

#### **QR code business**

Revenue from QR code business was approximately HK\$117.6 million (2020: HK\$83.3 million), representing an increase of approximately 41.2% as compared with last year, and its segment profit was approximately HK\$24.2 million during the year ended 31 December 2021 (2020: loss of HK\$6.5 million). The increase of revenue and the segment profit of QR code business for the year ended 31 December 2021 were primarily attributable to the increase of sales orders from customers.

#### **Packaging products business**

The packaging products business reported in a revenue of approximately HK\$172.5 million for the year ended 31 December 2021 (2020: HK\$135.4 million), representing an increase of approximately 27.4% as compared with last year. A segment profit of approximately HK\$7.5 million was recorded during the year ended 31 December 2021 (2020: HK\$5.2 million), representing an increase of approximately 44.2% as compared with last year and such increase in segment profit was due to the improvement in sales orders in 2021.

## **Treasury investment business**

During the year, the Group recorded a fair value loss of approximately HK\$25.1 million on financial assets at fair value through profit or loss held for trading, compared to the fair value loss of approximately HK\$14.2 million in the previous year. Fair value loss of financial assets at fair value through profit or loss not held for trading amounting to approximately HK\$54.0 million was recognised during the year ended 31 December 2021 (2020: HK\$55.9 million).

During the year, several subsidiaries were disposed of after review of the Company's business strategies by the management of the Company. Genius Spring Limited and Hope Capital Limited, both indirect non wholly-owned subsidiaries of the Company, were disposed of on 29 October 2021 and 1 November 2021 respectively.

On 29 October 2021, the shares of Genius Spring Limited were sold to an independent third party at the consideration of HK\$40 million and the Company recognised a loss of approximately HK\$8.3 million.

On 1 November 2021, the shares of Hope Capital Limited were sold to four vendors. The Company recognised a loss of approximately HK\$14.3 million upon the disposal of Hope Capital Limited at the consideration of HK\$160 million.

On 23 February 2021, Galaxy Vantage Limited ("Galaxy Vantage"), an indirect non-wholly owned subsidiary of the Company, entered into a share subscription agreement with Blue River Investments Limited ("Subscriber"), a wholly owned subsidiary of Blue River Holdings Limited (formerly known as PYI Corporation Limited) whose shares are listed on the main board of the Stock Exchange with Stock Code 0498. Under the share subscription agreement, Galaxy Vantage allotted and issued 31,500 new shares to the Subscriber at the total subscription price of HK\$100,000,000. The subscription price per share of the subscription shares was approximately HK\$3,174.6, based on the net asset value of Galaxy Vantage, which is approximately HK\$266.5 million according to the management accounts of Galaxy Vantage as at 31 December 2020. After the completion of the share subscription, the Group's shareholding of Galaxy Vantage was approximately 61.0%.

On 2 December 2021, Era Bright Limited ("Era Bright"), a non-wholly owned subsidiary of the Company entered into a subscription agreement with Imagi Brokerage Limited ("Imagi"), pursuant to which Era Bright agreed to subscribe and Imagi agreed to issue and allot 17,000,000 new shares in Imagi for an aggregate subscription price of HK\$25 million. The subscription price per share is based on the net asset value per share of Imagi as at 31 October 2021. Imagi is principally engaged in securities brokerage and asset management.

## **Chlamydomonas reinhardtii products business**

During the year, the chlamydomonas reinhardtii products business recorded a turnover of approximately HK\$1.3 million (2020: HK\$41,000). The sharply increase of turnover comparing with last year is mainly due to the increase of sales channels, for instant, retail shop, online shop and charity organisation, and a segment loss of approximately HK\$3.1 million (2020: HK\$6.4 million), representing a decrease of segment loss of 51.6%.



On 15 January 2021, Shanxi Touyun Biotechnology Company Limited\* (山西透雲生物科技股份有限公司) and a Hebei Contractor entered into the Third Hand Hole and Heating Pipe Agreement in relation to the purchase and installation of handholes and heating pipes for the production of chlamydomonas reinhardtii, micro-algae and related products in Lucheng Economic and Technological Development Zone, Changzhuang Village, Dianshang Town, Lucheng District, Changzhi City, Shanxi Province, PRC\* (山西省長治市潞城區店上鎮常莊村潞城經濟技術開發區). Hebei Contractor is a private entity established in the PRC engaging in the business of fermentation tanks contracting.

