TIAN YUAN HEALTHCARE
天 元 医 疗

China Tian Yuan Healthcare Group Limited
中國天元醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

(STOCK CODE 股份代號：557)

ANNUAL REPORT 年報 2022

Mission Statement

To invest in businesses with high growth potential so as to increase shareholder value.

使 命

投資於具高增值潛力之業務以提高股東價值。

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Chairman's Statement

On behalf of the board (the "Board" or "Board of Directors") of directors (the "Directors") of the Company, I am pleased to present China Tian Yuan Healthcare Group Limited (the "Company") and its subsidiaries (the "Group") results for the financial year ended 31 December 2022 ("FY2022"). The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$29.0 million for FY2022 as compared with a net loss attributable to the equity shareholders of the Company from continuing operations of approximately HK$16.9 million in the previous corresponding year. The higher net loss was mainly due to the decrease in turnover and in turn higher net loss in Shanghai hospital resulted from the negative impact of COVID-19.

Investment Holding segment

The Group's Investment Holding segment recorded net realised and unrealised foreign exchange gain of approximately HK$8.4 million and the net realised and unrealised valuation loss on financial assets at FVTPL of approximately HK$6.9 million, which is offset by the gain on waiver of current accounts with subsidiaries of approximately HK$51.4 million. Overall, total net realised and unrealised gain of approximately HK$36.1 million was recorded for FY2022 as compared with the total net realised and unrealised gain of approximately HK$1.7 million in the previous corresponding year. Consequently, the Group's Investment Holding segment reported a profit before tax of approximately HK$18.2 million for FY2022 as compared with a loss before tax of approximately HK$26.0 million in the previous corresponding year.

Healthcare segment

The Group's healthcare business has been carried out under Shanghai Hospital, PRIP Communications Limited ("PRIP") and DIAM Holdings Co., Ltd ("DIAM").

The Group partially owned a hospital in Shanghai ("Shanghai Hospital") and it is principally engaged in the plastic surgery operation in Shanghai Province of the People's Republic of China (the "PRC"). Shanghai Hospital is a specialized plastic surgery hospital which operates class 1 to class 3 plastic surgery operations and facial bone contouring technique plastic surgery operations in the PRC, and provides high quality services to the public customers. Shanghai Hospital has obtained the medical institution practicing license in the PRC to carry out its plastic surgery services in the PRC. Shanghai Hospital has been providing plastic surgery services, including but not limited to, Chinese medical aesthetic services, aesthetic dentistry, facial contouring surgery, etc. Shanghai Hospital recorded revenue of approximately HK$31.1 million and net loss of approximately HK$19.0 million for FY2022 as compared with revenue of approximately HK$66.7 million and net loss of approximately HK$14.5 million for FY2021. The significant drop in revenue in 2022 is due to the lockdown of Shanghai City under Covid-19 outbreak accompanied with social and travel restrictions during late March to early June 2022, leading to drastic decrease in customers as well as prolonged suspension of operation of Shanghai Hospital.

PRIP contributed royalty income of approximately HK$6.6 million for FY2022 as compared with royalty income of approximately HK$11.1 million in the previous corresponding year, and PRIP and DIAM contributed no service income for both FY2022 and FY2021.

Money Lending and Related Business segment

Regarding the Group's Money Lending and Related Business segment, the Company recognised interest income from third parties loans of HK$16.5 million for FY2022, as compared with interest income from third parties loans of HK$16.8 million in the previous corresponding year.

Others

Basic loss per share for FY2022 was HK$7.28 cents, calculated on the weighted average number of ordinary shares of the Company in issue during the year of 398,979,524. The Group's net tangible assets per share is HK$0.39 as at 31 December 2022, decreased from HK$0.44 at 31 December 2021. The board did not propose a final dividend for FY2022.

Chairman's Statement

PROSPECTS

Healthcare business

The Group will continue to further develop and expand its existing core business, including but not limited to the plastic surgery and medical beauty services in China and other Asia Markets. The Group has been continuously exploring the healthcare and plastic surgery sector in the PRC.

The Group is of the view that there is room for growth in customer spending in the medical beauty industry in the PRC in the future. Through the Group's experience in the management of PRIP Communications Limited, and the importation of the Korean DA branding to the market in the PRC, and its experience in the investment in Shanghai Hospital, the Group will further develop the provision of management and marketing services to other plastic surgery hospitals in the PRC in the future.

Money lending and related business

In 2022, the Group will continue its money lending and related business, which include lender or borrower referral business, fund matching, fund arrangement and/or fund participation but exclude any regulatory activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Delightful Aesthetics Investment Limited, a wholly-owned subsidiary of the Company, is a licensed money lender under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). Given that the global outbreak of the novel coronavirus (COVID-19) pandemic has caused disruptions to the business activities globally and the trade friction and negotiation between the People's Republic of China and the United States is expected to continue and adversely affect the global economic environment, the Group has been and will be more cautious with the credit assessment and acceptance of customers from money lending and related business. In order to strike a balance between expansion of the money lending and related business segment and the risk control of the Group, the Group will adopt a more prudent credit assessment and procedures when accepting customers for money lending business in the future.

Chairman's Statement

Investment holding

The Group will continue to hold some trading securities and will monitor and make appropriate changes on the investment portfolio from time to time to adapt to the economic environment. In addition, the Group will explore different short-term investment plans to improve its investment return by using the cash reserves on hand in different currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value measurement of the Group's trading securities and unrealised gains or losses on the revaluation of foreign currency cash deposits.

New business segments

Whilst the Group is striving for progress in its existing businesses, the management is also actively seeking other business opportunities with a view of diversifying and enhancing income sources.

On behalf of the Board of Directors, I would like to thank all customers, business partners, Shareholders, management and staff for their continued support of the Group.

Dong Wei
Chairman
30 March 2023

Financial Statistics Summary

Consolidated Statement of Profit or Loss

	The Group				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**54,216**	94,588	56,340	70,548	59,669
Loss before taxation	**(40,349)**	(19,063)	(125,847)	(162,882)	(15,987)
Income tax credit/(expense)	**–**	–	15,812	(219)	(375)
Loss for the year	**(40,349)**	(19,063)	(110,035)	(163,101)	(16,362)
Attributable to:					
Equity shareholders of the Company	**(29,036)**	(16,854)	(65,101)	(168,173)	(14,448)
Non-controlling interests	**(11,313)**	(2,209)	(44,934)	5,072	(1,914)
Loss for the year	**(40,349)**	(19,063)	(110,035)	(163,101)	(16,362)
Earnings per share					
Basic loss per share (HK cents)	**(7.28)**	(4.22)	(16.31)	(35.91)	(6.92)
Continuing operations					
Basic loss per share (HK cents)	**(7.28)**	(4.22)	(16.31)	(42.15)	(3.62)

Financial Statistics Summary

Consolidated Statement of financial position

	The Group				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Property, plant and equipment	**50,759**	60,914	59,362	4,631	53,845
Intangible assets	**12,043**	17,835	20,999	117,396	142,653
Goodwill	**58,407**	62,834	60,687	7,119	95,016
Interest in associates	**7,167**	7,511	7,111	6,122	8,367
Trade and other receivables	**15,342**	8,529	11,366	12,232	23,779
Other financial assets	**–**	–	–	–	538
Current assets	**189,827**	218,776	221,771	301,789	381,074
Total assets	**333,545**	376,399	381,296	449,289	705,272
Current liabilities	**(44,233)**	(36,357)	(31,865)	(16,276)	(62,956)
Total assets less current liabilities	**289,312**	340,042	349,431	433,013	642,316
Dividends received in excess of earnings from equity-method accounted joint venture	**(227)**	(227)	(227)	(227)	(227)
Interest-bearing borrowings	**–**	–	–	–	(28,041)
Lease liabilities	**(47,063)**	(55,764)	(51,817)	(1,374)	–
Loan from non-controlling interests	**–**	–	–	–	(11,940)
Deferred rental expenses	**–**	–	–	–	(1,897)
Deferred tax liabilities	**–**	–	–	(15,852)	(15,938)
Other financial liabilities	**–**	–	–	–	(8,272)
Net assets	**242,022**	284,051	297,387	415,560	576,001
Capital and reserves					
Share capital	**398,980**	398,980	398,980	398,980	398,980
Share premium	**20,663**	20,663	20,663	20,663	20,663
(Deficit)/reserves	**(195,341)**	(163,396)	(152,115)	(88,941)	66,305
Total equity attributable to equity shareholders of the Company	**224,302**	256,247	267,528	330,702	485,948
Non-controlling interests	**17,720**	27,804	29,859	84,858	90,053
Total equity	**242,022**	284,051	297,387	415,560	576,001

Business Review

Group Performance

The Group recorded a net loss of approximately HK$40.3 million for FY2022 as compared with a net loss of approximately HK$19.1 million for the year ended 31 December 2021 ("FY2021"). The higher net loss was mainly attributable to decrease in turnover and in turn higher net loss in Shanghai hospital resulted from the negative impact of COVID-19.

The Group recorded a net loss attributable to the equity shareholders of the Company of approximately HK$29.0 million for FY2022 as compared with a net loss attributable to the equity shareholders of the Company of approximately HK$16.9 million in FY2022.

The analysis of the Group's revenue and profit and loss from operations by business segments are set out in the notes to the financial statements.

Investment Holding segment

The Group's Investment Holding segment recorded net realised and unrealised foreign exchange gain of approximately HK$8.4 million and the net realised and unrealised valuation loss on financial assets at FVTPL of approximately HK$6.9 million, which is offset by the gain on waiver of current accounts with subsidiaries of approximately HK$51.4 million. Overall, total net realised and unrealised gain of approximately HK$36.1 million was recorded for FY2022 as compared with the total net realised and unrealised gain of approximately HK$1.7 million in FY2021.

Consequently, the Group's Investment Holding segment reported a profit before tax of approximately HK$18.2 million for FY2022 as compared with a loss before tax of approximately HK$26.0 in FY2021.

Healthcare segment

The Group's healthcare business has been carried out under Shanghai Hospital, PRIP Communications Limited ("PRIP") and DIAM Holdings Co., Ltd ("DIAM").

The Group partially owned a hospital in Shanghai ("Shanghai Hospital") and it is principally engaged in the plastic surgery operation in Shanghai Province of the PRC. Shanghai Hospital is a specialized plastic surgery hospital which operates class 1 to class 3 plastic surgery operations and facial bone contouring technique plastic surgery operations in the PRC, and provides high quality services to the public customers. Shanghai Hospital has obtained the medical institution practicing license in the PRC to carry out its plastic surgery services in the PRC. Shanghai Hospital has been providing plastic surgery services, including but not limited to, Chinese medical aesthetic services, aesthetic dentistry, facial contouring surgery, etc. For FY2022, Shanghai Hospital recorded revenue of approximately HK$31.1 million and net loss of approximately HK$19.0 million as compared with a revenue of HK$66.7 million and net loss of approximately HK$14.5 million for FY2021. The significant drop in revenue in 2022 is due to the lockdown of Shanghai City under Covid-19 outbreak accompanied with social and travel restrictions during late of March to early June 2022, leading to drastic decrease in customers as well as prolonged suspension of operation of Shanghai Hospital.

PRIP contributed royalty income of approximately HK$6.6 million for FY2022 as compared with royalty income of approximately HK$11.1 million in FY2021, and PRIP and DIAM contributed no service income for both FY2022 and FY2021.

Business Review

Money Lending and Related Business segment

Regarding the Group's Money Lending and Related Business segment, the Company recognised interest income from third parties loans of HK$16.5 million for FY2022, as compared with interest income from third parties loans of HK$16.8 million in FY2021.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Venture

The Group had no material acquisitions and disposals of subsidiaries, associates and joint venture during the year under review.

Financial Position

As at 31 December 2022, the Group's total assets stood at HK$333.5 million, decreased from HK$376.4 million as at 31 December 2021. The Group's net tangible asset per share is HK$0.39 as at 31 December 2022, down from HK$0.44 as at 31 December 2021.

As at 31 December 2022, the Group's working capital ratio was 4.3 (2021: 6.0).

The Group reports its results in Hong Kong Dollar and it is the objective of the Group to preserve its value in terms of Hong Kong Dollar. It is the Group's policy to continue to pursue strategies that would enhance the Group's long-term value and bring reasonable returns to the Shareholders with a cautious attitude.

Cash Flow and Borrowings

During FY2022, cash used in operations amounted to HK$46.3 million plus interest received of HK$16.0 million during the year, this result in net cash used in operating activities amounted to HK$30.3 million.

In FY2022, the Group recorded net cash inflow for net proceeds on disposal and purchase of financial assets at fair value through profit or loss amounted to HK$0.1 million and cash outflow for purchase of property, plant and equipment of HK$1.3 million, as a result, the net cash used in investing activities amounted to HK$1.2 million.

Overall, HK$44.1 million net cash was used and resulted in a total Group's cash and cash equivalents of HK$26.5 million as at 31 December 2022, decreased from HK$65.7 million as at 31 December 2021.

The Group did not have any bank borrowings as at 31 December 2022, the Group was in a net cash position amounting to HK$26.5 million as at 31 December 2022. Hence, the Group's gearing is zero, which is expressed as a percentage of current and non-current loans and borrowings less cash and cash equivalents over total equity attributable to equity shareholders of the Company.

Treasury Activities

Majority of the Group's cash is held in Hong Kong and United States Dollar cash deposits. We will closely monitor the Group's exposure to currency movement and take the appropriate action when necessary.

Directors and Employees

As at 31 December 2022, the Group had a total of 111 employees, including directors (2021: 112).

The total Group's staff costs comprising salaries, wages and other benefits was HK$26.9 million as compared with HK$40.2 million in FY2021. The decrease in payroll costs was mainly resulted from payroll cost of Shanghai Hospital dropped due to its prolonged suspension of operation under Covid-19 outbreak and decrease in the payroll of CEO.

The Group has a competitive wage and benefits package which are critical to maintaining a level of consistent and quality services.

The Group has conducted a range of training programmes to strengthen employees' all round skills and knowledge, aiming to well-equip them to cope with its development in the ever-changing economy.

Business Review

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including business risks, operational risks and financial management risks.

The Company's Money Lending and Related Business is susceptible to credit risk. The Group refers to the money lending policy and guidelines for credit assessment on the borrowers, including evaluating a prospective borrowers' financial condition and assessing possible loan collateral. The related agreements are monitored continuously to ensure that the terms are being followed.

The financial risk management policies and practices of the Group are shown in note 31 to the financial statements.

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

Compliance with the Relevant Laws and Regulations

As far as the Board of Directors and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Suppliers, Customers and other Stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. It enjoys good relationships with suppliers and customers and strives to take an active part in the communities where they operate. During FY2022, there were no material and significant dispute between the Group and its suppliers and/or customers.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Such initiatives include recycling of used papers and, energy saving measures. The prescribed information of environmental, social and governance matters are disclosed in the Environmental, Social and Governance Report section to the annual report.

PROSPECTS

Healthcare business

The Group will continue to further develop and expand its existing core business, including but not limited to the plastic surgery and medical beauty services in China and other Asia Markets. The Group has been continuously exploring the healthcare and plastic surgery sector in the PRC.

The Group is of the view that there is room for growth in customer spending in the medical beauty industry in the PRC in the future. Through the Group's experience in the management of PRIP Communications Limited, and the importation of the Korean DA branding to the market in the PRC, and its experience in the investment in Shanghai Hospital, the Group will further develop the provision of management and marketing services to other plastic surgery hospitals in the PRC in the future.

Business Review

Money lending and related business

In 2022, the Group will continue its money lending and related business, which include lender or borrower referral business, fund matching, fund arrangement and/or fund participation but exclude any regulatory activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Delightful Aesthetics Investment Limited, a wholly-owned subsidiary of the Company is a licensed money lender under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). Given that the global outbreak of the novel coronavirus (COVID-19) pandemic has caused disruptions to the business activities globally and the trade friction and negotiation between the PRC and the United States is expected to continue and adversely affect the global economic environment, the Group has been and will be more cautious with the credit assessment and acceptance of customers from money lending and related business. In order to strike a balance between expansion of the money lending and related business segment and the risk control of the Group, the Group will adopt a more prudent credit assessment and procedures when accepting customers for money lending business in the future.

Investment holding

The Group will continue to hold some trading securities and will monitor and make appropriate changes on the investment portfolio from time to time to adapt to the economic environment. In addition, the Group will explore different short-term investment plans to improve its investment return by using the cash reserves on hand in different currencies. From time to time, there could be continued adjustments attributable to unrealised gains or losses arising from the fair value measurement of the Group's trading securities and unrealised gains or losses on the revaluation of foreign currency cash deposits.

New business segments

Whilst the Group is striving for progress in its existing businesses, the management is also actively seeking other business opportunities with a view of diversifying and enhancing income sources.

Corporate Governance Report

For the year ended 31 December 2022

(a) Corporate governance practices

Paragraph C.2.1 of the Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Starting from 4 November 2022, the roles of Chairman and Chief Executive Officer were performed by the same individual, Ms. Dong Wei. She is responsible for formulating the overall business development strategy and planning of the Group. The Directors meet regularly to consider issues related to corporate matters affecting operations of the Group and considers that this deviation will not impair the balance of power and authority of the Board and the Company's management and thus, the Directors believe the current structure will enable effective planning and implementation of corporate strategies and decisions of the Group. Notwithstanding the above, the Company is endeavouring to identify suitable candidate for executive directors to share the roles of Ms. Dong Wei (as the Chairman and Chief Executive Officer) as soon as practicable to meet the requirements of the Code.

The Directors and management of the Company (the "Management") are committed to maintaining high standards of corporate governance, in line with the principles stated in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

The Management provides all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under rule 3.08 and Chapter 13 of the Listing Rules.

In the opinion of the Directors, saved as disclosed herein, the Company has complied with CG Code throughout the year under review.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

(b) Directors' securities transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have complied with the Model Code throughout the year under review.

(c) Board of Directors

During the year under review and up to the date of this annual report, the Board comprises seven Directors, of which two are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The members of the Board are as follows:

Executive Directors
Mr. Wang Huabing (Chairman) (resigned on 4 November 2022)
Ms. Zhang Xian (resigned on 19 January 2022)
Ms. Dong Wei

Non-executive Directors
Ms. He Mei
Mr. Zhou Yuan

Independent Non-executive Directors
Mr. Hu Baihe (retired on 28 June 2022)
Mr. Yuen Kwok Kuen
Mr. Guo Jingbin (resigned on 15 July 2022)
Ms. Zhou Siqi (appointed on 5 May 2022)
Mr. Li Jun (appointed on 15 July 2022)

The biographical details of the Directors and senior management of the Company (the "Senior Management") as at the date of this annual report are set out in the Profile on Directors and Senior Management section of the Directors' Report.

There is no relationship (including financial, business, family or other material/relevant relationship) between the Board members of the Company.

Corporate Governance Report

For the year ended 31 December 2022

(c) Board of Directors *(cont'd)*

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considered such independent non-executive Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. The Board should establish the Company's purpose, values and strategy, and satisfy itself that these and the Company's culture are aligned. All Directors must act with integrity, lead by example, and promote the desired culture. Such culture should instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of Senior Management. These functions are either carried out directly by the Board or through committees established by the Board. The Board gives the committees sufficiently clear terms of reference to enable them to perform their functions properly. The terms of reference require them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements). The Management is responsible for the day-to-day management and operations of the Company's business including the implementation of internal control, business strategies and plans approved by the Board. The Company reviews the functions reserved to the Board and those delegated to the Management periodically to ensure that they remain appropriate to the Company's need. When the Board delegates aspects of its Management and administration functions to the Management, it must, at the same time, give clear directions as to the Management's powers, in particular, where the Management should report back and obtain prior Board approval before making decisions or entering into any commitments on the Company's behalf. Directors clearly understand delegation arrangements in place. The Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Directors, individually or as a group, are entitled to take independent professional advice, at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant it.

The Company conducts regular scheduled Board meetings. Additional meetings are convened as and when circumstances warrant. The attendance of individual Directors at Board, Audit Committee, Remuneration Committee, Nomination Committee and general meetings of the Company in 2022, as well as the frequency of such meetings, is set out below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Attended 2022 AGM**
Executive Directors					
Mr. Wang Huabing	21/24	N/A	N/A	1/1	✓
Ms. Zhang Xian	1/24	N/A	1/1	N/A	N/A
Ms. Dong Wei	24/24	N/A	N/A	N/A	✓
Non-executive Directors					
Ms. He Mei	24/24	N/A	N/A	N/A	✓
Mr. Zhou Yuan	18/24	N/A	N/A	N/A	✓
Independent Non-executive Directors					
Mr. Hu Baihe	8/24	1/1	1/1	1/1	✓
Mr. Yuen Kwok Kuen	15/24	2/2	1/1	1/1	✓
Mr. Guo Jingbin	12/24	1/1	1/1	1/1	✓
Ms. Zhou Siqi	8/24	1/1	N/A	N/A	N/A
Mr. Li Jun	4/24	1/1	N/A	N/A	N/A

N/A – Not Applicable

Corporate Governance Report

For the year ended 31 December 2022

(d) Directors' Training and Professional Development

All Directors should keep abreast of the responsibilities as a Director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable training for its Directors. The Directors' training records for the year had been provided to the Company.

On appointment to the Board, the newly appointed Director would be provided a comprehensive induction package covering business operations and obligations of being a director to ensure that the Director would be sufficiently aware of the responsibilities under the Listing Rules and other relevant regulatory requirements.

From time to time, the Company updates and provides written materials to the Directors on the latest development of the Listing Rules, applicable laws, rules and regulations relating to directors' duties and responsibilities. All Directors confirmed that they have complied with the CG code provision A.6.5.

(e) Chairman and Chief Executive Officer

Mr. Wang Huabing was the Chairman of the Board. Ms. Dong Wei succeeded as Chairman after Ms. Wang Huabing's resignation. Ms. Dong Wei is also the CEO.

The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Starting from 4 November 2022, the roles of Chairman and Chief Executive Officer were performed by the same individual, Ms. Dong Wei. She is responsible for formulating the overall business development strategy and planning of the Group.