Pursuant to the Company's announcements dated 12 August 2021 and 28 December 2021, the installation of production facilities for the manufacturing plants of 4,000 tons/year production scale was completed. Two fermentation tanks for the chlamydomonas reinhardtii project with a capacity of 180,000 litres have successfully passed the production trial for continuous fermentation. All electrical and automatic control equipment is functioning normally with its products fulfilling standards, marking the official launch of the chlamydomonas reinhardtii project of the Group. The remaining six fermentation tanks with capacity of 180,000 litres will be put into production one after another, and it is expected that all of their production will be optimized in the second half of 2022. After the optimization, the annual capacity of Chlamydomonas reinhardtii will be 4,000 tons. The design of the plant, equipment and other facilities of the second phase with an annual capacity of 6,000 tons has begun, and its construction will commence in the second half of 2022 depending on market conditions.

The Board considers that there is growth potential for the chlamydomonas reinhardtii and micro-algae products market as the population becomes more health conscious. Upon the satisfactory result of production trial of the manufacturing facilities, the production and sale of chlamydomonas reinhardtii and micro-algae related products will allow the Group to diversify its business and broaden its income streams.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group's financial position was actively and regularly reviewed throughout the year. As at 31 December 2021, the Group did not have outstanding secured CB (2020: HK\$112.2 million) and the Group had outstanding (i) approximately HK\$292.6 million (2020: HK\$59.6 million) in unsecured other borrowing bearing interest ranging from 0.5%–1% per month (2020: 1% per month), repayable within one year and denominated in Renminbi; (ii) amount due to a director of approximately HK\$92.6 million (2020: HK\$98.9 million) which is unsecured, interest-free and repayable on demand; and (iii) margin loans payable of approximately HK\$3.6 million (2020: HK\$28.5 million) which is secured by listed equity securities held under the margin accounts, with variable interest rates ranging from 12% to 24%. As at 31 December 2021, the Group had cash balances amounting to approximately HK\$60.2 million (2020: HK\$142.4 million). The gearing ratio (net borrowings to shareholders' equity) was approximately 0.67 (2020: 0.28). The increase of gearing ratio was primarily due to increase in the short-term loans for the construction of the manufacturing factory in Shanxi.

\* For identification purpose only

## **SHARE CAPITAL**

On 12 April 2021, the Company entered into a share subscription agreement with an individual investor, Zhai Jin Ping, in relation to the subscription for 30,000,000 new shares of the Company at HK\$0.94 per share. The gross proceeds and net proceeds from the subscription are HK\$28,200,000 and approximately HK\$28,184,000 respectively. The proceeds are applied as general working capital of the Group.

During the year, 2,300,000 new shares were issued as a result of exercise of 2,300,000 share options by employees.

Details of the movement of the share capital are set out in note 22.

## **CONVERTIBLE BOND**

In March 2020, the Company repaid the CB principal and interest in the amounts of US\$6,000,000 and US\$587,000 (equivalent to HK\$46,800,000 and HK\$4,580,000) respectively, and US\$20,580,000 (equivalent to HK\$160,524,000) of the principal amount of the CB remained outstanding. In May and July 2020, the Company repaid interest of US\$642,000 and US\$1,814,700 (equivalent to HK\$5,008,000 and HK\$14,155,000) respectively.

On 21 July 2020, the Company and CB Holder entered into the Amendment Deed to amend and restate the terms of the CB issued to the CB Holder on 10 November 2017. Details of these are set out in the Company's announcement dated 21 July 2020. As of 21 July 2020, the outstanding CB amounted to US\$20,580,000. According to the Amendment Deed, the US\$20,580,000 CB would carry interest at 12% per annum, payable semi-annually in arrears. The maturity date was extended from 10 November 2019 to 10 November 2021. The conversion price was amended to HK\$0.8 per share, subject to anti-dilutive adjustments. In addition, the CB Holder would be entitled to require the Company to redeem the CB in whole, or in part for the time being outstanding at the redemption amount from 10 October 2020. The CB is secured by the share capital or registered capital of certain subsidiaries of the Group and certain cash/securities account and personal guarantee provided by Mr. Wang Liang.

On 21 December 2020, the Company repaid principal and interest amounting to US\$6,400,000 and US\$1,322,000 (equivalent to HK\$49,920,000 and HK\$10,314,000) respectively. On 4 May 2021, the Company repaid interest in the amount of US\$850,800 (equivalent to HK\$6,637,000). The CB matured on 10 November 2021 and was fully redeemed by the Company through repayment of principal and interest amounting US\$14,180,000 and US\$850,800 (equivalent to HK\$110,604,000 and HK\$ HK\$6,636,000), respectively.

Details of the CB are set out in note 21.

## CAPITAL COMMITMENTS

The Group has the following capital commitments at the end of the reporting period:

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Contracted but not provided for:		
Construction in progress	–	52,669

## PLEDGE OF ASSETS

As at 31 December 2020, the Group's equity interests in Apex Capital Business Limited and its subsidiaries were pledged to secure the HK\$112.2 million CB. During the year, these pledged assets were released.

As at 31 December 2021, the Group's margin loans payable of HK\$3.6 million (2020: HK\$28.5 million) were secured by listed equity securities, held under the margin accounts, with a total market value of approximately HK\$17.6 million (2020: HK\$65.5 million).

## CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any contingent liabilities (2020: Nil).

## FINANCE LEASE OBLIGATIONS

As at 31 December 2021, the Group has no outstanding obligations under finance lease (2020: Nil).

## **EMPLOYEES**

As at 31 December 2021, the Group employed approximately 509 full-time employees in Hong Kong and PRC and 8 part-time employees in Hong Kong (2020: Full-time: 506; Part-time: Nil). The Group's remuneration policy is commensurate with merit, qualification and competence of its employees. In addition to salary and year-end bonus, the relevant remuneration packages also comprised of the Scheme, provident fund contribution, medical and life insurance.

## **FOREIGN EXCHANGE RISK**

The Group's revenues were mainly denominated in US dollars and Renminbi while expenses were mainly in Hong Kong dollars and Renminbi. In view of the prevailing financial market situation, the Group did not deal in any foreign exchange hedging products for the exposure of currency risk of Renminbi during the year. However, the Group will still closely monitor fluctuations in exchange rates and actively manage the currency risk involved.

## **UPDATE ON USE OF PROCEED IN RELATION TO FUND RAISING ACTIVITIES**

The Company would like to provide an update in respect of the use of the net proceeds in relation to the past fund raising activities as at 31 December 2021:

<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
(1) The Company raised HK\$406.1 million net proceeds from the placing of shares in November 2016 and the net proceeds were intended to be used as follow:	
(a) An amount of HK\$263.4 million was used for the redemption of the Promissory Note.	An amount of HK\$263.4 million was utilised for the full redemption of the Promissory Note in the principal amount of HK\$258 million and payment of accrued interest.

\* *For identification purpose only*

## Intended use of proceeds

- (b) An amount of HK\$142.7 million is for the expansion and development of its QR code business:
- (i) an amount of RMB55 million (equivalent to approximately HK\$63 million) towards an acquisition (the “Acquisition”) of 透雲物聯網科技(北京)有限公司 (TY Technology (Beijing) Co., Ltd\*) in the PRC by 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.\*), an indirect wholly-owned subsidiary of the Company, under the relevant acquisition agreement dated 24 January 2017 which was completed in March 2017;
  - (ii) approximately HK\$14.4 million for the acquisition of plant and equipment (the “Plant and Equipment Acquisition”);
  - (iii) approximately HK\$58.7 million for research and development, recruitment of technical staff and other personnel and other working capital needs for QR codes business (the “Research & Development”); and
  - (iv) approximately HK\$6.6 million for the purchase of transportation and office supplies to support the “Finding the origins of the edible goods program” in different provinces in the PRC (the “Purchase of Transportation and Supplies”).

## Actual use of proceeds

- (i) The Acquisition was completed in March 2017 and an amount of HK\$63 million was fully used towards the Acquisition.
- (ii) An amount of HK\$14.4 million was fully used towards the Plant and Equipment Acquisition.
- (iii) An amount of HK\$58.7 million was fully utilised in the Research & Development.
- (iv) An amount of HK\$3.2 million was utilised in the Purchase of Transportation and Supplies; and the remaining HK\$3.4 million has not yet been utilised and is expected to be utilised in 2022 and applied for the same purpose as disclosed in the Company’s announcements.