The chairman's duties and responsibilities include the following:

a. The chairman should ensure that all directors are properly briefed on issues arising at board meetings.

b. The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable.

c. One of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. The chairman should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.

d. The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.

e. The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the Company. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.

f. The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

g. The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.

h. The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

The Directors meet regularly to consider issues related to corporate matters affecting operations of the Group and considers that this deviation will not impair the balance of power and authority of the Board and the Company's management and thus, the Directors believe the current structure will enable effective planning and implementation of corporate strategies and decisions of the Group. Notwithstanding the above, the Company is endeavouring to identify suitable candidate for executive directors to share the roles of Ms. Dong Wei (as the chairman and chief executive officer) as soon as practicable to meet the requirements of the Code.

Corporate Governance Report

For the year ended 31 December 2022

(f) Non-executive Directors and Independent Non-executive Directors

The non-executive Directors and independent non-executive Directors were appointed for a specific term of 2 years, subject to retirement by rotation at annual general meeting and being eligible, to offer themselves for re-election.

(g) Remuneration Committee ("RC")

The RC was established in May 2005 and comprises 3 independent non-executive Directors and 1 executive Director as at the date of this annual report. The members of the RC as at the date of this annual report are as follows:

Mr. Guo Jingbin (duties ceased with effect from 15 July 2022)	Chairman (Independent non-executive Director)
Mr. Li Jun (approved on 15 July 2022)	Chairman (Independent non-executive Director)
Mr. Yuen Kwok Kuen	Member (Independent non-executive Director)
Mr. Hu Baihe (duties ceased with effect from 28 June 2022)	Member (Independent non-executive Director)
Ms. Zhang Xian (duties ceased with effect from 19 January 2022)	Member (Executive Director)
Ms. Dong Wei (approved on 19 January 2022)	Member (Executive Director)
Ms. Zhou Siqi (approved on 28 June 2022)	Member (Independent non-executive Director)

The primary objective of the RC is to consider Senior Management's remuneration recommendation, and determine the framework or broad policy for remuneration for the Directors and the senior key executives, including the CEO. No Director or any of his associates may be involved in any decisions as to his own remuneration.

The duties of the RC also include:

(a) To review and approve Senior Management's remuneration recommendation and the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and

(b) To consider Senior Management's recommendation on the payment of annual and/or variable performance bonus to employees of the Company, and review and approve the annual and/or variable performance bonus payable to the executive Directors and Senior Management, having regard to their achievements against the performance criteria and by reference to market norms.

The RC consults the chairman and/or chief executive about their remuneration proposals for other executive directors. The RC have access to independent professional advice if necessary.

The RC is provided with sufficient resources to perform its duties.

The Group's remuneration policy for the staffs, including Directors, comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes bonus and share award grants), taking into account other factors such as the individual performance, the performance of the Company and industry practices.

The RC met once during the year to discuss remuneration related matters (including the remuneration of Directors and Senior Management) and review the remuneration policy of the Group. It has been decided that the RC would determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management.

Corporate Governance Report

For the year ended 31 December 2022

(g) Remuneration Committee ("RC") ***(cont'd)***

The remuneration payable by band to Senior Management during the year is as follows:

	Number of Individuals
HK$Nil – HK$1,000,000	–
HK$1,000,001 – HK$1,500,000	–
HK$1,500,001 – HK$2,000,000	–
HK$2,000,001 – HK$2,500,000	–
HK$2,500,001 – HK$3,000,000	–
HK$4,000,001 – HK$4,500,000	–

Further details of Directors' and CEO's emoluments and the 5 top-paid employees of the Group during the year are set out in notes 10 and 11 to the Financial Statements.

(h) Nomination Committee ("NC")

The NC was established in August 2005 and comprises 3 independent non-executive Directors and 1 executive Director as at the date of this annual report. The members of the NC as at the date of this annual report are as follows:

Mr. Hu Baihe (duties ceased with effect from 28 June 2022)	Chairman (Independent non-executive Director)
Ms. Zhou Siqi (approved on 28 June 2022)	Chairman (Independent non-executive Director)
Mr. Yuen Kwok Kuen	Member (Independent non-executive Director)
Mr. Guo Jingbin (duties ceased with effect from 15 July 2022)	Member (Independent non-executive Director)
Mr. Wang Huabing (duties ceased with effect from 4 November 2022)	Member (Executive Director)
Mr. Li Jun (approved on 15 July 2022)	Member (Independent non-executive Director)
Ms. Dong Wei (approved on 4 November 2022)	Member (Executive Director)

The principal responsibilities of the NC are to review regularly the Board structure, size and composition to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy to identify and nominate suitable candidates as Board members, to assess the independence of the independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular, the Chairman of the Board and the CEO.

The Company provides the NC sufficient resources to perform its duties. Where necessary, the NC should seek independent professional advice, at the Company's expense, to perform its responsibilities.

The Company has adopted a "Board Diversity Policy" on 1 September 2013 which sets out the Company's approach and the basic principles to be followed in order to achieve diversity on the Board. The Company believes diversity is important to enhance board effectiveness by encouraging a diversity of perspectives and to maintain high standards of corporate governance. The range of diversity perspectives may include a consideration of various factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and other factors based on the specific needs of the Company. The Company agrees with the general philosophy of diversity for the Board, and will pursue this philosophy whenever the opportunity arises, and when it is appropriate.

During the year under review, the NC met once to assess the independence of independent non-executive Directors and the balance and composition of the Board and Board committees. The NC also reviewed and recommended the re-election of the retiring Directors at the 2022 AGM.

Corporate Governance Report

For the year ended 31 December 2022

(i) Audit Committee ("AC")

The AC was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The AC comprises 3 independent non-executive Directors as at the date of this annual report. The members of the AC as at the date of this annual report are as follows:

Mr. Yuen Kwok Kuen	Chairman (Independent non-executive Director)
Mr. Hu Baihe (duties ceased with effect from 28 June 2022)	Member (Independent non-executive Director)
Mr. Guo Jingbin (duties ceased with effect from 15 July 2022)	Member (Independent non-executive Director)
Ms. Zhou Siqi (approved on 28 June 2022)	Member (Independent non-executive Director)
Mr. Li Jun (approved on 15 July 2022)	Member (Independent non-executive Director)

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Company's financial reporting process and material internal controls, including financial, operational, compliance and risk management controls. Other duties within its written terms of reference include:

(a) To monitor the integrity of the half-year, quarterly or other periodic and annual financial statements and review them before submission to the Board for approval for publication;

(b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) To review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness; and

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

During the year under review, the AC held (2) meetings in March and August. In the meetings held in March 2022 and August 2022, the Annual Report and Audited Financial Statements for the year ended 31 December 2021 and the Interim Report and Financial Statements for the period ended 30 June 2022 were reviewed together with the external auditors. Other financial, internal control, corporate governance and risk management matters of the Group were also discussed in these meetings.

The AC has reviewed the independence of the external auditors, Crowe (HK) CPA Limited as well as objectivity and effectiveness of the audit process. The AC also made recommendations to the Board on the appointment and retention of the external auditors. The AC meets with the external auditors separately without the presence of Management, annually.

The AC is provided with sufficient resources to perform its duties.

Corporate Governance Report

For the year ended 31 December 2022

(j) Corporate governance functions

The Board is responsible for the corporate governance functions, which include the following duties:

(a) To develop and review the Company's policies and practices on corporate governance;
(b) To review and monitor the training and continuous professional development of Directors and Senior Management;
(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) To develop, review and monitor the code of conduct applicable to employees and Directors; and
(e) To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board has discharged the above functions during the year.

(k) Auditor and Auditors' remuneration

The Company's external auditor is Crowe. The remuneration paid/payable to Crowe in respect of audit services and permissible audit related services for the year ended 31 December 2022 amounted to approximately HK$1,650,000.

(l) Accountability

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

To the best knowledge of the Directors, there is no uncertainty relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(m) Risk management and internal controls

Responsibilities

The Board is responsible for confirming and supervising the management's responsibilities in designing, implementing and monitoring the risk management and internal control systems, and the management is responsible for reporting to the Board on the effectiveness of such system.

The establishment of a set of robust and efficient risk management and internal control systems is aimed at achieving the Group's strategic objectives and protecting Shareholders' investment and the Group's assets. Such system is designed for managing rather than eliminating the risks of failure in achieving the strategic objectives and only provides reasonable rather than absolute guarantee for not having material false statement or loss.

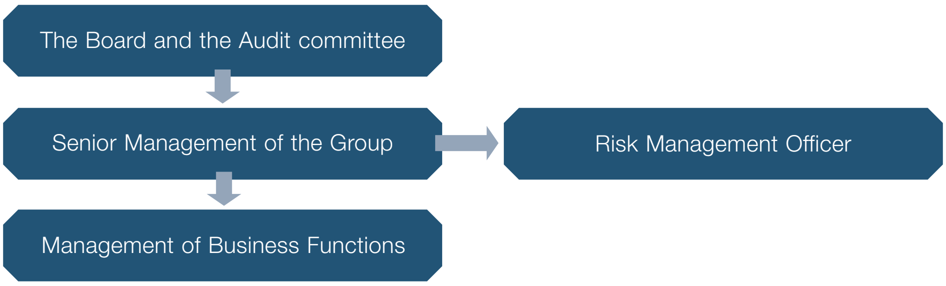
Risk management and internal control systems

The Group's risk management organisational structure is a 3-tier framework, comprising of the Board and the Audit Committee, senior management of the Group and management of business functions. This structure aims at facilitating the risk management in each aspect of the Group's businesses and constantly improving its internal control system. Details of the structure are set out as follows:

Corporate Governance Report

For the year ended 31 December 2022

Risk Management Structure



Roles performed by parties at all levels within the risk management structure are set out below:

Role	Major Responsibilities
The Board and the Audit Committee	• Reviewing plans for the establishment and responsibilities of the risk management structure and reviewing the basic policies for risk management • Reviewing the Risk Management Operation Manual and its amendment • Reviewing material risk assessment report and various risk management reports • Responsible for the assessment of various material risks faced by the Group and its current risk management status • Reviewing risk management measures, and rectifying and dealing with decisions or actions made or taken by relevant organisations or individuals beyond the risk management system • Dealing with other important matters involving risk management
Senior Management of the Group	• Reporting to the Board and the Audit Committee on the effectiveness of risk assessment work • Organising and promoting the establishment of the risk management system at the intragroup level • Organising and coordinating the subsidiaries to engage in identifying and assessing material risks at the intragroup level along with overview analyses over information collected from the above engagement to prepare assessment reports on material intragroup risks and various risk management reports, and reporting such information to the Board and the Audit Committee • Managing risks at the intragroup level, and studying and proposing relevant measures and proposals for the management of material risks at the intragroup level • Overseeing the cultivation of the Group's general risk management culture

Corporate Governance Report

For the year ended 31 December 2022

Role	Major Responsibilities
Risk Management Officer	• Coordinating and arranging matters related to risk assessment and countermeasures • Promoting risk management and risk assessment • Overseeing the establishment and implementation of risk mitigation plans and countermeasures of each business department
Management of Business Functions	• Taking ultimate responsibility for risk assessment of their own business function • Ensuring that the business function engages in risk assessment in compliance with the Risk Management Operation Manual prepared by the Group • Reviewing and approving risk assessment results • Reviewing countermeasures for risk exposure, and ensuring effective risk management of the Company • Monitoring the major risks faced by the Company and the effectiveness of relevant risk management measures • Allocating resources to risk assessment projects (including fund and personnel)

The Group has prepared the *Risk Management Operation Manual*, which defines its risk management structure, respective responsibilities and processes. In each financial year, the Group conducts an annual risk assessment to identify potential strategic risks, operational risks, financial risks and compliance risks of its major business, and rank relevant risks in terms of their level of impact and chance of occurrence for the purpose of assessing existing risk management measures and determining whether further measures are required to control risks within acceptable level.

Based on the risk assessment results and following a risk based audit approach, a continuous three-year audit plan was proposed which prioritised the risks identified into annual audit projects. An annual audit project was performed by the external consultant according to the audit plan with a view to assisting the Board and the Audit Committee to evaluate the effectiveness of the Group's risk management and internal control systems.

The Audit Committee reviews the effectiveness and adequacy of the system on an annual basis. The Group conducts internal reviews on the design and implementation effectiveness of business processes or controls on a systematic rotation basis and submits reports on significant findings in internal control to the Audit Committee on an annual basis. For the identified defects in internal control, the Group conducts further discussion and rectification within the management or reports to the Board for further discussion and rectification based on their significance and level of impact.

The Group has an independent internal audit function, which reports to the Audit Committee regularly. The internal audit function is responsible for reviewing the Group's risk management and internal control measures, and overseeing the management and control of each of the Group's businesses and processes independently, through which the internal audit function assists the Board in promoting the continuous improvement of the Group's risk management and internal control systems. The Group has reviewed an internal audit charter to ensure it has defined the scope, duties and responsibilities of the internal audit function and its reporting protocol. The Group has clarified the definition of insider information and specified the procedures for the handling and dissemination of insider information. The Group discloses information to the public generally and non-exclusively through channels including financial reports, announcements and its website, with a view to achieving fair and timely disclosure of information. The Group strictly prohibits unauthorised use of confidential or insider information.

Corporate Governance Report

For the year ended 31 December 2022

Review on the risk management and internal control systems in 2022

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems on an annual basis. The review covers all material aspects of control, including strategical, financial, operational and compliance controls. During the year under review, the Board has finished and reviewed the Group's risk management and internal control systems through the Audit Committee. The review also covers the adequacy of resources, staff qualifications and experiences, training programmes for staff and relevant budgets for the Group's accounting, internal audit and financial reporting functions as well as those relating to the Company's environmental, social and governance performance and reporting. The Board is satisfied with the results of the review and believes that the current risk management and internal controls are effective and adequate.

(n) Company secretary

Mr. Siu Man On ("Mr. Siu") is a company secretary of the Company, who is a part time employee of the Company. Mr. Siu confirmed that he has taken no less than 15 hours of relevant professional training during the year under review.

(o) Shareholders' rights

The Company encourages two-way communications with both institutional and private investors. Extensive information about the Company's activities is provided in its annual reports and interim reports, which are sent to Shareholders. Shareholders should direct their questions about their shareholdings to the Company's Share Registrar and may at any time make enquiry to the Board or make request for the Company's information to the extent such information is publicly available at the Company's principal office and/or branch office in Hong Kong.

(i) Procedure for shareholders to convene an extraordinary general meeting

In accordance with Article 72 of the Company's Articles of Association, general meetings may be convened on the written requisition of any two members of the Company deposited at the registered office specifying the objects of the meeting and signed by the requisitionists and such meeting shall be held two (2) months after the deposit of such requisition, and if the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

(ii) Procedure for shareholders to put forward proposals at shareholders' meetings

There are no provisions in the Company's Articles of Association or the Companies Law of the Cayman Islands for Shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph heading "Procedures for Shareholders to Convene an Extraordinary General Meeting".

(iii) Procedure for shareholders to nominate a person to stand for election as a Director

If a Shareholder wishes to nominate a person to stand for election as a Director at a general meeting, the relevant documents must be validly served on the principal office of the Company within the requisite period of time. The full details of the procedures for Shareholders to propose a person for election as a Director were posted on 30 March 2012 on the website of the Hong Kong Stock Exchange and the Company's third-party hosted website at http://aplushk.com/clients/00557ChinaTianYuan.

(iv) Poll

The chairman of a general meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

Corporate Governance Report

For the year ended 31 December 2022

(p) Investor relations

There is no change to the Company's constitutional documents during the year under review.

(q) Dividend policy

The proposal of payment and the amount of the dividends will be made at the discretion of the Board and will depend on the Group's general business condition and strategies, cash flows, financial results and capital requirements, the market situation from time to time, taxation conditions, the interests of the shareholders of the Company, statutory and regulatory restrictions and other factors that the Board deems relevant. Any declaration of dividends will be subject to the approval of the shareholders of the Company.

The Dividend Policy will be reviewed from time to time which should not form a commitment on distribution of dividends to the shareholders of the Company and there is no assurance that dividends will be paid in any particular amount for any given period.

There is no arrangement under which a shareholder has waived or agreed to waive any dividends.

(r) Amendments to the Articles of Association of the Company

There is no significant changes to to the Articles of Association during the year under review.

Directors' Report

For the year ended 31 December 2022

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2022.

PRINCIPAL PLACE OF BUSINESS

China Tian Yuan Healthcare Group Limited (the "Company") is a company incorporated in the Cayman Islands and domiciled in Hong Kong. Its registered office is at P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies and the principal place of business in Hong Kong is at Room No. 4901, 49/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company comprise those of investment holding.

The principal activities and other particulars of the subsidiaries are set out in note 29 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 13 to the financial statements.

Further discussions and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Business Review section set out on pages 7 to 10 of the annual report. The discussion forms part of this directors' report.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales of goods/rendering of services and purchases/service rendered attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Revenue of Sales of goods/ Rendering of services	**Purchases/ Service rendered**
The largest customer	27%	
Five largest customers in aggregate	36%	
The largest supplier		10%
Five largest suppliers in aggregate		37%

Saved as disclosed herein, at no time during the year under review have the Directors, their associates or any Shareholder of the Company (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

RECOMMENDED DIVIDEND

The Directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: nil). No interim dividend was paid for the year ended 31 December 2022 (2021: nil).

Directors' Report

For the year ended 31 December 2022

CHARITABLE DONATIONS

For the year ended 31 December 2022, the Group contributed HK$500,000 to charitable and other donations (2021: nil).

SHARE CAPITAL

The Company did not issue any shares during the year.

DEBENTURE

The Company did not issue any debenture during the year.

RESERVES

Details of the movements in the reserves of the Group during the year are shown in the consolidated statement of changes in equity on pages 63 to 64.

DISTRIBUTABLE RESERVES

Details of the movements in the distributable reserves of the Group during the year are shown in the consolidated statement of changes in equity on pages 63 to 64.

SHARE AWARD SCHEME

The Company does not have any share award scheme.

SHARE OPTION SCHEME

The Company does not have any share option scheme.

DIRECTORS

The Directors of the Company during the financial year and up to the date of this annual report were as follows:

Executive Directors	
Mr. Wang Huabing, Chairman	(resigned on 4 November 2022)
Ms. Zhang Xian	(resigned on 19 January 2022)
Ms. Dong Wei, Chairman	
Non-executive Directors	
Ms. He Mei	
Mr. Zhou Yuan	
Independent non-executive Directors	
Mr. Hu Baihe	(retired on 28 June 2022)
Mr. Yuen Kwok Kuen	
Mr. Guo Jingbin	(resigned on 15 July 2022)
Ms. Zhou Siqi	(appointed on 5 May 2022)
Mr. Li Jun	(appointed on 15 July 2022)

In accordance with Article 116 of the Articles of Association of the Company, one third of the present Directors will retire from office by rotation at the forthcoming Annual General Meeting. Ms. He Mei and Mr. Zhou Yuan shall retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, has offered himself for re-election.

Directors' Report

For the year ended 31 December 2022

PROFILE ON DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. Wang Huabing, *aged 54*
Chairman and Executive Director

Mr. Wang Huabing ("Mr. Wang") was appointed as executive Director, Chairman of the Board and the member of Nomination Committee of the Company with effect from 16 March 2020. Mr. Wang Huabing resigned as executive director and ceased to be the Chairman and the member of the Nomination Committee of the Company with effect from 4 November 2022.

Mr. Wang, aged 54, obtained a bachelor's degree from Chongqing Jiaotong University, a Doctor of Management, the title of applied researcher from Wuhan University of Technology. Mr. Wang served as a general manager of Shandong Hi-Speed Road & Bridge Maintenance Co., Ltd (a subsidiary of Shandong Hi-Speed Road and Bridge Co., Ltd., Shenzhen Stock Exchange Stock Code: 000498) from years of 2003 to 2006. Mr. Wang served as a general manager at Shandong Hi-Speed Company Limited ("SDHSCL, Shanghai Stock Exchange Stock Code: 600350) from years of 2006 to 2015; Mr. Wang served as vice general manager at Shandong Hi-speed Group Co. Ltd. ("SDHSG" the controlling shareholder of SDHSCL) from 2013 to 2017 and served as an executive vice general manager of SDHSG since 2017. Mr. Wang has extensive experience in the management.

Save as disclosed herein, Mr. Wang did not hold any other directorships in listed public companies in the last three years.

Ms. Zhang Xian, *aged 38*
Executive Director and Chief Executive Officer

Ms. Zhang Xian ("Ms. Zhang") was appointed as an executive Director of the Company with effect from 19 August 2016. On 9 September 2016, Ms. Zhang was appointed as the member of the Remuneration Committee of the Company. Ms. Zhang Xian resigned as executive Director and ceased to be the Chief Executive Officer and the member of the Remuneration Committee of the Company with effect from 19 January 2022.

Ms. Zhang holds a Master's degree in Economics from Beijing University. Ms. Zhang worked in the investment banking and private equity investment industries for 8 years with a wealth of experience in domestic and overseas transaction execution. She has worked for China International Capital Corporation for more than 4 years, mainly responsible for mergers and acquisitions.

Ms. Zhang did not hold any other directorships in listed public companies in the last three years.

Ms. Dong Wei, *aged 29*
Chairman, Executive Director and Chief Executive Officer

Ms. Dong Wei ("Ms. Dong"), aged 29, obtained a bachelor degree in Marketing from Anglia Ruskin University, United Kingdom in 2016. Ms. Dong Wei was appointed as an acting Chairman and the member of the Nomination Committee with effect from 4 November 2022.

Ms. Dong joined the Group in July 2021 and has been serving as the director assistant of the Company, during which she has been responsible for assisting the directors with planning and implementing strategies. Ms. Dong served as assistant manager of human resources department of China Huarong Asset Management Co., Ltd., which is listed on the Hong Kong Stock Exchange (Stock Code: 2799) from June 2017 to February 2019. From February 2019 to July 2021, Ms. Dong served as administrative manager of international trade department in Beijing Tianyuan Manganese Industry Co., Ltd. (北京天元錳業有限公司). Ms. Dong is a daughter of Mr. Jia Tianjiang (being the controlling shareholder of the Company).

Save as disclosed above, Ms. Dong did not hold any other directorships in listed public companies in the last three years.

Directors' Report

For the year ended 31 December 2022

Ms. He Mei, *aged 37*
Non-executive Director

Ms. He Mei ("Ms. He") was appointed as a non-executive Director of the Company with effect from 19 July 2019.