\* For identification purpose only

## **Intended use of proceeds**

## **Actual use of proceeds**

- (2) An amount of net proceeds of US\$39.6 million (equivalent to HK\$309.4 million) was raised from issue of US\$40 million 7% interest CB in November 2017. The Company early redeemed US\$13 million (equivalent to HK\$101.4 million) in principal amount of the CB in August 2018. Therefore, the net proceeds of HK\$203.3 million were intended to use as follows:
- (a) An amount of HK\$172.5 million was used for expansion and development of QR codes business; and
- (b) An amount of HK\$30.8 million was used for general working capital of corporate office.
- (3) An amount of net proceeds of HK\$49.88 million was raised from subscription of new shares in March 2020 and applied as general working capital of the Group.
- (4) An amount of net proceeds of HK\$49.98 million was raised from subscription of new shares in April 2020 and applied as general working capital of the Group.
- (5) An amount of net proceeds of HK\$19.98 million was raised from subscription of new shares in July 2020 and the Group intends to apply 70% of the net proceeds as repayment of interest of the CB and the remaining 30% of the net proceeds are applied as general working capital of the Group.
- (6) An amount of net proceeds of HK\$28.18 million was raised from subscription of new shares in April 2021 and applied as general working capital of the Group.
- An amount of HK\$172.5 million was fully utilised for the expansion and development of QR codes business.
- An amount of HK\$30.8 million was fully utilised for general working capital of corporate office.
- An amount of HK\$49.88 million was fully utilised as general working capital of the Group.
- An amount of HK\$49.98 million was fully utilised as general working capital of the Group.
- 70% of the net proceeds was fully utilised as repayment of interest of the CB and 30% of the net proceeds was fully utilised as general working capital of the Group.
- An amount of HK\$28.18 million was fully utilised as general working capital of the Group.

## SIGNIFICANT INVESTMENT HELD

As at 31 December 2021, the Group held listed investments, unlisted investments and investment in wealth management products of approximately HK\$17.6 million, HK\$318.9 million and HK\$16.2 million, respectively, details of which are set out as follows:

Nature of investments	Number of	Percentage of	Fair value	Fair value/carrying amount		Percentage to	Investment	Net profit/ (loss) of the investee	Notes
	shares held as at 31 December 2021	shareholding as at 31 December 2021 %	change for year ended 31 December 2021 HK\$'000	as at 31 December 2021 HK\$'000	as at 31 December 2020 HK\$'000	the Group's total assets as at 31 December 2021 %			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	
<b>Financial assets at fair value through profit or loss</b>									
<i>Unlisted Investments</i>									
Freewill Holdings Limited ("Freewill")	14,550,000	2.95	-	-	-	-	80,025	(34)	(a)
Co-Lead Holdings Limited ("Co-Lead")	363	2.56	(29,315)	59,708	89,023	5.83	145,200	(836,796)	(a)
FreeOpt Holdings Limited ("FreeOpt")	1,500,000	17.61	(5,981)	144,479	150,460	14.10	150,000	(12,227)	(a)
Imagi Brokerage Limited ("Imagi")	17,000,000	2.97	-	25,000	-	2.44	25,000	(40,086)	(a)
Seekers Partners Limited ("Seekers")	9,108,328	0.55	(16,040)	27,000	43,040	2.63	53,217	(1,633,823)	(b)
Simagi Finance Company Limited ("Simagi")	13,000,000	12.12	(8,659)	29,504	38,163	2.88	65,000	7,113	(a)
Triton Algae Innovations, Ltd. ("Triton")	1,215,278	3.73	5,946	33,246	-	3.24	27,300	(25,592)	(a)
			<u>(54,049)</u>	<u>318,937</u>	<u>320,686</u>	<u>31.12</u>	<u>545,742</u>		

### Notes:

The net profit/(loss) of the investee is based on the investee's financial information, which is:

- (a) Based on its management accounts for period ended 31 December 2021.
- (b) Based on its management accounts for period ended 30 September 2021.

Nature of investments	Number of shares held as at 31 December 2021	Percentage of shareholding as at 31 December 2021	Unrealised	Dividends	Fair value		Percentage to	Investment cost	Net profit/(loss) of the investee	Note
			gain on fair value change for year ended 31 December 2021	received for year ended 31 December 2021	as at 31 December 2021	as at 31 December 2020	the Group's total assets as at 31 December 2021			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	
		%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	
Financial assets at fair value through profit or loss										
<i>Listed Investments</i>										
China Evergrande New Energy Vehicle Group Ltd. ("Evergrande Vehicle")	5,000,000	0.05	2,542	-	17,600	22,348	1.72	15,058	(5,784,023)	(c)

The Company also invested in wealth management products of approximately HK\$16,156,000 (equivalent to RMB13,220,000) as at 31 December 2021.

*Note:*

The net profit/(loss) of the investee is based on the investee's financial information, which is:

(c) Based on its interim report for six months ended 30 June 2021.

Freewill is principally engaged in the business of investment holding.

Co-Lead is principally engaged in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

FreeOpt is principally engaged in the provision of finance and money lending business.

Imagi is principally engaged in securities brokerage and asset management businesses.

Seekers is principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments.

Simagi is principally engaged in the money lending business.

Triton is principally engaged in research and development and marketing of micro-algae products in the United States of America.

Evergrande Vehicle is principally engaged in (i) Internet plus community health management, international hospitals, the elderly care and rehabilitation industry, medical beauty and anti-aging, as well as the sale of healthcare spaces; (ii) research, development, production and sale of new energy vehicles, including selling lithium batteries and automotive components, as well as providing technical services.

Looking ahead, the global economy and investment markets are still fragile, weak and remain susceptible to downside risk, the management of the Company will continuously monitor and manage the investment portfolios to balance risk and capture investment opportunities for the Group.



## **CORPORATE GOVERNANCE**

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules, except that one Executive Director and two Non-executive Directors did not attend the annual general meeting of the Company held on 4 June 2021 (the “2021 AGM”) due to other business engagement. The Company considers that the members of the Board who attended the 2021 AGM were able to sufficiently answer questions from shareholders at the 2021 AGM.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. In response to a specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

## **REVIEW OF UNAUDITED CONSOLIDATED ANNUAL RESULTS**

In light of the quarantine measures and travel restrictions imposed in the PRC and Hong Kong due to the outbreak of the coronavirus disease 2019 (COVID-19), the auditing process for the annual financial statements for the year ended 31 December 2021 has not been completed and it shall take more time for the Company to work with the Company’s auditors, Moore Stephens CPA Limited (the “Auditors”) to enable them to assess the going concern of the Group as mentioned in note 1(b) of this announcement. The unaudited consolidated annual results contained herein have not been agreed with the Auditors as required under Rule 13.49 (1) and 13.49(2) of the Listing Rules. A further announcement relating to the annual results as agreed with the Auditors and the material differences (if any) as compared with the unaudited consolidated annual results contained herein will be made when the auditing process has been completed. The Company expects that an agreement from the Auditors will be reached and a further announcement will be published on or before 29 April 2022.

The unaudited consolidated annual results of the Group for the year ended 31 December 2021 have been reviewed by the audit committee of the Company, comprising three independent non-executive Directors namely, Mr. Ha Kee Choy Eugene (Chairman of the Audit Committee), Mr. Cheung Wing Ping and Mr. To Shing Chuen.

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited consolidated annual results for the year ended 31 December 2021 as agreed by the Auditors and the material differences (if any) as compared with the unaudited consolidated annual results contained herein.

In addition, the Company will issue further announcement(s) when necessary if there are other material developments in the completion of the auditing process. The Company expects the auditing process will be completed by the end of April and the audited annual results for the year ended 31 December 2021 will be published on or before 29 April 2022.

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

This unaudited consolidated annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Group (<http://www.touyunbiotech.com.hk>). The annual report of the Company for the year ended 31 December 2021 will be dispatched to the shareholders of the Group and made available for review on the aforesaid websites on or before 29 April 2022.

The financial information contained herein in respect of the consolidated annual results of the Group for the year ended 31 December 2021 have not been audited and have not been agreed with the Auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board  
**Touyun Biotech Group Limited**  
**Wang Liang**  
*Chairman*

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprised the following Directors:

*Executive Directors*

Mr. Wang Liang (*Chairman*)  
Mr. Du Dong

*Non-executive Directors*

Mr. Chen Hui  
Ms. Tian Yuze  
Mr. Zhang Lele  
Mr. Jia Wenjie

*Independent Non-executive Directors*

Mr. Cheung Wing Ping  
Mr. Ha Kee Choy Eugene  
Mr. To Shing Chuen  
Mr. Hu Guohua