Ms. He obtained a bachelor's degree in finance from the University of International Business and Economics (China) in 2007 and completed a postgraduate study in economic law at China University of Political Science and Law in 2013. She is a certified public accountant in China. Ms. He has 15 years of experience in auditing, asset management, investment project risk management and financing institution operation and management services.

Ms. He did not hold any other directorships in listed public companies in the last three years.

Mr. Zhou Yuan, *aged 33*
Non-executive Director

Mr. Zhou Yuan ("Mr. Zhou") was appointed as a non-executive Director of the Company with effect from 19 July 2019. Mr. Zhou obtained a bachelor's degree in civil engineering from the University of Toronto in Canada in 2013, and a master's degree of engineering in civil engineering and environmental engineering from the University of Western Ontario in Canada in 2014. Mr. Zhou served as a department manager of the investment and legal department China State Construction Engrg. Corp. Ltd ("CSCEC", Shanghai Stock Exchange Stock Code: 601668), mainly responsible for the feasibility study, approval and estimation of the investment projects from 2015 to 2017. Mr. Zhou also served as a vice general manager at Jinan Branch of China Construction Port Group Co., Ltd. (an indirect subsidiary of CSCEC), mainly responsible for the planning of investment and financing and the marketing from 2017 to 2018. Mr. Zhou has extensive experience in the planning of corporate investment and financing projects and the marketing.

Mr. Zhou did not hold any other directorships in listed public companies in the last three years.

Mr. Hu Baihe, *aged 60*
Independent non-executive Director

Mr. Hu Baihe ("Mr. Hu") was appointed as an independent non-executive Director of the Company with effect from 19 August 2016. On 9 September 2016, Mr. Hu was appointed as the Chairman of the Nomination Committee and members of the Audit Committee and Remuneration Committee of the Company. Mr. Hu Baihe was retired as independent non-executive Director, the Chairman of the Nomination Committee and members of the Audit Committee and Remuneration Committee of the Company with effect from 28 June 2022.

Mr. Hu graduated from Jiangxi University of Finance and Economics. He is a senior accountant, certified public accountant, certified public valuer and certified tax agent in the PRC. He has extensive experience in the finance field. Mr. Hu is currently the general manager of Peking Certified Public Accountants. Before he joined Peking Certified Public Accountants in 1993, he had over 8 years of working experience with the Ministry of Finance of the PRC. Mr. Hu is an independent non-executive director of China Ocean Industry Group Limited, which is listed on the Hong Kong Stock Exchange (Stock Code: 651).

Saved as disclosed herein, Mr. Hu did not hold any other directorships in listed public companies in the last three years.

Directors' Report

For the year ended 31 December 2022

Mr. Yuen Kwok Kuen, *aged 49*
Independent non-executive Director

Mr. Yuen Kwok Kuen ("Mr. Yuen") was appointed as an independent non-executive Director of the Company with effect from 19 August 2016. On 9 September 2016, Mr. Yuen was appointed as the Chairman of the Audit Committee and members of the Nomination Committee and Remuneration Committee of the Company.

Mr. Yuen obtained the Bachelor of Business from Monash University (Australia) in 1998 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia respectively. Mr. Yuen has over 20 years of experience in audit, tax, initial public offering, mergers and acquisitions and corporate services. Mr. Yuen was the company secretary of Shenzhou Space Park Group Limited (formerly known as China Household Holdings Limited), which was listed on the Hong Kong Stock Exchange (Stock Code: 692) and delisted on 10 December 2019.

Saved as disclosed herein, Mr. Yuen did not hold any other directorships in listed public companies in the last three years.

Mr. Guo Jingbin, *aged 65*
Independent non-executive Director

Mr. Guo Jingbin ("Mr. Guo") was appointed as an independent non-executive Director of the Company with effect from 19 August 2016. On 9 September 2016, Mr. Guo was appointed as the Chairman of the Remuneration Committee and members of the Nomination Committee and Audit Committee of the Company. Mr. Guo Jingbin resigned as independent non-executive Director, the Chairman of the Remuneration Committee and members of the Nomination Committee and the Audit Committee of the Company with effect from 15 July 2022.

Mr. Guo graduated from Shanghai Construction Materials College in 1980. In 1998, Mr. Guo received a Master of Business Administration degree from the Post-graduate College of the Social Science Institute of China. Mr. Guo is a director of Anhui Conch Group Company Limited. Mr. Guo has been an executive director of Anhui Conch Cement Company Limited, which is listed on the Shanghai Stock Exchange (Stock Code: 600585) and the Hong Kong Stock Exchange (Stock Code: 914), from September 1997 to June 2014 and was re-designated as a non-executive director of Anhui Conch Cement Company Limited until June 2016. Mr. Guo has been a non-executive director and chairman of China Conch Venture Holdings Limited, which is listed on the Hong Kong Stock Exchange (Stock Code: 586), from June 2013 to June 2014. Since then, Mr. Guo has been the executive director and the chairman of China Conch Venture Holdings Limited. He is primarily responsible for overall strategic development of China Conch Venture Holdings Limited. Mr. Guo is also an independent non-executive director of China Logistics Property Holdings Co., Ltd., which is listed on the Hong Kong Stock Exchange (Stock Code: 1589). Mr. Guo has over 30 years' experience in the building materials industry and in capital markets, particularly specializing in corporate strategic planning, marketing planning and general and administration management.

Saved as disclosed herein, Mr. Guo did not hold any other directorships in listed public companies in the last three years.

Ms. Zhou Siqi, *aged 37*
Independent non-executive Director

Ms. Zhou Siqi was appointed as an independent non-executive Director of the Company with effect from 5 May 2022. On 28 June 2022, Ms. Zhou was appointed as the Chairman of the Nomination Committee and members of the Audit Committee and Remuneration Committee of the Company.

Ms. Zhou is currently the director of the management committee of Shenzhen Happiness and Harmony Inheritance Service Center* (深圳市幸福和諧繼承服務中心), a 5A-level social organization in Shenzhen. She is the person in charge mainly responsible for the daily management and operation. Prior to joining Shenzhen Happiness and Harmony Inheritance Service Center, Ms. Zhou had over 9 years of working experience in Guangdong Jiadesen Lawyer's Co* (廣東嘉得信律師事務所).

Ms. Zhou did not hold any other directorships in listed public companies in the last three years.

Directors' Report

For the year ended 31 December 2022

Mr. Li Jun, *aged 37*
Independent non-executive Director

Mr. Li Jun was appointed as an independent non-executive Director of the Company with effect from 15 July 2022. On 15 July 2022, Mr. Li was appointed as the Chairman of the Remuneration Committee and members of the Nomination Committee and Audit Committee of the Company.

Mr. Li is currently the chief financial officer of a wholesale, retail and trading company, and is fully responsible for finance and taxation management of the company. Mr. Li has been engaged in financial work in industries such as logistics transportation, advertisement and marketing as well as community services for 14 years and has accumulated extensive experience in finance and taxation.

Mr. Li did not hold any other directorships in listed public companies in the last three years.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2022, none of the Directors and chief executives of the Company was interested in or had a short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2022, so far as is known to any Directors or the chief executives of the Company, the following persons (excluding the Directors and the chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held	Approximate Percentage Holding of issued share capital of the Company
Dong Jufeng (Note)	Interest of spouse/ Family interest	266,069,294	66.69%
Jia Tianjiang (Note)	Interest of controlled corporation/ Corporate interest	266,069,294	66.69%
Tian Yuan Manganese Limited (Note)	Beneficial owner/ Beneficial interest	249,539,294	62.54%
	Person having security interest in shares	16,530,000	4.14%
Ningxia Tianyuan Manganese Industry Group Co., Ltd. (Note)	Interest of controlled corporation/ Corporate interest	266,069,294	66.69%

Note: Tian Yuan Manganese Limited is a wholly owned subsidiary of Ningxia Tianyuan Manganese Industry Group Co., Ltd.* (寧夏天元錳業集團有限公司), a corporation controlled by Mr. Jia Tianjiang. By virtue of the SFO, Ningxia Tianyuan Manganese Industry Co., Ltd., Mr. Jia Tianjiang and his spouse, Ms. Dong Jufeng, are deemed to be interested in the 266,069,294 shares of the Company of which Tian Yuan Manganese Limited is interested in.

Directors' Report

For the year ended 31 December 2022

Save as stated above, no person (excluding the Directors and the chief executives of the Company) was interested in or had a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2022.

INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his/her office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed herein, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, fellow subsidiaries or holding company a party to any arrangements to enable any Director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed herein, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

OTHER RELATED PARTY TRANSACTIONS

During the year under review, other material related party transactions are set out in note 32 to the financial statements, which either fall under the definition of "Continuing Connected Transactions" or "Connected Transaction" in Chapter 14A of the Listing Rules and are exempted under the Listing Rules or does not fall into the definition of "connected transaction" or "continuing connected transaction". The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions or continuing connected transactions for the year under review.

Directors' Report

For the year ended 31 December 2022

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Group had granted facilities to independent third parties and remained outstanding as at 31 December 2022, which is required to be included in this annual report in accordance with Rule 13.20 of the Listing Rules. The summarized information on the facility as at 31 December 2022 is set out as below:

	Facility Agreement A
Date of facility agreement	12 November 2018 (as supplemented by the supplemental deed dated 12 November 2019) (the "**Amended Facility Agreement A**")
Borrower	Lead Dragon Limited
Guarantor(s)	Mr. Li Ming & Mr. Zhang Shihong
Principal	US$13,000,000
Interest rate	(a) 12% per annum starting from and including 12 November 2018 up to and including 11 November 2019; and (b) 18.5% per annum starting from and including 12 November 2019 up to and including 12 February 2020.
Term	15 months from the date of facility agreement (i.e. 12 February 2020)
Default interest	20% per annum
Guarantee	Personal guarantees provided by Mr. Li Ming and Mr. Zhang shihong the guarantors in favour of the Company to secure the obligations of the Borrower (as regards Mr. Zhang Shihong's obligations, subject to certain limitations as disclosed in the announcement of the Company dated 4 April 2018)
Security	The second legal charge over a residential property in Hong Kong charged by Mr. Li Ming in favour of the Company, subject to the existing first mortgage over the said residential property and the second legal charge over a residential property in Hong Kong charged by Mr. Zhang Shihong in favour of the Company, subject to the existing first mortgage over the said residential property and subject however to certain limitations (note 1)

Note 1: On 17 January 2020, Mr. Li Ming, as chargor, and Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天醫醫療管理有限公司) (the "**PRC Subsidiary**"), a wholly-owned subsidiary of the Company, as chargee, entered into an agreement of legal charge (the "**PRC Legal Charge**"), pursuant to which Mr. Li Ming charged five properties located in Beijing, the PRC, owned by him in favour of the PRC Subsidiary as security for the due payment of all obligations and liabilities due, owing or incurred by the Borrower to the Company under the Amended Facility Agreement A. On 5 March 2020, Lead Dragon Limited, through its PRC agent, paid a sum of RMB16,000,000 (equivalent to approximately HK$17,800,000) to Zhuhai Hengqin Tianyuan Medical Management Company Limited* (珠海橫琴天元醫療管理有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC, as partial repayment of the facility under the Amended Facility Agreement A. On 6 March 2020, Mr. Li Ming paid a sum of HK$33,000,000 to the Company as partial repayment of the facility under the Amended Facility Agreement A (the "**Partial Repayment**"). Since the sum of Partial Repayment is not lower than the estimated market value of Mr. Li Ming's residential property in Hong Kong (the "**Property**") as secured under the second legal charge as at 4 March 2020 (after deduction of approximately HK$11,076,000 of the liability secured under the existing first mortgage on the Property as at 6 December 2019), the Company entered into a deed of partial release to release the second legal charge over the Property charged by Mr. Li Ming in favour of the Company (the "**Partial Release**"). Further details in relation to the PRC Legal Charge, the Partial Repayment and the Partial Release are set out in the announcements of the Company dated 17 February 2020, 21 February 2020 and 16 March 2020.

Directors' Report

For the year ended 31 December 2022

In view of recovering the outstanding amount of the loan, the Company has commenced bankruptcy proceedings against the 1st Guarantor on 2 July 2021, and subsequently, bankruptcy order has then been granted against the 1st Guarantor on 19 April 2022. A Proof of debt was submitted on 19 May 2022, and the total amount of claim (including any outstanding uncapitalized interest as at the date of bankruptcy order) was approximately USD 12,000,000. The Official Receiver was appointed as the trustee of the property and estate of the Bankrupt (the "Trustee"). On 25 November 2022, the Trustee adjudicated the Company's proof of debt and declared that a sum of approximately HK$95,000,000 was admitted as the petitioner's claim. Subsequently, on 20 January 2023, the Trustee distributed a sum of approximately HK$2,000 as first and final dividend to the Company.

SERVICE CONTRACTS OF DIRECTORS

Each executive Director has entered into a service agreement with the Company for a specific term of 2 years, subject to retirement by rotation according to the Articles of Association of the Company.

Each non-executive Director and independent non-executive Director has entered into an appointment letter with the Company for a specific term of 2 years, subject to retirement by rotation according to the Articles of Association of the Company.

None of the Directors has a service contract with the Company or its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

Under present Cayman Islands laws and the Articles of Association of the Company, no pre-emptive rights are imposed which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the date of this annual report, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, none of the Directors or their respective close associates had interests in businesses which compete or are likely to compete either directly or indirectly with the businesses of the Group as are required to be disclosed pursuant to the Listing Rules.

TAX RELIEF AND EXEMPTION

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

PLEDGE OF ASSETS

At 31 December 2022, property, plant and equipment of the Group with a carrying amount of HK$nil (2021: HK$nil) were pledged as security to secure bank loans.

Directors' Report

For the year ended 31 December 2022

EXCHANGE RATES AND RELATED HEDGES

A discussion on the Company's exposure to fluctuations in exchange rates and any related hedges is set out in note 31(d) to the financial statements.

CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 December 2022.

EQUITY-LINKED AGREEMENT

The Company has not entered into any equity-linked agreement during the year or there was not any subsisting equity-linked agreement entered into by the Company at the end of the reporting year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

AUDITORS

The consolidated financial statements for the year ended 31 December 2022 have been audited by Crowe (HK) CPA Limited. Crowe (HK) CPA Limited will retire and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting of the Company. A resolution for the re-appointment of Crowe (HK) CPA Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

DONG WEI
Chairman

30 March 2022

Environmental, Social and Governance Report

ABOUT THIS REPORT

China Tian Yuan Healthcare Group Limited (the "Company") is pleased to release its Environmental, Social and Governance ("ESG") report ("this report"). This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 (the "ESG Reporting Guide") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in compliance with the mandatory disclosure requirements and the "comply or explain" provisions. This report summarizes the management approaches, practices and performance in supporting sustainable development of its business operation and focusing on our efforts around our ESG issues, as well as adhering to the ESG reporting principles of materiality, quantitative, balance and consistency. This report covers the financial period from 1 January 2022 to 31 December 2022 (the "Reporting Period" or "2022").

Our ESG Management Structure

The Group has implemented a top-down management approach within the Group for ESG management and has developed appropriate and effective ESG management systems and processes. The board (the "Board") of directors (the "Directors") is responsible for the determination of the Group's ESG strategy, assessing the ESG risks and opportunities as well as the oversight of the Group's overall ESG performance, including environmental management issues, labor practices and other ESG aspects. The management of the Group is responsible for the execution of ESG management, the collection of relevant ESG data and the preparation of the ESG report. The Group maintains effective communication with stakeholders through daily operations to understand and identify their needs, expectations and concerns regarding ESG matters of the Group, so that the importance of each ESG area can be assessed and long-term development approaches and strategies can be formulated. The Board reviews and approves the ESG report annually to ensure all material ESG issues and their impacts on sustainable development are fairly presented. The Board will continue to oversee the work on ESG-related issues, regularly assess ESG-related risks and set targets for mitigating ESG risks and closely follow the latest ESG disclosure requirements of the Hong Kong Stock Exchange. In the future, we will conduct progress reviews against the Group's ESG-related targets to monitor and improve our sustainability efforts.

Reporting Principles

The Group adheres to the four fundamental reporting principles set out in the ESG Reporting Guide for the preparation of this report:

Reporting Principles	The Group's application
Materiality	The Group acknowledges the importance of material issues that may have a significant impact on its stakeholders and operations. Material environmental and social issues were identified through an analysis of the written and oral comments and responses submitted by members of the management team of the Group. Material issues identified in the Reporting Period are similar to the material issues identified in the previous reporting period. Results were presented to the Board for validation of the material ESG issues for the Reporting Period.
Quantitative	The Group records and discloses KPIs in quantitative terms as appropriate for evaluation and validation of the effectiveness of ESG policies and measures.
Balance	This report discloses information in an objective manner, providing stakeholders with an unbiased picture of the Group's overall ESG performance.
Consistency	As far as practicable and unless stated otherwise, the Group applies consistent measurement methodology to allow for meaningful comparison of ESG performance over time. Any changes in methods or KPIs used will be disclosed.

Environmental, Social and Governance Report

Reporting Scope and Boundary

The Company and its subsidiaries (the "Group" or "we") are principally engaged in investment holding, the provision of medical services such as procurement, marketing, management services, licensing of trademark, and orthopaedic services to the healthcare industry, the provision of money lending and related business; and the provision of relevant procurement services to the hospitality industry during the Reporting Period.

The scope of this report is determined by the significance of each of the business segment to the Group and the extent of their impact on the environment and society during the Reporting Period. The Group's information has been set out in this Annual Report in greater details. Considering the relevant low environmental and social impact of the investment holding, money lending and related business segments and that the hotel business had no actual operations during the Reporting Period, unless otherwise indicated, the scope of reporting and the information of analysis on this report covers our plastic surgery business ("Aesthetic Medical Services") in a medical aesthetic hospital in Shanghai of ours ("Shanghai Hospital") and the day-to-day administrative operations at our office in Hong Kong ("Hong Kong Office"). The scope of this report remains the same with that of the ESG report for the year ended 31 December 2021 (the "Prior Year" or "2021").

The Group continued to implement our commitment as a responsible corporation by making progresses in environment protection, sustainable development and caring for the community. We achieved the commitment with upholding the core value of the Group – to "Serve and Give Back to Community" through cooperating with our key stakeholders and partners. Led by our implementation of social responsibility programs, we focus especially on sustainability, the environment and society.

Stakeholder Engagement and Materiality Assessment

Ongoing communication with stakeholders is crucial to the success of the Group's operations. By communicating with stakeholders, the Group will better position itself to understand and meet their needs, concerns and expectations relevant to our business operation for formulating the ESG strategies and identify improvement opportunities in ESG management. Taking consideration into stakeholders' opinions allows the Group to contribute to a more sustainable future. During the Reporting Period, the Group engaged its key stakeholders via several communication channels to gauge their opinions and feedback and strive to improve constantly.

Stakeholders Group	Mode of Engagement	Areas of needs, concern and expectation
Employees	The Group communicates with employees through performance appraisal to support employees' career development, whereas employees are encouraged to communicate with their supervisors regarding their job duties and support needed.	• Salaries and benefits • Healthy and safe working environment • Training and Development
Customers	Frontline employees engage dialogue with customers on a daily basis to obtain feedback on their services. Customer service and hotline have also been established for customers to express their concerns and feedback.	• Quality service • Medical safety • Business integrity • Prompt resolution of inquiries and complaints
Investors and Shareholders	Shareholders' meetings are held regularly to provide investors and shareholders with updates and performance of the Group. The Group gathers their feedback and holds meetings, workshops and other communicative events across daily operation. Important information is disseminated through financial reports, ESG reports, company's website, press releases, announcements and other disclosure documents.	• Return on investment • Enhance company value • Information transparency and effective communication • Corporate governance and integrity

Environmental, Social and Governance Report

Stakeholders Group	Mode of Engagement	Areas of needs, concern and expectation
Suppliers	The Group performs suppliers' capability assessment through comparison of prices and evaluation system. The Group also communicates with suppliers in order to strengthen partnership.	• Business integrity • Fair and open tender selection • Steady cooperation
Government and Regulators	The Group keeps close communication with relevant government departments. When there is any breach or non-compliance with relevant laws and regulations, the Group will immediately report to the relevant government departments.	• Compliance with laws and regulations • Environmental and social responsibility • Corporate governance and integrity
Community	The Group participates in community events to better understand the needs of the community and to support in community development.	• Information disclosure and transparency • Environmental and social responsibility

The Group understands the importance of stakeholders to the development of our business. Their involvement helps us to identify ESG issues which the stakeholders concern about. Together with the analysis of written and oral comments and responses submitted by members of the Group's management team, material environmental and social issues were identified. The Group identified occupational health and safety, product and service quality management and operational compliance in the Aesthetic Medical Services as key ESG areas of concern for the Group during the Reporting Period. The results were presented to the Board to access the materiality of the ESG issues for the Reporting Period.

EMISSIONS

Due to the nature of our business, our operations did not generate any significant industrial exhaust gases or discharges into water and land. The Group only generated a small amount of air pollutants and waste, mainly include driving emissions, indirect emission of greenhouse gas from electricity consumption (e.g. carbon dioxide emissions), and medical waste from Aesthetic Medical Services during the daily operations of our Shanghai Hospital and Hong Kong Office. Electricity consumption was the major source of pollutant emissions. The management consider that the environmental impact of emissions from operations is low and has no significant impact on the assessment and decision-making of the Group and/or equity holders.

During the Reporting Period, the Group endeavored to fully comply with the relevant laws and regulations of the PRC and Hong Kong in relation to emissions of exhaust gases and greenhouse gases, discharges into water and land, and generation of hazardous and non-hazardous wastes, including but not limited to:

- Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》);
- Air Pollution Prevention and Control Law of the People's Republic of China*《中華人民共和國大氣污染防治法》);
- Water Pollution Prevention and Control Law of the People's Republic of China* (《中華人民共和國水污染防治法》);
- Regulations on the Administration of Medical Wastes* (《醫療廢物管理條例》);
- Measures for Medical Wastes Management of Medical and Health Institutions* (《醫療衛生機構醫療廢物管理辦法》); and
- Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), etc.

* For identification purpose only.

Environmental, Social and Governance Report

During the Reporting Period, we were not aware of any activities of the Group which were not in compliance with the laws and regulations relating to air emissions and greenhouse gases, discharges into water and land, or hazardous and non– hazardous wastes, which have a significant impact on the Group.

The Group understands that greenhouse gas emissions contribute to climate change and therefore the Group adopted different emission reduction measures in its business operations to reduce its carbon footprint by reducing specific energy consumption and enhancing the use of clean energy. We developed effective measurement system to record and to report of relevant data in line with our internal policies. We rolled out our developed tools for energy conservation such as energy audit, benchmarking and target setting in order to reduce specific energy consumption.

The hazardous and non-hazardous waste produced during the operations was handled in accordance with the applicable regulations and our internal procedures.

During the Reporting Period, the Group reduced emissions by various policies, which include but not limited to:

- promoting the use of cleaner energy and renewable energy;
- improving energy efficiency;
- raising guests' and employees' awareness;
- promoting the utilization of teleconference and video conference technology to participate in meetings; and
- using public transportation as the preferred means of transport.

Types of Emission and Respective Emission Data

During the Reporting Period, the Group did not generate significant emissions and greenhouse gases in the course of its business operations. Most of the emissions and greenhouse gases were generated from the use of vehicles and the consumption of purchased electricity during operations.

The air pollutant emissions generated by the Group during the Reporting Period were as follows:

Types of emission	**Emissions (g)**	
	2022	2021
Sulfur dioxide (SO_x)	**3.42**	1.85
Nitrogen oxides (NO_x)	**289.09**	62
Particulate matter (PM)	**21.28**	4.57

The increased emissions versus the Prior Year was primarily due to higher fuel consumption as a result of the acquisition and use of commercial vehicles to provide private chauffeur services to high-end clients at Shanghai Hospital during the Reporting Period.

Environmental, Social and Governance Report

Total Greenhouse Gas Emissions

Direct emissions of greenhouse gases from energy were mainly from the use of vehicles, and the major source of indirect emissions of greenhouse gases was electricity consumption. The emissions of greenhouse gases generated by Shanghai Hospital and Hong Kong Office of the Group during the Reporting Period are as follows:

Greenhouse gas emissions	Unit	Emission source	Emissions 2022	2021
Carbon dioxide (CO_2)	kg	Purchased electricity consumption	**235,213**	240,258
		Use of vehicle fuel	**549**	297
Methane (CH_4)	kg	Use of vehicle fuel	**1.65**	0.67
Nitrous oxide (N_2O)	kg	Use of vehicle fuel	**68**	43
Total			**235,831.65**	240,598.67

As the rebound in the number of reported cases of the novel coronavirus (COVID-19) in China during 2022 has adversely affected Shanghai Hospital's business operations, Shanghai Hospital experienced a slight decrease in electricity consumption, which in turn led to a slight decrease in greenhouse gas emissions during the Reporting Period versus the Prior Year. In addition, as described in the section headed "Types of Emission and Respective Emission Data", fuel consumption due to the use of commercial vehicles increased during the Reporting Period, and such increase was set off by the decrease in electricity consumption. Therefore, total greenhouse gas emissions of the Group declined slightly from the Prior Year.

The other indirect emission produced from processing fresh water and sewage by government departments are minimal and therefore we do not disclose relevant data.

We have established emission reduction targets and policies to incorporate environmental concerns into our daily operations. The measures employed for reducing emissions are disclosed in the section "Electricity Consumption" below.

Waste Management

The Group generated different kinds of hazardous waste and non-hazardous waste in the course of medical beauty treatment. In order to reduce the environmental impact caused by wastes, the Group has set targets for waste reduction, including the implementation of waste reduction at source to reduce the amount of waste and safe recycling, and the Group have adopted appropriate waste discharge management measures.

Environmental, Social and Governance Report

For hazardous wastes, the Group's Aesthetic Medical Services in Shanghai will generate various types of medical wastes, which will be categorized mainly into infectious medical wastes and harmful medical wastes, such as needles, cotton pads, bandages and other dressings for wounds, used medical disposables and devices, blood and serum wastes etc. The Group have strictly complied with the relevant laws and regulations, including the Regulations on the Administration of Medical Wastes* (《醫療廢物管理條例》) and the Measures for Medical Waste Management of Medical and Health Institutions* (《醫療衛生機構醫療廢物管理辦法》), and the medical wastes have been treated properly. We have enacted the Medical Waste Management System and Operation Process (《醫療廢物管理制度及操作流程》) and require the medical personnel of various wards in the hospital to categorize the medical wastes, and use specific packaging materials or containers to collect, seal off and label them with the medical waste collection stickers, and then deliver them to the temporary storage area for medical wastes. The hospital will transfer the medical wastes to qualified medical waste collector units regularly for centralized disposal and keep the transfer receipts of hazardous wastes for record purpose to register the type, weight, disposal method, time of delivery and acceptance, and the ultimate destination of the medical wastes, so as to ensure that the hospital has safely recycled all clinical waste. Also, it is Shanghai Hospital's policy that in the event of loss, leakage, spread and accident, relevant emergency measures are required to be adopted accordingly and reporting must be timely made to the relevant government authority. The hospital has also enhanced the knowledge of all staff on medical waste management through the provision of regular trainings to strengthen their awareness on environmental protection and self– protection to prevent and control any hazardous impact of medical wastes on human health and environment.

In addition, the anesthetics used in the course of surgical operations have been duly registered on their usage quantity and the amount of disposal for record purpose in accordance with the national requirements on the administration of anesthetics, which will be disposed by pouring into the drainage pipes by physicians, pharmacists or nurses. During the year 2022, the volume of remainder liquids of anesthetics and narcotic drugs is 9,628 mg (2021: 23,003 mg).

During the Reporting Period, the non-hazardous wastes generated by the Shanghai Hospital mainly included general solid wastes and waste paper. Such non-hazardous wastes will be disposed of by the Group through collection, incineration or landfill methods. In order to reduce the quantity of wastes, the Group have actively implemented various waste reduction measures, such as installing categorized garbage collection boxes to recover recyclable garbage and reusing paper. The management of the Group strived to reduce the input materials and the relevant waste output as a responsible service provider. We cooperate with partners and suppliers in waste management, and choose to recover products to minimize the impact on environment.

We encourage double-side printing and promote reduction in conventional printing through digitization, and adopt certain measures to promote paperless operation, for example, disseminate internal communication through email and implement electronic office systems, and reuse and recover waste paper as far as possible to reduce paper consumption.

During the Reporting Period, the consumption of hazardous and non-hazardous wastes of the Group's principal business (namely, Aesthetic Medical Services) are set out below:

Wastes	**Consumption (Kg)**	
	2022	2021
Hazardous wastes		
Infectious medical wastes	**1,545**	3,323
Harmful medical wastes	**104**	249
Total	**1,649**	3,572
Non-hazardous wastes		
General garbage	**21,900**	21,900
Paper	**433**	499
Total	**22,333**	22,399

Environmental, Social and Governance Report

Due to the impact of the prolonged pandemic in China, business volume of the Aesthetic Medical Services and hence volume of medical waste and residual drugs decreased significantly versus the Prior Year.

During the Reporting Period, no hazardous wastes were generated and just a small quantity of non-hazardous wastes was generated by the Hong Kong Office. The management of the Group considered that there was no material impact on the environment due to a small amount of non-hazardous wastes generated from the Hong Kong Office, so no disclosure was made during the year.

Looking ahead, growth following recovery of the Aesthetic Medical Services from the COVID-19 pandemic will inevitably result in higher resources consumption and therefore more exhaust gas, greenhouse gas emissions and waste. To achieve a better growth-emission balance, the Group will aim to maintain and control emissions growth in the short term.

Use of Resources

The Group is committed to protecting and conserving resources to achieve environmental and operational efficiency. We have put in place a number of measures to improve energy efficiency, reduce paper consumption and water consumption with the aim of reducing resource consumption and improving energy efficiency. Our management will conduct regular reviews to monitor progress, reducing our operating costs and carbon footprint by actively monitor and manage resource usage. The Group continued to provide various types of training to enhance the awareness of staff on environmental protection, and adopted energy conservation policies in the hospital and the office.

The Group's major resources consumption is electricity consumption and water consumption.

Electricity Consumption

The table below sets out the total consumption of electricity for the Reporting Period:

Electricity consumption	Unit	Shanghai Hospital		Hong Kong Office		Total	
		2022	2021	**2022**	2021	**2022**	2021
Consumption (A)	kwh	**379,560**	384,898	**5,132**	7,650	**384,692**	392,548
Area of business unit (B)	sq. ft.	**45,323**	45,323	**1,000**	1,000	**46,323**	46,323
Density (C = A/B)	kwh/sq. ft.	**8.37**	8.49	**5.13**	7.65	**8.31**	8.47

Environmental, Social and Governance Report

To realise its energy use efficiency targets, the Group has adopted various policies to reduce electricity consumption, including but not limited to:

- turning off electric appliances when they are not in use to save energy;
- cleaning and maintaining office equipment (such as air-conditioners) regularly to maintain energy efficiency;
- unplugging devices whenever possible to limit the flow of electricity;
- adjusting the indoor temperature to an average of between 24 and 26 Celsius degrees;
- replace halogen lighting with LED lighting;
- using efficient energy saving electrical appliances; and
- using of solar energy is encouraged in suitable common areas.

Water Resources Consumption

The water consumption and density of Shanghai Hospital during the Reporting Period are set out below:

Water Consumption	**Unit**	**2022**	2021
Consumption (A)	Tonnes	**4,695**	4,855
Area of business unit (B)	sq. ft.	**45,323**	45,323
Density (C = A/B)	tonnes/sq. ft.	**0.10**	0.11

During the Reporting Period, the Group considered that water consumption of the Hong Kong Office was immaterial to the Group, hence decided not to disclosure the relevant information.

During the Reporting Period, we have reviewed the programs implemented to reduce water consumption, which include, but not limited to:

- installing lower flow faucet and toilet fixtures and self-closing taps;
- putting up water saving slogans to remind staff on conserving water constantly; and
- checking water taps or water pipes regularly for any potential leakage conditions, if such condition has been discovered, the staff should report to the relevant department immediately.

During the Reporting Period, the management of the Group was not aware of any issues in sourcing water.

Resources Consumption – Packaging Materials

Due to the nature of the business, the Group's businesses were not involved in any packaging materials for finished products.

Environmental, Social and Governance Report

Environmental and Natural Resources

The Group was aware that the use of resources by the medical beauty industry and its discharges (including gas emissions and waste discharges) will have some impact on the environment. For the long-term development of our business, we are responsible for managing and minimizing the environmental impact. To improve energy consumption, we have implemented a number of relevant and effective resources utilization and emission reduction measures, including measures on electricity consumption, treatment of medical disposables and wastes. For further details, please refer to the above sections of "Total Greenhouse Gas Emissions", "Waste Management" and "Use of Resources". Through the aforesaid measures, the Group is able to ensure the proper use of resources and minimize the impact of business operation on the environment.

Apart from emissions and use of resources as stated above, the business operations of the Group do not have material direct impact on the environment and natural resources.

Climate Changes

Global climate change not only has a negative impact on creatures and ecosystems, but also has far-reaching negative impacts on human life and economic trading. The Group has incorporated environmental, social and governance-related risks, such as climate risk, into the Group's risk management system to identify and mitigate the risks that may affect the Group.

The Group identifies and assesses the impact of climate change in the context of our actual operations. As an aesthetic medical services provider, increased national requirements for environment-related regulations, stable supply chains and logistics for aesthetic drugs, environmentally friendly concepts for aesthetic techniques and equipment, and unpredictable or extreme weather events due to climate change may bring about changes in customers' aesthetic preferences and affect the daily operations of the Group's aesthetic medical business.

- Compliance of environmental laws and regulations: The Group strives to comply with environmental laws and regulations and continuously monitors the regulatory and operational environment to ensure that our services meet regulatory requirements and expectations.

- Supply chain and logistics of aesthetic drugs: To reduce the impact of extreme weather on the logistics and quality of our supply chain, we continue to increase our supplier network and standardise our various procurement processes to achieve supply chain stability. The monitoring of suppliers is described in the section "Supply Chain Management" below.

- Environmentally friendly concepts in aesthetic technology and equipment: We encourage the use of natural and zero-pollution raw materials in the production of beauty products and have adopted equipment and facilities that achieve efficient use of resources and energy conservation in the provision of beauty services. As the Group's carbon emissions are mainly generated from the consumption of purchased electricity, we promote an emissions reduction policy to encourage our staff to raise their awareness of environmental protection and to promote the principle of resource conservation among our staff in order to reduce the Group's environmental impact and to address the risks posed by global climate change. For more information on our emissions reduction policy, please refer to the section "Resources Consumption" above.

- Impact of extreme weathers: We will actively respond to the relevant policies of local governments, make contingency plans and respond appropriately to extreme weather caused by climate change to ensure the safety of our customers and employees. In addition, we have put in place contingency plans and disaster preparedness plans to enhance our overall resilience to natural disasters and to ensure that we can deal with natural disaster emergencies in a timely and efficient manner and prevent climate crises head-on.

Environmental, Social and Governance Report

SOCIAL SUSTAINABILITY

The management of the Group believes that our culture unleashes strong drivers for achieving development with social equity. To embed the Group's spirit — "Serve and Give Back" in our business activities enable us to deliver stakeholder value through innovative models that create livelihood opportunities and positive environmental footprint.

Community caring is an integral part of sustainability strategy. The corporate citizenship program was developed to combine our collective resources and leverage our skills to make a sustainable change to communities in need.

Giving our employees the opportunity to volunteer in their communities fosters a sense of greater purpose and instills a deeper level of friendliness, which translates into a richer guest experience.

The Group has been continuously focusing on COVID-19 and pandemic prevention efforts. In addition to our commitment to pursue the government's anti-pandemic policy objectives, the Group supported the state's anti-pandemic efforts in the form of donations. During the Reporting Period, the Group has donated a total of HK$500,000.

The management of the Group also recognize that the human capital is a vital element in preparing the Group for the future to enable ourselves to meet future opportunities and response the challenge. We strive to maintain a caring, fair and inclusive workplace to retain our employees.

EMPLOYMENT

The Group endeavored to abide by the relevant labor laws and regulations applicable to the employment of employees relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare in the places of business, including but not limited to the Labor Law of the People's Republic of China* (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》) and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) of Hong Kong, etc.

The Group had set up a comprehensive human resources management system and the Employee Handbook to manage the process of recruitment, promotion, dismissal and compensation of employees, and had made contributions to the basic pension, medical, maternity, unemployment and occupational injury insurance and housing fund for its employees who are entitled to public holidays, personal leave, sick leave, marriage leave, maternity leave, funeral leave and annual leave as stipulated by the State. The compensation scheme of short notice dismissal was implemented to ensure that we strictly comply with the relevant regulations.

The management of the Group plays an active role to develop a comprehensive learning and development programs including the provision of tailored-made training programs for the specific departments and employees. We conducted annual performance appraisals with the aim of identifying employees with the potential to take on roles in the future and adjusting their positions and salaries.

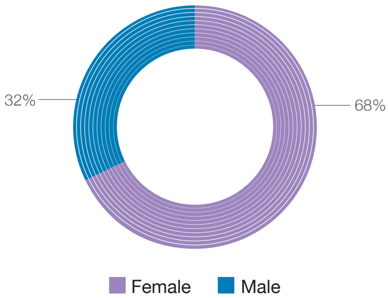
The Group's Policy on Diversity and Equal Opportunity focused on fostering meritocracy in the Group which promotes diversity and offers equal opportunity. The aim is to ensure that the practices are free from discrimination of applicant's race, color, religion, sex, national origin, marital status, sexual orientation, age, disability or any other characteristic, and to provide equal and fair promotion opportunities, training and benefits for employees.

As at 31 December 2022, the Group had a total of 111 employees (2021: 112 employees). The management of the Group places high emphasis on the diversity of our employees that allows us to connect with our customers efficiently.

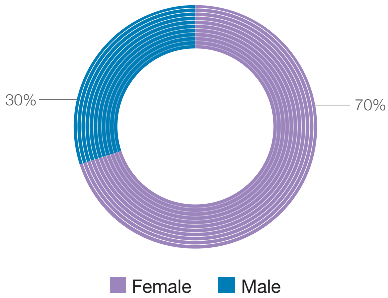
Environmental, Social and Governance Report

The following diagrams show the percentage of employees by gender for the year 2022 and 2021 respectively:

Gender 2022

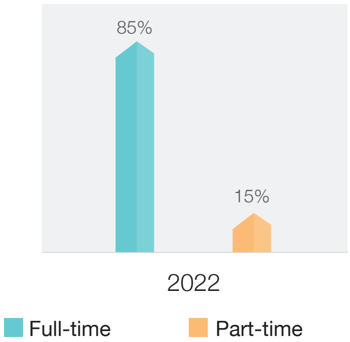


Gender 2021

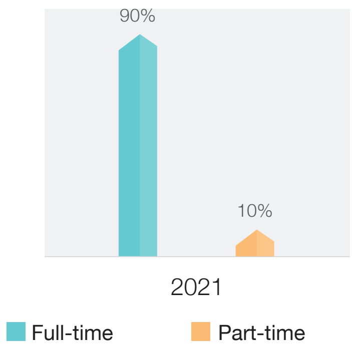


The following diagrams show the percentage of the employee category of the employee for the year 2022 and 2021 respectively:

Employee Category 2022



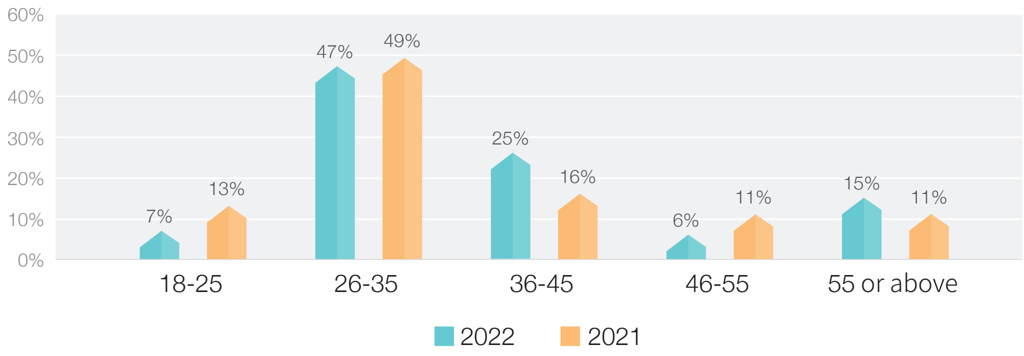
Employee Category 2021



Environmental, Social and Governance Report

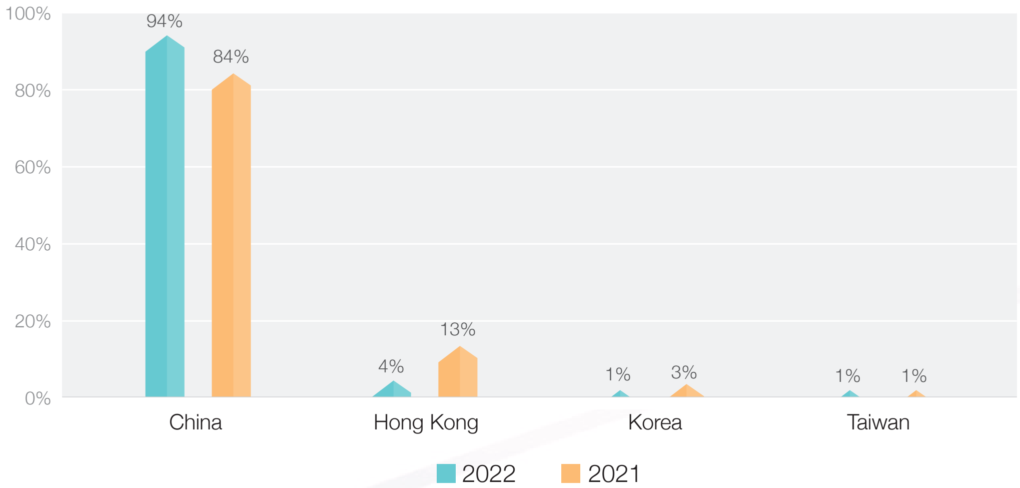
The following diagrams show the percentage of employees by age for the year 2022 and 2021 respectively:

Percentage of Employees by Age Group



The following diagrams show the percentage of employees by geographical region for the year 2022 and 2021 respectively:

Percentage of Employees by Geographical Region



Environmental, Social and Governance Report

Stressed after the prolonged battle against COVID-19 pandemic during 2022, exemplified by the lock-down of Shanghai during the first half of 2022, we saw a marked increase in the turnover rate among healthcare staff in Shanghai Hospital in 2022 versus 2021. During the Reporting Period, the Group's overall employee turnover rate was 78% (2021: 11%). The breakdown of the employee turnover rate by gender, age and geographical region for the year 2022 and 2021 is as follows:

Categories of employees	**Employee turnover rate**	
	2022	2021
Gender		
Male	**60%**	8%
Female	**87%**	12%
Age		
18-25	**150%**	13%
26-35	**110%**	12%
36-45	**39%**	7%
46-55	**17%**	10%
55 or above	**35%**	11%
Geographical Region		
China	**78%**	11%
Hong Kong	**25%**	–
Korea	**300%**	–
Taiwan	**100%**	100%

HEALTH AND SAFETY

The management of the Group regard health and safety of our customers and employees as a top priority. Moreover, nurturing quality employees and caring for the well-being of the employees are integral to our culture. Our approach focuses on creating conducive work environment that combine the needs to focus on performance with a caring and compassionate to work ethos to deliver performance.

We promote the concept "work-life balance" for caring our employees in terms of their health, wellness and continuing education, providing other support services and providing support whenever possible. Different types of health care plans are available such as periodic preventive health check-ups, medical insurance, accident insurance and etc.

In addition to caring the health of our employees, we are committed to providing a safety environment for our employees. The management of the Group provides regular emergency evacuation drills ensuring that they can manage any safety risks arising from emergency situation. We also regularly review the safety rules to ensure safety environment of working was provided. We strictly follow the local government guidelines to deal with the bad weather.

Environmental, Social and Governance Report

The Group strictly complies with the Law of the People's Republic of China on Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), the Law of the People's Republic of China on the Prevention and Control of Infectious Diseases* (《中華人民共和國傳染病防治法》), the Fire Control Law of the People's Republic of China* (《中華人民共和國消防法》), the Regulations on Occupational Injury Insurance* (《工傷保險條例》) and other relevant laws and regulations on occupational health and safety. Especially for the Aesthetic Medical Services, the Group abided by the Measures for the Administration of Aesthetic Medical Services* (《醫療美容服務管理辦法》), the Regulations on the Administration of Medical Institutions* (《醫療機構管理條例》), the Law on Medical Practitioners* (《執業醫師法》), the Administrative Measures for Nurses* (《護士管理辦法》) of the People's Republic of China and other relevant regulations on the health and safety of Aesthetic Medical Services. In order to reduce the risk of disease transmission from patients to medical staff at work, the Group required medical staff to wear protective equipment such as impervious gloves, masks, protective eyewear and face shields when performing surgery, to avoid being stabbed or cut by sharp instruments such as needles and blades, and to safely dispose of surgical instruments, sharp instruments and needles after use. We have also strengthened training on infectious disease control and nosocomial infections by providing monthly training on nosocomial infections for our medical staff.

The Group also paid attention to the process of medical waste disposal by its staff and require dedicated staff to clean and disinfect the area for temporary storage of medical wastes on a regular basis, and provided training on medical waste management to the specific staff engaged in medical waste management, all medical care personnel, new employees and other staff who will be engaged in the separate and collection, transportation, temporary storage and disposal of medical wastes. This is to raise the awareness of environmental protection and their own protection, so as to prevent and control the hazards of medical wastes to human health and the environment.

In response to the COVID-19 pandemic, the Group has put in place a number of infection prevention measures to safeguard the health and safety of our employees, such as arranging regular nucleic acid tests for our staff, providing sanitizing materials and other epidemic prevention facilities in public areas such as hospital entrances, staircases, elevators and rooms, and cleaning and disinfecting hospitals and offices on a regular basis. In addition, all staff and customers were required to register and have their body temperature checked before entering the hospital, and the nucleic acid test results were reviewed before the operation was performed to ensure that the customers were not infected with the virus and to prevent the spread of the virus. We also enhanced our promotion of vaccination and achieved a 100% completion rate of the third dose of vaccination for medical staff during the year.

The Group will continuously monitor that the policies adopted shall be executed effectively, including but not limited to:

- Providing overall guidance and direction for the Group's safety and loss control program;
- Evaluating, analyzing and correcting safety and security problems;
- Monitoring inspection reports to ensure corrective action is taken;
- Promoting and implementing safety awareness and training programs for employees;
- Evaluating new and existing facilities, equipment and procedures related to safety and security; and
- Maintaining accurate and complete meeting and activity records and reports.

We strive to enhance the injury and illness prevention through more robust post-incident investigations. Work injury handling procedures were reviewed during the Reporting Period to ensure the injury case can be handled properly. During the Reporting Period, we recorded none of lost work days (2021: nil) due to work injury and there were no work-related injuries and fatalities in each of the past three years (including 2022).

During the Reporting Period, the Group did not recognize any non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Environmental, Social and Governance Report

DEVELOPMENT AND TRAINING

Cultivating employees' capabilities is a vital element in preparing the Group for the future, so as to enable the best response to tomorrow's market opportunities. Different training programs were designed to deliver training for enhancing both of the technical skills and ethical mindset. Acquiring extra qualifications is considered as favorable factors for employer's promotion in appraisal.

The Group provided a range of in-house training and development for our employees to enhance their performance, professional skills and knowledge. Meanwhile, we promote "The Spirit of Care" through the training programs for each level of employees concerning how their behavior conveys our promise to care for others.

New employees were required to attend an induction training, covering the Group's history, company profile, corporate culture, internal policies and employee benefits. This helped our employees to familiarize themselves with our operations in order to develop a sense of belonging to the Group.

On-the-job training is provided by each department individually according to the actual work of the specific department. Through these trainings, employees can enhance their occupational skills and receive guidance and training for future career growth and the duties of each role. We provided, for example, business training for marketing staff, medical safety training, training on nosocomial infections and programs on the use of medical equipment for medical care staff. During the Reporting Period, Shanghai Hospital has provided training sessions on aesthetic medical products and instruments, medical dispute prevention and resolution for employees for education purposes and enhanced complaint handling skills.

The management of the Group place high emphasis on the code of conduct of the employees. Code of conduct training was provided on a rolling basis to ensure that we adhere to the legal and ethical standards consistently, including training on China and Hong Kong company law and directors' responsibilities for the directors of the Company.

We regularly review and continue to improve the individual training and development results so that the Group can better understand the training of its employees. The Group is intensely focused on the training of physicians and nurses in the Aesthetic Medical Services. We reviewed the performance of our medical employees each year to ensure that they have the relevant professional accreditation, have passed trainings related to treatments and operations and are recognized, satisfying the requirements of the Law on Medical Practitioners (《執業醫師法》), the Administrative Measures for Nurses (《護士管理辦法》), and other relevant medical practice qualifications.

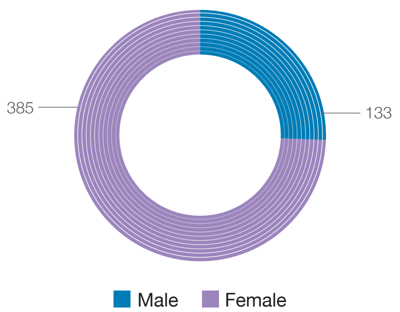
The percentage of employees trained and the total and average training hours completed by the employees of the Group by different types of employment for the year 2022 are as follows:

Employee Category	**Percentage of employees trained**		**Average training hours (Hour)**	
	2022	2021	**2022**	2021
Gender				
Male	**28%**	30%	**3.80**	2.77
Female	**72%**	70%	**5.07**	1.62
Employee Category				
Management	**24%**	21%	**7.93**	3.25
Non-management	**76%**	79%	**4.20**	1.64

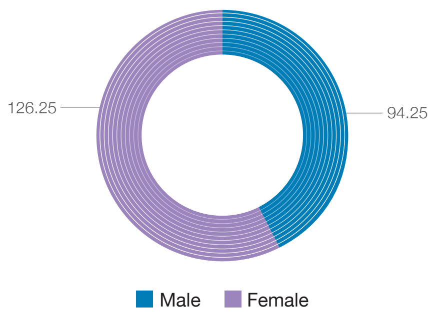
Environmental, Social and Governance Report

The following diagrams demonstrate the training hours completed per employee by gender for the year 2022 and 2021 respectively:

Training hours by gender in 2022

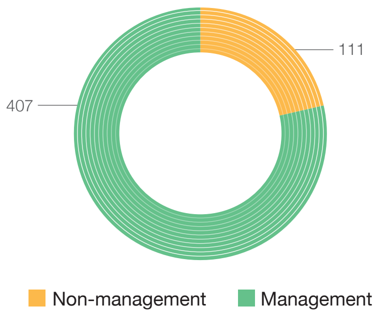


Training hours by gender in 2021

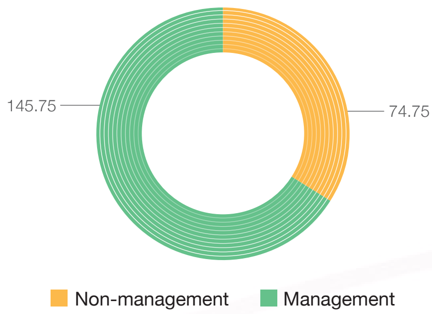


The following diagrams demonstrate the training hours completed per employee by employee category for the year 2022 and 2021 respectively:

Training hours by employee category in 2022



Training hours by employee category in 2021



LABOR STANDARDS

Policies have been implemented and reviewed by the Group during the Reporting Period for the compliance with the Law on the Protection of Minors of the People's Republic of China* (《中國人民共和國未成年人保護法》), Regulations on the Prohibition of Child Labor* (Decree No. 364 of the State Council of the People's Republic of China) (《禁止使用童工規定》(中華人民共和國國務院令第364號)) and Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and other relevant laws and regulations. The management of the Group ensure the terms of employment contracts were formulated in compliance with the relevant regulations. We denounce all forms of child exploitation, forced or bonded labor and recognizing the right of workers. During the recruitment process, we will verify the identity documents and academic qualifications of the candidates to ensure that their age and identity are consistent with the documents provided and that they meet the requirements of the Chinese and Hong Kong labor laws. Employment of any identified child or forced labour will be ceased immediately. Investigation will be carried out to determine the cause of non-compliance, followed by remedies and appropriate penalties to prevent the recurrence of similar incidents. An independent whistle blowing channel was set up allowing anyone to raise concerns and seek guidance on a broad range of issues. Neither child labor employment nor forced labor practice was found during the Reporting Period.

During the Reporting Period, we did not recognise any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labor.

Environmental, Social and Governance Report

SUPPLY CHAIN MANAGEMENT

As the Group principally provides Aesthetic Medical Services, the safety and health of our customers are the matters of utmost importance. Therefore, the management of the Group believe that the actualization of its vision of sustainable development requires the rigorous management of its supply chain and is necessary to take into account the impact on human health and environmental within supply chain. In order to formalize the sustainable procurement process, the Procurement Conduct Guide was put in place and was reviewed by the management of the Group during the Reporting Period. The main guidelines are outlined below:

- The principle of respecting human rights;
- Complying with all applicable local and national labor laws especially in relation to discrimination, minimum wage, overtime and maximum working hours;
- Ensuring all work is out of one's own free will and workers should be free to terminate employment with reasonable notice;
- Complying with applicable labor law, in particular in connection with child labor;
- Upholding a safe and healthy work environment;
- Minimizing the impact of their operations on the environment and obtaining all necessary environmental permits and registrations;
- Following all applicable laws regarding prohibition of specific substances and/or ingredients and regulations for handling, recycling and disposal of all waste types;
- Undertaking ongoing efforts to reduce their operational impact on the environment;
- Performing due diligence on new suppliers; and
- Performing yearly review on the existing suppliers.

Preference will be given to the suppliers:

- Indicating preference for use of eco-friendly recycled materials and products; and
- Indicating preference for ISO 14001 certified vendors;
- Declaring the use of eco-friendly/recycled paper unprinted materials.

Environmental, Social and Governance Report

The Group have prepared the Procurement Management System and Operation Procedures to regulate the procurement of various types of materials, mainly involving the procurement of supplies including various types of drugs, injection materials, implants, medical materials, medical beauty equipment and other consumables or office supplies to ensure that procurement is conducted in an effective and cost-efficient manner. In the process of selecting suppliers, the Group will consider factors such as product quality, price, qualification and reputation of suppliers, service quality and delivery time, and require suppliers to provide licenses and permits required for their business, such as operation licenses and Certificate of quality control standard for pharmaceutical business, etc. Moreover, the Group have entered into pharmaceutical supply and demand quality assurance agreements with major suppliers of pharmaceutical products in Shanghai to ensure product quality and provide quality services to our customers. We regularly liaise with the suppliers we work with to ensure they are operating properly without significant risk.

During the Reporting Period, the suppliers of the Group were all located in the PRC and the Group had 71 qualified suppliers (2021: 61 qualified suppliers). Each time before cooperating with new suppliers, we will investigate and evaluate their qualification and quality, and conduct annual evaluation according to their supply quality, delivery services and prices, in order to monitor the supplier's performance and manage the risks related to the quality and stability of the supplies.

PRODUCT RESPONSIBILITY

The Group fully understands that safety and quality of service are crucial in the Aesthetic Medical Services. Since we put customers a top priority, to ensure that our products and services are safe and of high quality, we pay special attention to medical safety and do everything possible to provide quality and safe products and services to our customers.

Quality Control of Pharmaceuticals and Medical Supplies

The Group strictly complies with the Pharmaceutical Administration Law of the People's Republic of China* (《中華人民共和國藥品管理法》) and other laws and regulations related to the quality management of medical drugs, and formulated the Management System for Pharmacy, Drugs and Medical Supplies (《藥房、藥品及醫療用品管理制度》) to carry out rigorous acceptance work for drugs and medical supplies by inspecting drugs batch by batch and seriously verifying the name, specification, quantity, batch number, manufacturer and expiration date. For unqualified materials, feedback and arrangement for return were made with suppliers in a timely manner. The Group have pharmacy staff to properly classify and store drugs according to their properties and requirements, and maintain them in room temperature, cool place or cooler, respectively. Further, the Group established an alert mechanism for expired drugs, with pharmacists checking the expiration dates of existing drugs every month and arranging for the shelving and scrapping of drugs with an expiration date of less than three months to ensure that no expired drugs were consumed. Meanwhile, pharmacists were required to check written prescriptions and data in the medical management system before dispensing medications properly according to the "3 checks and 7 verifications" rule to ensure error-free dispensing.

Service Quality

The Group strictly abides by the Administrative Measures for Aesthetic Medical Services* (《醫療美容服務管理辦法》) and other relevant laws and regulations to provide quality services and bring social and economic benefits to the Group. To improve and enhance the quality of its service, the Group conducted regular and internal audits on medical quality and safety in relation to the compliance in aspects of pre-surgical information, records and procedures, records during and after surgical procedures, management of drugs, use, storage and disposal of anesthetic drugs, safety of medical devices, and medical waste management. Meanwhile, when recruiting qualified physicians and medical staff, we assessed their academic and professional qualifications, experience and other criteria to ensure that they satisfy the qualifications of practitioners and comply with laws and regulations. The Group will continue to strengthen the service quality control to provide quality service to our customers.

Environmental, Social and Governance Report

Customer feedback and handling medical disputes

The Group attach great importance to the collection of service quality information through customer feedback so that customers are able to contact the Group's management. The results and opinions of the collected information facilitate customer engagement and help to promote improvement of service quality. We will proactively respond to customer feedback in order to enhance customer satisfaction and loyalty, thus safeguarding the brand image of the Company. Since the evaluation of medical beauty results in such nature of business is influenced by subjective judgment, if there is an obvious deviation of the surgical result from the customer's expectation or it is due to a surgical error, it will easily lead to medical complaints, medical disputes and medical accidents. The Group has established the Procedures for Handling Medical Disputes and various communication channels (e.g. telephone, email or direct visits to hospitals) are provided. Our customer service staff will follow up each cases upon receipt of relevant medical complaints, so that they can be handled appropriately and in a timely manner. Customer service staff will report all medical complaints and disputes to the hospital management and the group management at least on a quarterly basis for timely handling and response of the issue.

During the Reporting Period, the Group received a total of 4 complaints from customers (2021: 16 complaints), mainly related to dissatisfaction with the results of the surgery. After understanding the situation and going through investigation, we communicated with each customer and made arrangements such as refunds and free fixes, and all customer complaints have been properly handled. We have policy in place to deal with product or service recalls. Upon verification by our customer service officers on a refund request due to defects of our products or services, we will reach out to the customer for refund purposes. During the Reporting Period, 0% of the Group's products and services were subject to recall for safety and health issues.

The Group strictly complies with the Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》) and other relevant laws and regulations. During the Reporting Period, we did not recognize any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.

Intellectual property rights

The Group have completed trademark registration for the trademarks owned by the Group, and keep the trademark registration certificates properly and renew the valid registration documents annually to maintain the trademark rights.

The policies for protecting the intellectual property rights were reviewed during the Reporting Period including but not limited to:

- maintaining an effective system of Internet Protocol asset management, including maintaining an inventory and records of IP-related assets and agreements;
- Prohibiting the infringement of a third party's intellectual property rights in its products and services; and
- Prohibiting the use of counterfeit or other infringing goods and services.

We did not discover any infringement of intellectual property rights during the Reporting Period (2021: Nil).

Privacy policy

The Group is committed to protecting the privacy of all individuals. We adhered to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and laws and regulations relating to customer data and privacy. We imposed strict procedures in dealing with collecting, retaining, and disclosing personal information. We recorded customer information into our customer management system and set up access rights for different employees to ensure the security of customer information.

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The Group also put in place measures at various control areas to ensure the personal data is handled properly and is safeguarded. An authorized employee who is eligible to access confidential information is requested to sign the confidentiality agreement, requiring them not to disclose any company and customer information.

ANTI-CORRUPTION

It is vital to us that we are a responsible organization whose employees act with integrity and in accordance with our standards of business conduct. We have embedded a culture with ethical behavior at the forefront. Our Code of Conduct is paramount. The Code of Conduct is anchored in good corporate governance and exemplary personal conduct. Our business spells out the guidelines to deal with the issues related to antitrust, unfair competition, political contributions, abuse of purchasing power, commercial and political bribery. Our Anti-Bribery and Corruption Policy clearly specifies the meaning of bribery and corruption and our position on facilitation payments and gifts. We provide regular corruption prevention information and training to all employees to enhance their knowledge of business ethics and the importance of anti-corruption.

During the reporting period, we provided anti-corruption training to directors on the Directors' Responsibilities Guidelines to enhance directors' awareness of their responsibilities and their ability to recognise and avoid accepting improper advantages. We also provided training to directors on "not making secret profits" to clarify the types of secret profits and to improve directors' knowledge on anti-corruption in all aspects.

Any violation of Code of Conduct will render the employee liable for disciplinary action. Specific training program was introduced in respect of the updated and relevant regulations in relation to anti-bribery and corruption.

During the Reporting Period, there were no legal proceedings against the Group and its employees relating to corruption, bribery, extortion, fraud and money laundering. (2021: Nil)

Whistle Blowing Policy

The Group has established an effective anti-fraud policy and procedure, feedback and whistle-blowing reporting process. The launch of the policy aims to set up a reporting channel for all parties to raise concerns, in confidence, about misconduct, malpractice, impropriety, statutory non-compliance or wrongdoing by staff in the course of their work in any language. Employees at all levels and stakeholders can report information on actual or suspected fraud cases of the company and its personnel, including complaints and whistle-blowing information on violations of professional ethics, through the reporting telephone hotline, e-mail and letters. All whistle-blowing cases are received directly by the Company Secretary who will report to the Audit Committee for investigation and processing after understanding the situation. Once received, all cases will be fully, fairly and impartially investigated to the extent possible, and will be dealt with and rectified as soon as possible.

Our objectives include but not limited to:

- encourage timely report of any misconduct;
- respond timely to such misconduct;
- serve as a means of avoiding misconduct; and
- promote a culture of integrity.

Environmental, Social and Governance Report

Policies were imposed to ensure the Group to comply with the following laws and regulations:

- Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong);
- Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
- Criminal Law of the People's Republic of China* (《中華人民共和國刑法》)；and
- Anti-Unfair Competition Law of the People's Republic of China* (《中華人民共和國反不正當競爭法》).

The Group have published the reporting channels for whistle-blowing and the relevant policies were posted on employee notice boards, the intranet and the Employee Handbook for transparency and ease of access by employees.

According to the Code of Conduct, all employees of all levels should avoid situations in which their personal interests could conflict with the interest of the Group. All of the employees at management level are required to submit a Conflict of Interest Confirmation during the onboarding and on an annual basis to disclose any potential conflict of interest. All of the related parties transactions must comply with the internal guidelines and the relevant external regulations. For an employee who becomes involved in a situation where his or her personal interest is perceived to be in conflict with that of the Group, disclosure procedures must be strictly complied with in accordance with the guideline set out in Anti-Bribery and Corruption Policy. Any employee who violates the Anti-Bribery and Corruption Policy will be subject to disciplinary action or even possible termination of employment and legal action brought against them.

Once the conflict of interest has been identified, the management of the Group will carry out the following procedures in accordance with the guideline including but not limited to:

- withdrawing the employee from the situation leading to conflict;
- prohibiting the employee from further involvement in the transaction; and
- considering remedies to reduce the impact.

Going forward, the Group will formulate a long-term sustainability roadmap, where it presents the focus areas, goals and targets for all its operations to monitor its ESG performance. The Group will also focus more on customer engagement in order to better understand their needs and opinions.

Independent Auditors' Report

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA TIAN YUAN HEALTHCARE GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Tian Yuan Healthcare Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 147, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditors' Report

KEY AUDIT MATTERS ***(cont'd)***

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessing potential impairment of goodwill and intangible assets At 31 December 2022, goodwill amounted to approximately HK$58,407,000 in total and was allocated to cash generating units of healthcare business for the purpose of assessing potential impairment. At 31 December 2022, intangible assets mainly comprised of trademarks amounted to approximately HK$12,043,000. Goodwill is assessed annually for potential impairment and the directors assess potential impairment of intangible assets when they consider that indicators of potential impairment of these assets exist. Management performs impairment assessments of the cash-generating units ("CGUS") to which the assets are allocated by considering the value-in-use of these assets. We identified assessing the potential impairment of goodwill and intangible assets as a key audit matter because the impairment assessment prepared by management is complex and involves a significant degree of management judgment in relation to the key assumptions adopted in the impairment assessments models some of which are inherently uncertain and may be subject to management bias in their selection.	Our procedures in relation to management's impairment assessment of goodwill included: – Understanding the Group's impairment testing process, including valuation model adopted, allocation of cash generating units and assumptions used; – Assessing and challenging the key assumptions used in management's cash flow projections, including, amongst others, expected future cash flows and discount rates; the reasonableness of the key assumptions used in the models, e.g. revenue growth rate and gross profit margin, by comparing such key assumptions with the Group's historical performance and market data. Obtaining management's sensitivity analysis for the key assumptions, including annual growth rate and discount rate and assessing the impact of changes in the key assumptions on the conclusions reached by management and whether there is any indicators of management bias; – Obtaining and reviewing the valuation report prepared by the external valuation firm engaged by the Group with the assistance of our valuation specialists; – Assessing the external valuer's qualifications, experience and expertise of the external professional valuer engaged by management and considered its objectivity and independence; and – Assessing the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Independent Auditors' Report

KEY AUDIT MATTERS ***(cont'd)***

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for expected credit losses ("ECL") and impairment assessment of loan and other receivables At 31 December 2022, the carrying amount of the loan receivables and other receivables amounted to approximately HK$134,275,000 and HK$6,445,000 respectively. In determining the impairment provision of loan and other receivables, the recoverability was assessed by the management taking into account the credit quality and likelihood of collection. ECL for loan and other receivables are based on management's estimate of 12 month ECL to be incurred, which is estimated by taking into account the credit loss experience, aging of overdue, borrowers' repayment history and borrowers' financial position, all of which involve a significant degree of management judgement. We identified the ECL assessment and impairment assessment on loan and other receivables as a key audit matter due to management judgement was required in making an assessment of the adequacy of the ECL assessment and impairment provision for loan and other receivables rising from the money lending and related business.	Our procedures in relation to management's impairment assessment of the loan and other receivables included: – Understanding and assessing the Group's policy on granting loans to its borrowers and the Group's credit and impairment assessments, including the design and implementation of key controls over the approval, recording and monitoring of loan and other receivables; the related credit control and loan monitoring process, the identification of the three stages of the ECL model and the measurement of provisions for impairment; – Challenging management's basis and judgment in determining credit loss allowance on loan receivables as at 1 January 2022 and 31 December 2022, including the identification of credit impaired loan receivables, estimated loss rates applied to each borrower and collaterals pledged to the Group. Evaluating management's assessment of the internal credit rating of the loan and other receivables by reference to the past due status, past collection history, subsequent settlement information and financial condition of the borrowers; and the reasonableness of forward-looking information used by the Group, with the assistance from our valuation specialists; – Evaluating the expected cash shortfalls estimated by the management by checking the expected cash flows from the realisation of collaterals received against publicly available information; the timing and means of realisation of collateral, the forecast cash flows; and – Assessing the disclosures in the consolidated financial statements on impairment of loan and other receivables with reference to the requirements of the prevailing accounting standards.

Independent Auditors' Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Independent Auditors' Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

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

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

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

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

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

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

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

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

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

Independent Auditors' Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2023

Alvin Yeung Sik Hung
Practising Certificate Number: P05206

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Note	**2022** **HK$'000**	2021 HK$'000
Revenue	5	**54,216**	94,588
Cost of sales		**(19,391)**	(23,281)
Gross profit		**34,825**	71,307
Other (losses)/gains, net	6	**(14,024)**	2,665
(Expected credit loss recognised)/reversal of expected credit loss, net	7	**(800)**	1,299
Administrative expenses		**(56,633)**	(90,031)
Share of profit of associates (net of tax)		**242**	184
Finance costs	8	**(3,959)**	(4,487)
Loss before taxation	8	**(40,349)**	(19,063)
Income tax	9(a)	**–**	–
Loss for the year		**(40,349)**	(19,063)
Loss for the year attributable to:			
Equity shareholders of the Company	12	**(29,036)**	(16,854)
Non-controlling interests		**(11,313)**	(2,209)
Loss for the year		**(40,349)**	(19,063)
		HK cents	HK cents
Loss per share	12		
Basic loss per share		**(7.28)**	(4.22)
Diluted loss per share		**(7.28)**	(4.22)

The notes on page 67 to 147 form part of these consolidated financial statements.

Consolidated Statement of Profit or loss and Other Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Loss for the year	**(40,349)**	(19,063)
Other comprehensive income for the year (after taxation):		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(1,846)**	5,564
Exchange differences on monetary item forming net investment in a foreign operation	**166**	163
Total other comprehensive (loss)/income for the year	**(1,680)**	5,727
Total comprehensive loss for the year	**(42,029)**	(13,336)
Total comprehensive loss attributable to:		
Equity shareholders of the Company	**(31,945)**	(11,281)
Non-controlling interests	**(10,084)**	(2,055)
Total comprehensive loss for the year	**(42,029)**	(13,336)

The notes on page 67 to 147 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	14	**50,759**	60,914
Intangible assets	15	**12,043**	17,835
Goodwill	16	**58,407**	62,834
Interests in associates	17	**7,167**	7,511
Trade and other receivables	19	**15,342**	8,529
		143,718	157,623
Current assets			
Trade and other receivables	19	**21,963**	26,145
Inventories	18	**1,970**	2,494
Financial assets at fair value through profit or loss	20	**5,107**	12,188
Loan receivables	21	**134,275**	112,234
Current tax recoverable	9(c)	**16**	16
Cash and cash equivalents	22	**26,496**	65,699
		189,827	218,776
Current liabilities			
Trade and other payables	23	**(40,005)**	(32,302)
Lease liabilities	24	**(4,065)**	(3,892)
Provision for taxation		**(163)**	(163)
		(44,233)	(36,357)
Net current assets		**145,594**	182,419
Total assets less current liabilities		**289,312**	340,042

Consolidated Statement of Financial Position

At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Obligations in excess of earnings from equity-method accounted joint venture	25	**(227)**	(227)
Lease liabilities	24	**(47,063)**	(55,764)
		(47,290)	(55,991)
NET ASSETS		**242,022**	284,051
Capital and reserves	27		
Share capital		**398,980**	398,980
Share premium		**20,663**	20,663
Reserves		**(195,341)**	(163,396)
Equity attributable to equity shareholders of the Company		**224,302**	256,247
Non-controlling interests		**17,720**	27,804
TOTAL EQUITY		**242,022**	284,051

The consolidated financial statements on pages 59 to 147 were approved and authorised for issue on behalf of the board of directors on 30 March 2023.

....	....
Dong Wei	**He Mei**
Chief Executive Officer	*Director*

The notes on page 67 to 147 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021	398,980	20,663	676	830	(153,621)	267,528	29,859	297,387
Changes in equity for 2021:								
Loss for the year	–	–	–	–	(16,854)	(16,854)	(2,209)	(19,063)
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Exchange differences on translation of financial statements of foreign operations	–	–	–	5,410	–	5,410	154	5,564
Exchange differences on monetary item forming net investment in a foreign operation	–	–	–	163	–	163	–	163
Total other comprehensive income	–	–	–	5,573	–	5,573	154	5,727
Total comprehensive income for the year	–	–	–	5,573	(16,854)	(11,281)	(2,055)	(13,336)
Balance at 31 December 2021	398,980	20,663	676	6,403	(170,475)	256,247	27,804	284,051

The notes on page 67 to 147 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2022	398,980	20,663	676	6,403	(170,475)	256,247	27,804	284,051
Changes in equity for 2022:								
Loss for the year	–	–	–	–	(29,036)	(29,036)	(11,313)	(40,349)
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Exchange differences on translation of financial statements of foreign operations	–	–	–	(3,075)	–	(3,075)	1,229	(1,846)
Exchange differences on monetary item forming net investment in a foreign operation	–	–	–	166	–	166	–	166
Total other comprehensive income	–	–	–	(2,909)	–	(2,909)	1,229	(1,680)
Total comprehensive income for the year	–	–	–	(2,909)	(29,036)	(31,945)	(10,084)	(42,029)
Balance at 31 December 2022	398,980	20,663	676	3,494	(199,511)	224,302	17,720	242,022

The notes on page 67 to 147 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	**2022 HK$'000**	2021 HK$'000
Operating activities			
Loss before taxation		**(40,349)**	(19,063)
Adjustments for:			
Amortisation of intangible assets	8	**3,310**	3,314
Depreciation of property, plant and equipment	8	**6,219**	8,555
Finance costs	8	**3,959**	4,487
Loss on disposal of property, plant and equipment	6	**21**	113
Interest income	5	**(16,514)**	(16,823)
Impairment loss on trademarks		**2,469**	–
Impairment loss/(reversal of) on loan and trade and other receivables		**800**	(1,299)
Net realised and unrealised foreign exchange losses	6	**5,030**	1,385
Net realised and unrealised valuation losses on financial assets at fair value through profit or loss	6	**6,926**	667
Share of profit of associates		**(242)**	(184)
		11,978	215
Operating loss before changes in working capital		**(28,371)**	(18,848)
Changes in working capital			
Loan receivables		**(24,073)**	27,637
Inventory		**541**	(600)
Trade and other receivables		**(2,147)**	(9,810)
Trade and other payables		**7,703**	3,848
Cash (used in)/generated from operations		**(46,347)**	2,227
Interest received		**15,985**	13,997
Tax refund		**–**	93
Net cash (used in)/generated from operating activities		**(30,362)**	16,317

The notes on page 67 to 147 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Investing activities			
Purchase of property, plant and equipment		**(1,348)**	(1,458)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,107**	4,209
Purchase of financial assets at fair value through profit or loss		**(1,992)**	(4,167)
Net cash used in investing activities		**(1,233)**	(1,416)
Financing activities			
Capital element of lease rentals paid		**(8,528)**	(2,730)
Interest element of lease rentals paid		**(3,959)**	(4,487)
Net cash used in financing activities	22(b)	**(12,487)**	(7,217)
Net (decrease)/increase in cash and cash equivalents		**(44,082)**	7,684
Cash and cash equivalents at 1 January		**65,699**	58,178
Effect of foreign exchange rate changes		**4,879**	(163)
Cash and cash equivalents at 31 December	22	**26,496**	65,699

The notes on page 67 to 147 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL

China Tian Yuan Healthcare Group Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Tianyuan Manganese Limited (incorporated in the Cayman Islands) and its ultimate holding company is Ningxia Tianyuan Manganese Industry Co., Ltd (incorporated in the People's Republic of China (the "PRC")). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are investment holding, provision of procurement, marketing and management services to the medical industry, provision of procurement services relating to hospitality industry, licensing of trademarks and money lending and related business.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") to these consolidated financial statements for the current accounting period for the first time:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) *Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HKD"), which is the Company's functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investments in equity securities (see note 3(g))

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(b) Basis of preparation of the financial statements (cont'd)

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(c) Subsidiaries and non-controlling interests (cont'd)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recongnised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(d) Associates and joint ventures (cont'd)

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. The financial statements of an associate and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of the investment (after reassessment) is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(d) Associates and joint ventures (cont'd)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(e) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) (i) Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction– by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

A business is an integrated set of activities and assets which include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) (i) Business combinations or asset acquisitions (cont'd)

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements*.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* ("HKAS 12") and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share–based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non–controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) (i) Business combinations or asset acquisitions (cont'd)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that does not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(f) (ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a prorata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU(or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments (see note 31) . These investments are subsequently accounted for as follows, depending on their classification.

(i) Debt investments

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

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

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

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

(ii) Equity investments

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(h) Property, plant and equipment

The following items of property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 3(k)):

- interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 3(j));

- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 3(j)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

– Building	2.6%
– Plant, machinery and equipment (comprising principally furniture and fixtures and office equipment)	6% to 33.33%
– Leased properties lease	over the term of the lease
– Motor vehicles	20%

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(i) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

– Trademarks	10 to 15 years
– Customer contracts	2 to 10 years

Both the useful life and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(j) Leased assets

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

(i) As a lessee

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

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments (less any lease incentives receivables) payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred. Lease payments also include amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and payments of penalties for terminating a lease if the lease term reflects the Group excercising an option to terminate the lease.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 3(h) and 3(k)(ii)) and adjusted for any remeasurement of lease liabilities, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value; and
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 3(f)(i), 3(j)(i) and 3(v)(ii)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(j) Leased assets (cont'd)

(i) As a lessee (cont'd)

The Group presents right-of-use assets in “property, Plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

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

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position. In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expenses on a straight-line basis over the lease term except for investment properties measured under fair value model.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

Refundable rental deposits received are accounted for under HKFRS9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

When the Group is an intermediate lessor, the sub-lease is classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 3(j)(i), then the Group classifies the sub-lease as an operating lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and loan receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables; and

– loan receivables.

Other financial assets measured at fair value, including equity securities measured at FVTPL and equity securities designated at FVTOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate; and

– loan receivables: discount rate used in the measurement of the receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) Credit losses and impairment of assets (cont'd)

(i) Credit losses from financial instruments and loan receivables (cont'd)

Measurement of ECLs *(cont'd)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, including loan receivables, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES ***(cont'd)***

(k) Credit losses and impairment of assets (cont'd)

(i) Credit losses from financial instruments and loan receivables (cont'd)

Significant increases in credit risk *(cont'd)*

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 3(v)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) Credit losses and impairment of assets (cont'd)

(i) Credit losses from financial instruments and loan receivables (cont'd)

Credit-impaired financial assets *(cont'd)*

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the Company.

Write-off policy

The gross carrying amount of a financial asset or loan receivables is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i,e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) Credit losses and impairment of assets (cont'd)

(i) Credit losses from financial instruments and loan receivables (cont'd)

Measurement and recognition of ECL *(cont'd)*

Where ECL is measured on a collective basis, the financial instruments are grouped on the basis below:

– nature of financial instruments;

– past-due status;

– nature, size and industry of debtors; and

– external credit ratings where available.

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

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

(ii) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill;

– prepayment; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) Credit losses and impairment of assets (cont'd)

(ii) Impairment of non-financial assets (cont'd)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

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

– Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) Credit losses and impairment of assets (cont'd)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(m) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method, less allowance for ECL (see note 3(k)(i)).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in note 3(k)(i).

Cash at bank excludes bank balances that are subject to regulatory restrictions that results in such balance no longer meeting the definition of cash.

(p) Derecognition of financial assets

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

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

(q) Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(r) Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

(s) Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (capital redemption reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital reserve.

When shares granted are vested, the amount previously recognised in capital redemption reserve will be transferred to retained earnings.

(t) Income tax

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(t) Income tax (cont'd)

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

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

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

  – the same taxable entity; or

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(u) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling with the contract.

(iii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(s)(i). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3(s)(i).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(v) Revenue and other income

(i) Revenue from contracts with customers

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

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a licence that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(v) Revenue and other income (cont'd)

(i) Revenue from contracts with customers (cont'd)

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

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

Output method

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

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of impairment allowance) of the asset (see note 3(k)(i)).

(w) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(w) Foreign currencies (cont'd)

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(x) Borrowing costs

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors of the Company (the chief operating decision maker) for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

4. ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

Key sources of estimation uncertainty

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

(a) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's healthcare business.

(b) Fair value measurement of financial instruments

As at 31 December 2022, certain of the Group's financial assets, unquoted non-equity investment amounted to approximately to HK$nil (2021: HK$3,906,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES *(cont'd)*

(b) Fair value measurement of financial instruments (cont'd)

When the fair values of financial assets recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk, estimated future cash flows, discount rate, volatility and interest rate. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

(c) Provision of ECL for trade and other receivables

Loss allowance for receivables is assessed and estimated by management based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and assessment of both current and forecast general economic conditions at the reporting date. Any increase or decrease in such estimation of credit loss allowance would affect the Group's profit or loss.

The Group assesses at the end of each reporting period whether there is objective evidence that a loan or receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its customers and debtors to make the required payments. The Group makes its estimates based on, inter alia, the ageing of its receivable balances, customers' and debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its customers and debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

(d) Impairment assessment on loan and other receivables

Management regularly reviews the impairment assessment and evaluates the ECL of the loan and other receivables. Appropriate loss allowance is recognised in profit or loss.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the one at the date of initial recognition. In making this assessment, the loan and other receivables are assessed individually by the management of the Group, based on the financial background, financial condition and the historical settlement records, including past due dates and default rates, of each borrower and reasonable and supportable forward-looking information such as macroeconomic data (for example, respective industry projected growth rates for certain borrowers) that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES *(cont'd)*

(d) Impairment assessment on loan and other receivables (cont'd)

Each borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration of the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the amount and timing of cash flows that are expected from the foreclosure on the collaterals (if any) less the costs of obtaining and selling the collaterals. At every reporting date, the financial background, financial condition and the historical settlement records are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan receivables are disclosed in notes 31 and 21 respectively.

(e) Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at cost less accumulated depreciation and amortisation and impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions on the Group's healthcare business.

(f) Estimated impairment of associates

Determining whether impairment loss should be recognised/reversed requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the associate and the proceeds from the ultimate disposal of the investment taking into account factors, including discount rate, dividend payout rate, etc. In cases where the actual cash flows are less or more than expected, or change in facts and circumstances which result in revision of future cash flows estimation or discount rate, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE

Revenue of the Group comprises revenue from healthcare related services and money lending and related business activities. Disaggregation of revenue recognised during the year by category is as follows:

	2022 **HK$'000**	2021 HK$'000
Revenue from contracts within the scope of HKFRS 15		
Healthcare related services		
Royalty fees	**6,628**	11,050
Healthcare income	**31,074**	66,715
	37,702	77,765
Revenue from other sources		
Money lending and related business activities		
Interest income on third party loans	**16,514**	16,823
Total revenue	**54,216**	94,588
Timing of revenue recognition within the scope of HKFRS 15		
A point in time		
Healthcare related services	**31,074**	66,715
Overtime		
Healthcare related services	**6,628**	11,050
	37,702	77,765

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE *(cont'd)*

Healthcare related services – royalty fees

Royalty fees represent the royalties received for the use of a trademark and recognised over a period agreed under contracts. The royalty fees are recognised over the contract terms.

Revenue that is expected to be recognised in the future arising from contracts in existence at the reporting date is insignificant.

6. OTHER (LOSSES)/GAINS, NET

	2022	2021
	HK$'000	HK$'000
Net realised and unrealised foreign exchange (loss)/gain	**(5,030)**	1,070
Net realised and unrealised valuation loss on financial assets at fair value through profit or loss	**(6,926)**	(667)
Impairment loss on trademarks	**(2,469)**	–
Interest income	**28**	7
Loss on disposal of property, plant and equipment	**(21)**	(113)
Miscellaneous income	**394**	2,368
	(14,024)	2,665

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. (EXPECTED CREDIT LOSS RECOGNISED)/REVERSAL OF EXPECTED CREDIT LOSS, NET

Expected credit loss allowance (recognised)/reversed on:

	2022 **HK$'000**	2021 HK$'000
Loan receivables	**(852)**	5,070
Trade and other receivables	**52**	(3,771)
	(800)	1,299

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2022 **HK$'000**	2021 HK$'000
Finance cost		
Interest expenses on lease liabilities	**3,959**	4,487
Staff costs		
Salaries, wages and other benefits	**21,267**	31,131
Directors emoluments	**5,639**	9,012
Retirement benefit scheme (excluding those of Directors)	**55**	54
	26,961	40,197
Other items		
Amortisation of intangible assets	**3,310**	3,314
Auditors' remuneration		
– audit services	**1,600**	2,650
– other services	**314**	415
Depreciation of property, plant and equipment	**6,219**	8,555
Lease payments not included in the measurement of lease liabilities	**238**	495

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

9. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2022	2021
	HK$'000	HK$'000
Current tax:		
Other jurisdictions	**–**	–
Deferred tax:		
Origination and reversal of temporary differences	**–**	–
	–	–

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for subsidiary which is a qualifying corporation under the two-tiered Profits Tax rate regime. The first HK$2 million of assessable profits is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

No Hong Kong profits tax has been provided for in the financial statements either because the Hong Kong subsidiaries have accumulated tax losses brought forward which exceed the estimated assessable profits or the Hong Kong subsidiaries sustained losses for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands. The tax concession was renewed for a further period of twenty years from 2 June 2009.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

9. INCOME TAX *(cont'd)*

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2022 HK$'000	2021 HK$'000
Loss before taxation	**(40,349)**	(19,063)
Tax at Hong Kong with tax rate of 16.5% (2021: 16.5%)	**(6,658)**	(3,143)
Tax effect of non-taxable income	**(7,554)**	(5,491)
Tax effect of non-deductible expenses	**4,613**	4,381
Effect of different tax rates of subsidiaries operating in others jurisdictions	**(4,177)**	(1,291)
Tax effect of tax losses not recognised	**11,719**	4,767
Tax effect of utilisation of previously unrecognised tax losses	**–**	(15)
Others	**2,057**	792
	–	–

(c) Current tax recoverable in the consolidated statement of financial position represents:

	2022 HK$'000	2021 HK$'000
Tax recoverable for overseas tax relating to prior years	**16**	16
	16	16

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
2022				
Executive Directors				
Dong Wei (Chief Executive Officer) (note (i))	699	–	–	699
Wang Huabing (note (vii))	4,274	–	–	4,274
Zhang Xian (note (iv))	98	–	–	98
Non-Executive Directors				
He Mei	50	–	–	50
Zhou Yuan	50	–	–	50
Independent Non-Executive Directors				
Yuen Kwok Kuen	180	–	–	180
Zhou Siqi (note (ii))	79	–	–	79
Li Jun (note (iii))	23	–	–	23
Hu Baihe (note (v))	89	–	–	89
Guo Jingbin (note (vi))	97	–	–	97
	5,639	–	–	5,639

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. DIRECTORS' REMUNERATION *(cont'd)*

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
2021				
Executive Directors				
Wang Huabing (note (vii))	5,553	–	–	5,553
Dong Wei (note (i))	4	–	–	4
Zhang Xian (Chief Executive Officer) (note (iv))	2,786	–	29	2,815
Non-Executive Directors				
He Mei	50	–	–	50
Zhou Yuan	50	–	–	50
Independent Non-Executive Directors				
Yuen Kwok Kuen	180	–	–	180
Guo Jingbin (note (vi))	180	–	–	180
Hu Baihe (note (v))	180	–	–	180
	8,983	–	29	9,012

(i) Ms. Dong Wei has been appointed as the chief executive officer on 19 January 2022.

(ii) Mr. Zhou Siqi has been appointed as director on 5 May 2022.

(iii) Mr. Li Jun has been appointed as director on 15 July 2022.

(iv) Ms. Zhang Xian has resigned as the executive director and the chief executive officer on 19 January 2022.

(v) Mr. Hu Baihe has retired as director on 28 June 2022.

(vi) Mr. Guo Jingbin has resigned as director on 15 July 2022.

(vii) Mr. Wang Huabing has resigned as director on 4 November 2022.

(viii) During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: nil). None of the Chief Executive and Directors waived or agreed to waive any emoluments during the year (2021: nil).

The Group's contributions to the Group's defined contribution retirement benefit schemes (the "Schemes") vest fully and immediately with the employees. Accordingly, there was no forfeited contribution under the Schemes which may be used by the Group to reduce the contribution payable in the future years.

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11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: two) of them are directors whose emolument is disclosed in note 10. The aggregate of the emoluments in respect of the other three (2021: three) individuals are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other emoluments	**2,480**	2,476

The emoluments of the three (2021: three) individuals with the highest emoluments are within the following bands:

	2022 **Number of** **individuals**	2021 Number of individuals
HK$Nil – HK$1,000,000	**3**	3

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2022 **HK$'000**	2021 HK$'000
Loss for the year attributable to owners of the Company	**(29,036)**	(16,854)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**398,980**	398,980

The calculation of the basic and diluted loss per share is based on loss for the year attributable to owners of the Company amounted to approximately HK$29,036,000 (2021: HK$16,854,000).

The denominators used are the same as those detailed above for both basic and diluted loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by products and services. The Group has identified the following four reportable segments based on the information that is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. No operating segments have been aggregated to form the following reportable segments.

– Investment holding:	This segment relates to investments in listed equity investments and unlisted marketable equitable equity mutual funds held as financial assets at fair value through profit or loss ("FVTPL"). Currently, the Group's equity investment portfolio includes equity securities listed on The Philippines Stock Exchange, Inc., The Stock Exchange of Hong Kong and The New York Stock Exchange and an unlisted investment in Hong Kong.
– Healthcare:	This segment primarily derives the revenue from the provision of procurement, marketing and management services to the medical industry, royalty fees from the licensing of trademarks as well as revenue from providing plastic surgery services generated from Shanghai hospital in PRC. Currently, the Group's activities in this segment are carried out in PRC, Hong Kong and Korea.
– Money lending and related business:	This segment primarily derives the revenue from the interests earned from the provision of loans to third parties, as well as referral and handling fees receivable for the provision of loan related services and the introduction of prospective lenders and borrowers. Currently, the Group's activities in this segment are carried out in PRC and Hong Kong.
– Hospitality:	This segment primarily derives the revenue from provision of procurement services relating to hospitality industry.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. SEGMENT REPORTING *(cont'd)*

(a) Segment results, assets and liabilities from continuing operations

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of current tax recoverable. Segment liabilities include all current and non-current liabilities with the exception of current and deferred tax liabilities and provision for taxation.

Revenue and expenses are allocated to the reportable segments with reference to income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's joint operation and associates.

The measure used for reporting segment profit is "profit from operations". In addition to receiving segment information concerning profit from operations, management is provided with segment information concerning revenue, interest income, depreciation and amortisation, impairment losses, foreign exchange gain/loss, gain/loss on FVTPL and additions to non-current segment assets used by the segments in their operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. SEGMENT REPORTING *(cont'd)*

(b) Information about reportable segments

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below:

	Investment holding		Healthcare		Money lending and related business		Hospitality		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Disaggregated by timing of revenue recognition										
Point in time	**–**	–	**31,074**	66,715	**–**	–	**–**	–	**31,074**	66,715
Over time	**–**	–	**6,628**	11,050	**–**	–	**–**	–	**6,628**	11,050
Revenue from contracts with external customers	**–**	–	**37,702**	77,765	**–**	–	**–**	–	**37,702**	77,765
Interest income	**28**	7	**–**	–	**16,514**	16,823	**–**	–	**16,542**	16,830
Reportable segment revenue	**28**	7	**37,702**	77,765	**16,514**	16,823	**–**	–	**54,244**	94,595
Reportable segment profit/ (loss) before taxation	**18,242**	(26,036)	**(24,940)**	(14,074)	**17,704**	20,750	**(51,355)**	297	**(40,349)**	(19,063)
Depreciation and amortisation	**(647)**	(1,802)	**(8,882)**	(10,067)	**–**	–	**–**	–	**(9,529)**	(11,869)
Impairment loss on trademarks	**–**	–	**(2,469)**	–	**–**	–	**–**	–	**(2,469)**	–
Net realised and unrealised valuation loss on financial assets at FVTPL	**(6,926)**	(667)	**–**	–	**–**	–	**–**	–	**(6,926)**	(667)
Net realised and unrealised foreign exchange (loss)/gain	**(8,445)**	2,345	**(164)**	(203)	**3,580**	(1,049)	**(1)**	(23)	**(5,030)**	1,070
Additions to non-current assets	**–**	1,947	**1,348**	6,832	**–**	–	**–**	–	**1,348**	8,779
Reportable segment assets	**87,666**	115,999	**93,616**	105,554	**151,842**	153,192	**405**	1,638	**333,529**	376,383
Reportable segment liabilities	**14,313**	14,874	**75,745**	75,728	**100**	100	**1,202**	1,483	**91,360**	92,185

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. SEGMENT REPORTING *(cont'd)*

(c) Reconciliations of reportable segment assets and liabilities

	2022	2021
	HK$'000	HK$'000
Assets		
Reportable segment assets	**333,529**	376,383
Current tax recoverable	**16**	16
Consolidated total assets	**333,545**	376,399
Liabilities		
Reportable segment liabilities	**91,360**	92,185
Provision for taxation	**163**	163
Consolidated total liabilities	**91,523**	92,348

(d) Geographical segments

The Group's investing activities and money lending and related business activities are mainly carried out in PRC and Hong Kong. Healthcare activities are carried out by subsidiaries based in PRC, Hong Kong and Korea.

In presenting information about the Group's revenue from operations, segment revenue in relation to investment holding is based on the geographical location of investments and segment revenue in relation to healthcare and money lending and related business are based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. SEGMENT REPORTING *(cont'd)*

(e) Geographical information

2022	**Revenue from external customers HK$'000**	**Non-current assets HK$'000**
Hong Kong	**15,022**	**6,867**
PRC	**32,566**	**116,525**
Korea	**6,628**	**20,326**
	54,216	**143,718**

2021	Revenue from external customers HK$'000	Non-current assets HK$'000
Hong Kong	16,823	9,295
PRC	66,715	130,446
Korea	11,050	17,882
	94,588	157,623

Major customer

Revenue from the largest customer of the healthcare segment (2021: Group's healthcare segment) amounted to approximately HK$14,873,000 (2021: HK$11,050,000) represents approximately 27% (2021: 12%) of the Group's total revenue.

Notes to the Consolidated Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT

	Leased properties HK$'000	Plant, machinery and equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2021	60,072	6,939	4,052	704	71,767
Additions	7,321	1,458	–	–	8,779
Disposal	(5,386)	(488)	–	–	(5,874)
Exchange adjustments	1,651	37	427	–	2,115
At 31 December 2021	63,658	7,946	4,479	704	76,787
At 1 January 2022	**63,658**	**7,946**	**4,479**	**704**	**76,787**
Additions	**–**	**270**	**–**	**1,078**	**1,348**
Disposal	**–**	**(354)**	**–**	**–**	**(354)**
Exchange adjustments	**(4,923)**	**(290)**	**(357)**	**10**	**(5,560)**
At 31 December 2022	**58,735**	**7,572**	**4,122**	**1,792**	**72,221**
Depreciation and impairment					
At 1 January 2021	6,591	4,977	261	576	12,405
Charge for the year	7,466	513	448	128	8,555
Disposal	(5,386)	(375)	–	–	(5,761)
Exchange adjustments	(4)	362	316	–	674
At 31 December 2021	8,667	5,477	1,025	704	15,873
At 1 January 2022	**8,667**	**5,477**	**1,025**	**704**	**15,873**
Charge for the year	**5,554**	**251**	**407**	**7**	**6,219**
Disposal	**–**	**(333)**	**–**	**–**	**(333)**
Exchange adjustments	**(561)**	**342**	**(78)**	**–**	**(297)**
At 31 December 2022	**13,660**	**5,737**	**1,354**	**711**	**21,462**
Net book value					
At 31 December 2022	**45,075**	**1,835**	**2,768**	**1,081**	**50,759**
At 31 December 2021	54,991	2,469	3,454	–	60,914

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

14. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	**2022** **HK$'000**	2021 HK$'000
Other properties leased for own use, carried at cost less depreciation	(i)	**45,075**	54,991
		45,075	54,991

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 **HK$'000**	2021 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Other properties leased for own use	**5,554**	7,466
Interest expenses on lease liabilities (note 8)	**3,959**	4,487

(i) *Other properties leased for own use*

The Group has obtained the right to use other properties as its office premise and hospital through tenancy agreements. The leases typically run for an initial period of 3 to 12 years.

During the year, additions to right-of-use assets were approximately HK$nil (2021: HK$7,321,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreement.

The total cash outflow for leases in 2022 was approximately HK$12,487,000 (2021: HK$7,217,000).

The maturity analysis of lease liabilities is set out in note 24.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

15. INTANGIBLE ASSETS

	Trademarks HK$'000	Customer contracts HK$'000	Total HK$'000
Cost			
At 1 January 2021	126,577	26,858	153,435
Exchange adjustments	746	156	902
At 31 December 2021	127,323	27,014	154,337
At 1 January 2022	**127,323**	**27,014**	**154,337**
Exchange adjustments	**8**	**2**	**10**
At 31 December 2022	**127,331**	**27,016**	**154,347**
Amortisation and impairment			
At 1 January 2021	105,578	26,858	132,436
Charge for the year	3,314	–	3,314
Exchange adjustments	596	156	752
At 31 December 2021	109,488	27,014	136,502
At 1 January 2022	**109,488**	**27,014**	**136,502**
Charge for the year	**3,310**	**–**	**3,310**
Impairment losses	**2,469**	**–**	**2,469**
Exchange adjustments	**21**	**2**	**23**
At 31 December 2022	**115,288**	**27,016**	**142,304**
Net book value			
At 31 December 2022	**12,043**	**–**	**12,043**
At 31 December 2021	17,835	–	17,835

The amortisation charge for the Group's trademarks and customer contracts are included in "administrative expenses" in the consolidated statement of profit or loss.

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For the year ended 31 December 2022

15. INTANGIBLE ASSETS *(cont'd)*

Trademark

For the purpose of impairment testing, the recoverable amount of these intangible assets were determined using value-in-use or fair value less costs of disposal.

The valuation is based on a five-year performance projection and certain key assumptions including growth rates, expected changes to revenue and direct cost and discount rates range during the projection period which is determined based on an estimated performance, management's expectations and future business plan. The discount rate used reflects specific risks relating to the business. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted income and gross profit margin. Such estimation is based on management's expectations.

The Group determined the recoverable amount of the trademarks based on its value in use calculation. The Company engaged Valtech Valuation Advisory Limited (the "Independent Valuer") to assist to determine the value in use of a CGU of the trademarks, as primarily represented by a registered DA trademark in the Korea to derive future royalty income in the Korea market, with key parameters including a discount rate of 18.87% (2021: 15.67%) by applying the modified capital asset pricing model and capitalisation rate of 16.87% (2021: 13.67%) on the pre-tax royalty income for the Korea healthcare business.

In determining the value in use of the DA trademark, the management had also taken into account the following factors, including the fact that the existing licensee of the DA trademark in Korea (the "DA Licensee") failed to settle the royalty fee to use the DA trademark and unauthorised use of DA trademark, a legal letter has been delivered to the DA Licensee to request for settlement of the unpaid royalty and cessation of the unauthorised use of the DA trademark, and the plan of the Company to commence an official legal claim on the aforesaid damages and losses in the civil court of Korea. During the year, Dr. Lee has contested the jurisdiction of the court, and as a result, the Company withdrew the lawsuit in March 2022 and the security deposit to the court was refunded in March 2023. Following the withdrawal, the Company shall proceed with preparing and filing a Notice of Arbitration in accordance with the HKIAC Administered Arbitration Rules (Article 4 of the Rules), and a new arbitral proceeding shall commence.

The valuation of the CGU of the DA Trademark is determined to be approximately US$1,668,000, equivalent to approximately HK$12,043,000. Hence, impairment losses of approximately HK$2,469,000 on trademarks was recognised during the year.

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16. GOODWILL

	HK$'000
Cost	
At 1 January 2021	140,788
Exchange adjustments	2,147
At 31 December 2021 and 1 January 2022	142,935
Exchange adjustments	(4,427)
At 31 December 2022	**138,508**
Accumulated impairment losses	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**(80,101)**
Carrying amount	
At 31 December 2022	**58,407**
At 31 December 2021	62,834

Impairment testing for CGU containing goodwill

For the purpose of impairment testing, goodwill is allocated to CGU as follows:

	2022 **HK$'000**	2021 HK$'000
Healthcare business	**58,407**	62,834

Recoverable amounts are determined by management based on the following:

The Group determined the recoverable amount of the healthcare business based on its value in use calculation. The value in use calculation is a discounted cash flow model using cash flows projections based on the licensing of DA trademark in markets identified covering a period of 10 years (2021: 10 years) using a discount rate of 17.4% (2021: 15.4%). The terminal value is calculated by applying a capitalisation rate of 15.4% (2021: 21.0%) on the pre-tax royalty income.

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17. INTERESTS IN ASSOCIATES

	2022	2021
	HK$'000	HK$'000
Cost of investment in associates	**13,739**	14,325
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(6,620)**	(6,862)
Share of exchange reserve	**48**	48
	7,167	7,511

Details of the Group's interests in the associates are as follows:

				Proportion of ownership interest and voting rights			
				2022		2021	
Name of associate/ principal activities	**Form of business structure**	**Place of incorporation and operation**	**Issued and paid up capital**	**Group's effective interest %**	**Held by subsidiary %**	Group's effective interest %	Held by subsidiary %
S-R Burlington Partners, LLC (Provision of hospitality related services)	Incorporated	USA	US$2,970,281	27	32	27	32
Star Time Limited (Dormant)	Incorporated	Hong Kong	HK$18,180	45	45	45	45
北京玖英特醫療科技有限公司 (Provision of healthcare business)	Incorporated	PRC	RMB12,500,000	20	20	20	20

All of the above associates are accounted for using the equity method in the consolidated financial statements. None of the associates are individually material to the Group. Aggregate information of the associates that are not individually material, is as follows:

	2022	2021
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**7,167**	7,511
Aggregate amounts of the Group's share of the results of those associates:		
Profit from operations	**242**	184

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For the year ended 31 December 2022

18. INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	**1,970**	2,494
	1,970	2,494

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount of inventories sold	**19,391**	23,281

19. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables (note (i))	**21,813**	17,615
Interest receivables (note (i))	**6,595**	6,070
Less: Allowance for expected credit loss	**(5,971)**	(6,022)
	22,437	17,663
Other receivables and deposits	**1,725**	1,762
	24,162	19,425
Prepayments (note (ii))	**13,143**	15,249
Trade and other receivables	**37,305**	34,674
Analysed as		
Non-current	**15,342**	8,529
Current	**21,963**	26,145
	37,305	34,674

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For the year ended 31 December 2022

19. TRADE AND OTHER RECEIVABLES *(cont'd)*

(i) Ageing analysis

Trade receivables are due within 30 days from the date of invoice. Further details on the Group's credit policy and credit risk arising from trade receivables is set out in note 31.

As of the end of the reporting period, the ageing analysis of trade receivables and interest receivables (net of allowance for expected credit loss) based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
Less than 1 month	**8,329**	17,609
1 to 3 months	**–**	–
More than 3 months but less than 12 months	**14,108**	54
	22,437	17,663

(ii) Prepayments

Prepayments mainly consist of professional fees of approximately HK$7,125,000 (2021: HK$8,906,000) paid in advance to business consultants who provide advisory services on the businesses of the Group.

Details of impairment assessment of trade and other receivables are set out in note 31(a).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Financial assets mandatorily measured at FVTPL		
– Equity securities listed outside Hong Kong	**5,098**	8,271
– Equity securities listed in Hong Kong	**9**	11
Financial assets designated at FVTPL		
– Unquoted investment	**–**	3,906
	5,107	12,188

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21. LOAN RECEIVABLES

	2022 HK$'000	2021 HK$'000
Loans to third parties	**200,850**	177,953
Less: Allowance for expected credit loss	**(66,575)**	(65,719)
	134,275	112,234
Analysed as:		
Secured	**56,495**	43,429
Unsecured	**77,780**	68,805
	134,275	112,234

Before granting loans to potential borrowers, the Group performs internal credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment includes evaluation of collectability, aging analysis of account and current creditworthiness, collateral and past collection history of each borrower under the Group's credit risk rating system.

In determining the recoverability of the loan receivables on a collective basis, the Group considers any change in the credit quality of the loan receivables from the date the credit was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

At the end of each reporting date, the Group's loan receivables were individually and collectively assessed for impairment.

One of the loans to third parties of approximately HK$101,200,000 (2021: approximately HK$101,200,000) which is secured by a pledge of properties owned by two individuals who have also extended personal guarantees in favour of the borrower. On 12 February 2020, the aforesaid outstanding amount has fallen due. However, the borrower informed the Company that it was unable to repay the said principal amount and the accrued interest at the repayment date, which constituted a default in repayment of the principal amount and accrued interest. On 5 March 2020, the borrower, through its PRC agent, paid a sum of RMB16,000,000 (equivalent to approximately HK$17,800,000) to a wholly-owned subsidiary of the Company incorporated in the PRC as partial repayment ("Repayment 1"). On 6 March 2020, one of the personal guarantor ("1st Guarantor") paid a sum of HK$33,000,000 to the Company as partial repayment ("Repayment 2"). Taking into account of Repayment 2 is not lower than the estimated market value of 1st Guarantor's residential property in Hong Kong as secured under the second legal charge, on 15 March 2020, instead of exercising the second legal charge, the Company entered into a deed of partial release to release the second legal charge over the residential property in Hong Kong charged by the 1st Guarantor under the second legal charge in favour of the Company. The remaining amount after the settlement of Repayment 1 and Repayment 2 was fully recognised for expected credit loss.

In view of recovering the outstanding amount of the loan, the Company has commenced bankruptcy proceedings against the 1st Guarantor on 2 July 2021, and subsequently, bankruptcy order has then been granted against the 1st Guarantor on 19 April 2022. A Proof of debt was submitted on 19 May 2022, and the total amount of claim (including any outstanding uncapitalized interest as at the date of bankruptcy order) was approximately USD 12,000,000. The Official Receiver was appointed as the trustee of the property and estate of the Bankrupt (the"Trustee"). On 25 November 2022, the Trustee adjudicated the Company's proof of debt and declared that a sum of approximately HK$95,000,000 was admitted as the petitioner's claim. Subsequently, on 20 January 2023, the Trustee distributed a sum of approximately HK$2,000 as first and final dividend to the Company.

The loans bear interest at rates ranging from 12% to 18.5% (2021: 11% to 18.5%) per annum, and are repayable within one year.

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21. LOAN RECEIVABLES *(cont'd)*

As at 31 December 2022, there were twelve borrowers arising from its money lending and related business segment as shown below: –

Corporate Borrowers	Interest rate (per annum)	Terms	Collaterals	Principal (HK$'000)	Expected credit loss (HK$'000)	Principal-net balance (HK$'000)
Borrower 1	13%	1 year	Pledge of shares of a private PRC company with market value of approximately RMB34,740,000	15,598	–	15,598
Borrower 2	13%	1 year	N/A	14,818	(205)	14,613
Borrower 3	13%	1 year	N/A	15,598	(837)	14,761
Borrower 4	13%	1 year	N/A	10,919	(586)	10,333
Borrower 5	13.5%	1 year	N/A	8,189	(439)	7,750
Borrower 6	13.5%	1 year	N/A	9,827	(527)	9,300
Borrower 7	12%	1 year	Pledge of shares of a limited partnership with market value of approximately HKD25,000,000	15,598	(1,071)	14,527
Borrower 8 Note 2	13%	1 year	Pledge of assets including chattels, anode plates and cathode plates with market value of approximately RMB20,000,000	11,260	–	11,260
Borrower 9 Note 1	(i) 12% starting from and including 12 November 2018 up to and including 11 November 2019 (ii) 18.5% starting from and including 12 November 2019 up to and including 12 February 2020	15 Months from the date of facility agreement	(i) Pledge of properties in Hong Kong and PRC (ii) Personal guarantees provided by Mr. Li Ming and Mr. Zhang Shihong	62,778	(62,778)	–
Borrower 10	12%	1 year	N/A	7,799	(108)	7,691
Borrower 11	13%	1 year	N/A	14,428	(24)	14,404
Borrower 12	13%	1 year	N/A	14,038	–	14,038
			TOTAL	**200,850**	**(66,575)**	**134,275**

Note 1: Refer to above for the details of the loan.

Note 2: The borrower and the ultimate holding company, Ningxia Tianyuan Manganese Industry Group Co., Ltd are the limited partners in a limited partnership established and registered under the laws of the PRC and the loan was introduced by the previous executive director, Mr. Wang Huabing.

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21. LOAN RECEIVABLES *(cont'd)*

The followings are the independent assessment performed on loan applications before the loans are granted: –

i) the directors have carried out interview with potential clients to understand their principal activities, purpose of the loan and future plans of corporate borrowers.

ii) management accounts were obtained in order to analyze on financial status of the borrowers. Audited accounts were also obtained if it is required under statutory requirements.

iii) statutory documents, e.g., incorporation and business registration documents were obtained and bankruptcy/litigation searches were performed for corporate borrowers to carry out background checking and understanding the credit and repayment history of the borrowers.

iv) declaration of anti-money laundering was obtained from the borrowers to confirm their compliance on the relevant rules.

v) the above documents and findings were considered by the Board of Directors when considering approval and extension of the loans.

vi) if the directors have considered to obtain collaterals for the loans, market value of the pledged collaterals were obtained from independent and reliable sources. The collaterals were required from the borrowers if there was no guarantee provided and the net assets value of the corporate borrowers was below the principal amount. The terms of loans were then be determined depending on the existence and value of pledged collaterals.

The above information and documents were passed to the Board of Directors for assessment, approval and reporting of the provision and extension of external loans.

In order to have a continuous monitoring on loan receivables, a table of loans and interest receivables were prepared to keep track on the outstanding balances, which included details of interest rates, principal amounts, pledged assets (if any), repayment schedule etc. The market value of the pledge assets was updated quarterly. Such table was also provided to the management quarterly for reviewing the recovery process and contacted the respective debtors in advance for repayment in order to minimize the irrecoverability problem. When the balances were due, letters of demand were sent to borrowers to remind for the payments.

In case the overdue balances were still not yet repaid, the letters of demand were sent to the borrowers once per three months. Management was responsible for reviewing the whole follow up process and considered to execute any legal actions if necessary. The legal actions would be taken if the overdue balances were remain unsettled over half years after the letters of demands were sent.

Besides, the Company had kept track on the market value of the pledged assets. In case of the market value of the pledged assets almost falling below the outstanding amount owed by the borrower, the Company will request the borrowers to increase its security, and in the event that the outstanding amount owed by the borrower has been long overdue and the intention of repayment of the borrower is weak, file litigation against the guarantors and/or borrowers to execute the security pledged.

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22. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2022 **HK$'000**	2021 HK$'000
Cash at bank and on hand	**26,496**	65,699
Cash and cash equivalents in the consolidated statement of cash flows	**26,496**	65,699

The weighted average effective interest rates per annum relating to cash and cash equivalents at the end of the reporting period for the Group is 0.02% (2021: 0.06%). Interest rates re-price within twelve months.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	Lease liabilities HK$'000 (note 24)	**Total HK$'000**
At 1 January 2022	**59,656**	**59,656**
Changes from financing cash flows:		
Finance costs	**(3,959)**	**(3,959)**
Payment for lease liabilities	**(8,528)**	**(8,528)**
Total changes from financing cash flows	**(12,487)**	**(12,487)**
Other Changes:		
Interest expenses on lease liabilities	**3,959**	**3,959**
	3,959	**3,959**
At 31 December 2022	**51,128**	**51,128**

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22. CASH AND CASH EQUIVALENTS *(cont'd)*

(b) Reconciliation of liabilities arising from financing activities (cont'd)

	Lease liabilities HK$'000 (note 24)	Total HK$'000
At 1 January 2021	55,065	55,065
Changes from financing cash flows:		
Finance costs	(4,487)	(4,487)
Payment for lease liabilities	(2,730)	(2,730)
Total changes from financing cash flows	(7,217)	(7,217)
Other Changes:		
Increase in lease liabilities from new leases entered	7,321	7,321
Interest expenses on lease liabilities	4,487	4,487
	11,808	11,808
At 31 December 2021	59,656	59,656

23. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**3,616**	312
Other payables and accrued charges (note (iii))	**36,389**	31,990
	40,005	32,302

(i) All of the trade and other payables are expected to be settled within one year.

(ii) As of the end of the reporting period, the ageing analysis of trade payables based on due date is as follows:

	2022 HK$'000	2021 HK$'000
Due within 1 month or on demand	**1,059**	312
Due 1 to 3 months	**2,238**	–
Due over 3 months but less than 12 months	**319**	–
	3,616	312

(iii) Other payables and accrued charges included amounts due to a former director, Mr. Jiang Yulin of HK$7,000,000 (2021: HK$7,000,000), who tendered his resignation on 16 March 2020.

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24. LEASE LIABILITIES

At 31 December 2022, the lease liabilities are payable as follows:

	2022	2021
	HK$'000	HK$'000
Within one year	**4,065**	3,892
Within a period of more than one year but not more than five years	**16,993**	17,892
More than five years	**30,070**	37,872
	51,128	59,656
Less: Amount due from settlement within 12 months shown under current liabilities	**(4,065)**	(3,892)
Amount due for settlement after 12 months shown under non-current liabilities	**47,063**	55,764

25. OBLIGATIONS IN EXCESS OF EARNINGS FROM EQUITY-METHOD ACCOUNTED JOINT VENTURE

	2022	2021
	HK$'000	HK$'000
Obligations in excess of earnings	**227**	227

Details of the Group's net interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
				2022		2021	
Name of joint venture/ Principal activities	**Form of business structure**	**Place of incorporation and operation**	**Issued and paid up capital**	**Group's effective interest**	**Held by subsidiary**	Group's effective interest	Held by subsidiary
			US$	**%**	**%**	%	%
RSF Syracuse Partners, LLC (Provision of hospitality related services)	Incorporated	USA	6,911,000	**43**	**50**	43	50

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25. OBLIGATIONS IN EXCESS OF EARNINGS FROM EQUITY-METHOD ACCOUNTED JOINT VENTURE *(cont'd)*

Summarised financial information of RSF Syracuse Partners, LLC and reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2022	2021
	HK$'000	HK$'000
Current assets	**70**	70
Current liabilities	**(523)**	(523)
Equity	**(453)**	(453)
Revenue	**–**	–
Loss for the year	**–**	–
Gross amounts of net liabilities	**453**	453
Group's interest	**50%**	50%
Group's share of net liabilities, representing the carrying amount in the consolidated financial statements	**227**	227

26. DEFERRED TAX

(a) Deferred tax assets not recognised

The following temporary differences have not been recognised:

Deferred tax assets have not been recognised in respect of unutilised tax losses and other temporary differences because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

Unrecognised tax losses amounting to HK$16,000,000 (2021: HK$28,100,000) have expiry dates between 1 to 5 years. Unrecognised tax losses amounting to approximately HK$72,200,000 (2021: HK$72,300,000) have expiry dates of more than 5 years. The earliest expiry date is on 31 December 2030 and the latest expiry date is on 31 December 2037. The remaining unrecognised tax losses amounting to approximately HK$86,800,000 (2021: HK$72,800,000) do not expire under the tax legislations of the respective jurisdiction.

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26. DEFERRED TAX *(cont'd)*

(b) Deferred tax liabilities not recognised

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

	Intangible assets HK$'000
Deferred tax arising from:	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	–

At the end of the reporting period, there was no material unprovided deferred tax liabilities.

27. CAPITAL AND RESERVES

(a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2021	398,980	20,663	676	(102,883)	317,436
Changes in equity for 2021:					
Loss for the year	–	–	–	(97,373)	(97,373)
Total comprehensive income for the year	–	–	–	(97,373)	(97,373)
Balance at 31 December 2021	398,980	20,663	676	(200,256)	220,063

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27. CAPITAL AND RESERVES *(cont'd)*

(a) (cont'd)

The Company

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2022	**398,980**	**20,663**	**676**	**(200,256)**	**220,063**
Changes in equity for 2022:					
Loss for the year	**–**	**–**	**–**	**(11,161)**	**(11,161)**
Total comprehensive income for the year	**–**	**–**	**–**	**(11,161)**	**(11,161)**
Balance at 31 December 2022	**398,980**	**20,663**	**676**	**(211,417)**	**208,902**

(b) Share capital

(i) Authorised and issued share capital

	The Company			
	2022		2021	
	No. of shares ('000)	**HK$'000**	No. of shares ('000)	HK$'000
Authorised:				
Ordinary shares of HK$1 each	**2,720,615**	**2,720,615**	2,720,615	2,720,615
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**398,980**	**398,980**	398,980	398,980

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Purchase of own shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2022 and 31 December 2021.

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27. CAPITAL AND RESERVES *(cont'd)*

(c) Nature and purpose of reserves

The reserves of the Group and the Company comprise the following balances:

	Group		Company	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share premium	**20,663**	20,663	**20,663**	20,663
Capital redemption reserve	**676**	676	**676**	676
Exchange reserve	**3,494**	6,403	**–**	–
Accumulated losses	**(199,511)**	(170,475)	**(211,417)**	(200,256)
	(174,678)	(142,733)	**(190,078)**	(178,917)

(i) Share premium

Share premium reserves represents the difference between the par value and the fair value of the issued shares.

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which have been paid out of the distributable reserves of the Company.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met. The reserve is dealt with in accordance with the accounting policy set out in note 3(w).

(d) Distributability of reserves

At 31 December 2022, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$nil (2021: HK$nil).

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27. CAPITAL AND RESERVES *(cont'd)*

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. It is the Group's strategy to keep the adjusted net debt-to-capital ratio as low as feasible. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

	31 December 2022 HK$'000	31 December 2021 HK$'000
Net debt		
Cash and cash equivalents	**26,496**	65,699
Lease liabilities	**(51,128)**	(59,656)
Net debt	**N/A**	N/A
Total equity	**242,022**	284,051
Net debt to equity ratio	**N/A**	N/A

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

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28. NON-CONTROLLING INTERESTS

The following subsidiaries have non-controlling interests ("NCI") that are material to the Group:

Name	Principal place of business	Operating Segment	Ownership interest held by NCI 2022	2021
Chancery subgroup*	PRC	Healthcare	**39%**	39%
SWAN subgroup**	United States of America	Hospitality	**15%**	15%
PRIP subgroup***	Hong Kong	Healthcare	**49%**	49%

* Chancery subgroup consists of Chancery Limited and its subsidiaries, including Shanghai Yuyue Meiliancheng Healthcare Beauty Hospital Limited (collectively known as "CHANCERY").

** SWAN subgroup consists of SWAN Holdings Limited, its subsidiaries, joint arrangements and associates (collectively known as "SWAN").

*** PRIP subgroup consists of PRIP Communications Limited and its wholly-owned subsidiary (collectively known as "PRIP").

The summarised financial information for the above subsidiaries are prepared in accordance with HKFRS, modified for fair value adjustments on acquisition and before any inter-company elimination.

	SWAN HK$'000	PRIP HK$'000	CHANCERY HK$'000
2022			
Current assets	**102,658**	**21,276**	**9,568**
Non-current assets	**–**	**162**	**56,826**
Current liabilities	**(975)**	**(172)**	**(117,539)**
Non-current liabilities	**(226)**	**(15,879)**	**–**
Net assets/(liabilities)	**101,457**	**5,387**	**(51,145)**
NCI of subsidiaries	**–**	**–**	**25,574**
Net assets/(liabilities) attributable to equity shareholders	**101,457**	**5,387**	**(25,571)**
Net assets/(liabilities) attributable to NCI	**15,219**	**2,640**	**(10,004)**
Add: NCI of subsidiaries (as above)	**–**	**–**	**(25,574)**
Total net assets/(liabilities) attributable to NCI	**15,219**	**2,640**	**(35,578)**
Revenue	**–**	**6,628**	**31,074**
Profit/(loss) for the year attributable to equity shareholders	**(43,649)**	**(5,406)**	**2,467**
Profit/(loss) for the year attributable to NCI	**(7,704)**	**(5,194)**	**1,585**
Cash flows generated from/(used in) operating activities	**9,655**	**(8,601)**	**4,320**
Cash flows generated from/(used in) investing activities	**(10,745)**	**–**	**(1,349)**
Cash flows generated from financing activities	**–**	**8,629**	**6,108**

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28. NON-CONTROLLING INTERESTS *(cont'd)*

	SWAN HK$'000	PRIP HK$'000	CHANCERY HK$'000
2021			
Current assets	154,364	26,063	10,070
Non-current assets	–	1,178	61,490
Current liabilities	(1,256)	(172)	(103,146)
Non-current liabilities	(226)	(15,878)	–
Net assets/(liabilities)	152,882	11,191	(31,586)
NCI of subsidiaries	–	–	16,593
Net assets/(liabilities) attributable to equity shareholders	152,882	11,191	(14,993)
Net assets/(liabilities) attributable to NCI	22,932	5,484	(5,866)
Add: NCI of subsidiaries (as above)	–	–	(16,593)
Total net assets/(liabilities) attributable to NCI	22,932	5,484	(22,459)
Revenue	–	11,050	66,715
Profit/(loss) for the year attributable to equity shareholders	253	1,250	(5,372)
Profit/(loss) for the year attributable to NCI	44	1,199	(3,452)
Cash flows generated from/(used in) operating activities	8,722	(101)	(9,613)
Cash flows generated from/(used in) investing activities	(7,739)	–	(1,437)
Cash flows generated from financing activities	–	114	7,794

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29. PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of Ownership Interest					
			2022			2021		
Company name/Principal activities	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest %**	**Held by Company %**	**Held by Subsidiary %**	Group's effective interest %	Held by Company %	Held by Subsidiary %
CES Capital Limited (Investment holding)*	British Virgin Islands	1 share of US$1 each	**–**	**–**	**–**	100	100	–
SWAN Holdings Limited (Investment holding)	Bermuda	33,345,333 shares of US$1 each	**85**	**85**	**–**	85	85	–
SWAN USA, Inc. (Investment holding)	United States of America	100 common stocks of US$0.01 each	**85**	**–**	**100**	85	–	100
Richfield Hospitality Inc. (Investment holding)	United States of America	100 common stocks of US$1,000.01 each	**85**	**–**	**100**	85	–	100
PRIP Communications Limited (Provision of healthcare related services)	Hong Kong	1,333,172 shares	**51**	**51**	**–**	51	51	–
DIAM Holdings Co., Ltd. (Provision of healthcare related services)	Korea	40,000 shares of KRW5,000 each	**51**	**–**	**100**	51	–	100
Delightful Aesthetics Investment Limited (Investment holding and provision of money lending and related business)	Hong Kong	10,000 shares	**100**	**100**	**–**	100	100	–
珠海橫琴天醫醫療管理有限公司 (Provision of healthcare related services)	PRC	RMB8,429,490	**100**	**–**	**100**	100	–	100
上海愉悅薇萊醫院有限公司 (formely known as "上海愉悅美聯臣醫療美容醫院有限公司") (Provision of healthcare related services)	PRC	RMB2,800,000	**61**	**–**	**61**	61	–	61

* The company was deregistered during the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. FINANCIAL INSTRUMENTS BY CATEGORY

An analysis of the Group's financial instruments is set out below:

	Notes	**Amortised cost HK$'000**	**Financial assets at FVTPL HK$'000**	**Liabilities at amortised cost HK$'000**
2022				
Assets				
Trade and other receivables, excluding prepayments	19	**24,162**	**–**	**–**
Financial assets at FVTPL	20	**–**	**5,107**	**–**
Loan receivables	21	**134,275**	**–**	**–**
Cash and cash equivalents	22	**26,496**	**–**	**–**
		184,933	**5,107**	**–**
Liabilities				
Trade and other payables	23	**–**	**–**	**40,005**
Lease liabilities	24	**–**	**–**	**51,128**
		–	**–**	**91,133**

	Notes	Amortised cost HK$'000	Financial assets at FVTPL HK$'000	Liabilities at amortised cost HK$'000
2021				
Assets				
Trade and other receivables, excluding prepayments	19	19,425	–	–
Financial assets at FVTPL	20	–	12,188	–
Loan receivables	21	112,234	–	–
Cash and cash equivalents	22	65,699	–	–
		197,358	12,188	–
Liabilities				
Trade and other payables	23	–	–	32,302
Lease liabilities	24	–	–	59,656
		–	–	91,958

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables (including loan receivables). Management has a credit risk management policy under which individual credit evaluations are performed and the exposures to these credit risks are monitored on an ongoing basis. For loan receivables, the management has also assessed whether the borrowers have satisfactory credit quality with reference to financial background, current creditworthiness, collateral and past payment of each borrower.

Trade receivables and loan receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 66% (2021: 63%) and 87% (2021: 74%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively, within the hospitality business, healthcare business and money lending and related business segments.

At the reporting date, the Group has significant concentration of credit risk on its loan receivables from eleven (2021: seven) borrowers arising from its money lending and related business segment. 12% (2021: 20%), amounted to approximately HK$15,598,000 (2021: HK$22,304,000) and 55% (2021: 79%), amounted to approximately HK$73,904,000 (2021: HK$88,927,000) of loan receivables was due from the Group largest borrower and the five largest borrowers, respectively. Except for these receivables, there was no significant concentration of credit risk.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 1 month from the date of invoice. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(a) Credit risk (cont'd)

Loan and related interest receivables

The following table provides information about the Group's exposure to credit risk and ECLs for loan and related interest receivables as at 31 December 2022.

	Expected loss rate %	Gross carrying amount	Loss allowance
		HK$'000	HK$'000
Current (not past due)	3%	144,667	(3,947)
1 to 3 months past due	–	–	–
3 to 12 months past due	100%	62,778	(62,778)
		207,445	(66,725)

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment includes evaluation of collectability, aging analysis of account and current creditworthiness, collateral and past collection history of each borrower under the Group's credit risk rating system.

In determining the recoverability of the loan receivables on a collective basis, the Group considers any change in the credit quality of the loan receivables from the date the credit was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

The total carrying amount of the loan receivables amounted to approximately HK$134,275,000 (2021: HK$112,234,000) at the end of the reporting period. The Group considered the secured loans of approximately HK$56,495,000 (2021: HK$43,429,000) are recoverable given the fair values of the collaterals are sufficient to cover the entire secured loan receivables collectively. As for the unsecured and guaranteed loans of approximately HK$77,780,000 (2021: HK$68,805,000), the Group considered the amounts are recoverable as the loans were borrowed by borrowers with good credit history in general. Impairment allowances on outstanding loan receivables are determined by an evaluation of financial background, as well as financial condition of the borrower and the anticipated receipts for that individual loan, at the end of the reporting period.

The directors of the Company are responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In view of the above, the directors of the Company consider that the Group's credit risk is significantly reduced.

In determining the ECL of the Group's loan and related interest receivables, the management assessed the expected losses individually by estimation based on general economic conditions of the relevant industry in which the debtors operate, value of any pledged assets, financial position of the debtors and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(a) Credit risk (cont'd)

Loan and related interest receivables (cont'd)

HK$62,778,000 (2021: HK$62,778,000) relates to a loan and related interest receivable which is secured by pledge of properties, as at reporting date, HK$nil (2021: HK$nil) of the respective loan has been received. In the opinion of the management, the risk of default of the counter party of the respective loan receivables is significant and accordingly, the remaining portion of the loan receivable is credit-impaired.

The Group has recognised allowance for ECLs for the other loan and interest receivables based on 12 month ECL and impairment of HK$3,947,000 (2021: HK$3,142,000) is recognised during the year.

The movements in the allowance for impairment loss during the year are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**65,920**	70,970
Impairment losses recognised/(reversed) during the year	**805**	(5,050)
At 31 December	**66,725**	65,920

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
At 1 January 2021	8,192	62,778	70,970
Changes due to financial instruments recognised at 1 January 2021			
– Impairment losses recognised	2,814	–	2,814
– Impairment losses reversed	(7,903)	–	(7,903)
Exchange adjustments	39	–	39
At 31 December 2021 and 1 January 2022	3,142	62,778	65,920
Changes due to financial instruments recognised at 1 January 2022			
– Impairment losses recognised	2,072	–	2,072
– Impairment losses reversed	(1,272)	–	(1,272)
Exchange adjustments	5	–	5
At 31 December 2022	3,947	62,778	66,725

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(a) Credit risk (cont'd)

Other receivables and prepayments

For other receivables and prepayments, the directors of the Company make periodic individual assessment on the recoverability of other receivables and prepayments based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. During the year, the directors of the Company believe that there was no significant increase in credit risk of these amounts and no impairment was recognised for both 2021 and 2022.

Trade receivables

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for trade receivable because these consist of a large number of receivables with common risk characteristics that are representative of the counterparties' abilities to pay all amounts due in accordance with the contractual terms. Debtors with significant outstanding balances or credit-impaired as at 31 December 2022 and 31 December 2021 were assessed individually. The Directors have also assessed all available forward looking information, including but not limited to expected growth rate of the industry and changes in regulatory and economic environment, and concluded that there is no significant increase in credit risk. The Group have recognised impairment allowance of approximately HK$nil during the year ended 31 December 2022 (2021: impairment allowance of HK$3,771,000) for trade receivables.

Cash and cash equivalents

Cash and deposits are placed with banks and financial institutions which are regulated. Impairment on cash and deposits have been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and deposits have low credit risk based on the credit ratings assigned by international credit– rating agencies. The amount of the allowance on cash and deposits was negligible.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The total contractual undiscounted cash flows of the Group's non-derivative financial liabilities are the same as their carrying amounts as their remaining contractual maturities are within one year.

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the reporting period) and the earliest date the Group can be required to pay:

		Contractual undiscounted cash outflows				
	Weighted average effective interest rate	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 5 years HK$'000**	**After 5 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**
Non-derivative contractual liabilities						
2022						
Trade and other payables		**(40,005)**	**–**	**–**	**(40,005)**	**(40,005)**
Lease liabilities	**7.63%**	**(7,702)**	**(27,961)**	**(35,757)**	**(71,420)**	**(51,128)**
		(47,707)	**(27,961)**	**(35,757)**	**(111,425)**	**(91,133)**

		Contractual undiscounted cash outflows				
	Weighted average effective interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	After 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Non-derivative contractual liabilities						
2021						
Trade and other payables		(32,302)	–	–	(32,302)	(32,302)
Lease liabilities	7.51%	(6,855)	(26,081)	(37,480)	(70,416)	(59,656)
		(39,157)	(26,081)	(37,480)	(102,718)	(91,958)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from its lease liabilities which are pegged at fixed rates.

Interest rate profile

The weighted average effective interest rates per annum relating to the lease liabilities at the end of the reporting period is 7.63% (2021: 7.51%).

(d) *Currency risk*

The Group is exposed to foreign currency risk through deposits and withdrawals of fixed deposits, sales and purchases of the financial assets at FVTPL, and loan receivables that are denominated in a currency other than the functional currency of the entities to which they relate. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currencies which also expose the Group to foreign currency risk. The currencies giving rise to these risks are mainly the Singapore Dollar, Philippine Peso, Renminbi, South Korean Won, and US Dollar.

When necessary, the Group uses forward exchange contracts to hedge its specific currency risks. However, forward exchange contracts that do not qualify for hedge accounting are accounted for as trading instruments. As at the reporting date, the Group had no outstanding forward exchange contracts.

(i) *Recognised assets and liabilities*

In respect of receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level.

All of the Group's borrowings are denominated in the functional currency of the entity taking out the loan or, in the case of group entities whose functional currency is Hong Kong dollars, in either Hong Kong dollars or United States dollars. Accordingly, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(ii) *Exposure to foreign currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the group entities to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(d) Currency risk (cont'd)

(iii) Sensitivity analysis

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date. The analysis assumes that all other variables, in particular, interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

A 10% (2021: 10%) strengthening of the following foreign currencies against the functional currency of each of the Group's entities at the end of the reporting period would impact the Group's loss after tax and accumulated losses by the amounts shown below. There is no impact on the other components of consolidated equity. A similar 10% weakening of the foreign currencies would have an equal but opposite effect.

	Decrease in loss after tax and decrease in accumulated losses 2022 HK$'000	Decrease in loss after tax and decrease in accumulated losses 2021 HK$'000
Singapore Dollar	**1**	1
Philippine Peso	**33**	42
Renminbi	**4,242**	3,561
South Korean Won	**7**	8
US Dollar	**18,117**	18,358

Results of the analysis as presented in the above table represent the effect of the Group's loss after tax and accumulated losses measured in the respective foreign currencies, translated into Hong Kong dollar at the exchange rate ruling at the end of the reporting period for presentation purposes.

The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at FVTPL (see note 20).

The Group's listed equity investments are listed on The Philippines Stock Exchange, Inc., The Stock Exchange of Hong Kong and The New York Stock Exchange. Decisions to buy or sell financial assets at FVTPL are based on daily monitoring of the performance of individual securities compared to other industry indicators, as well as the Group's liquidity needs.

In respect of the Group's equity investments listed on The Philippines Stock Exchange, Inc., The Stock Exchange of Hong Kong and The New York Stock Exchange, based on the historical trend analysis, management does not expect significant equity price movements on this investment and hence, it is not expected to have any significant impact on the Group's loss after tax, retained earnings and equity, assuming that all other variables remain constant.

The Group also holds investments in unlisted marketable equity mutual funds.

At 31 December 2022, a 10% (2021: 10%) increase in the net asset value of the Group's investment in unlisted marketable equity mutual funds at the end of the reporting period would decrease the Group's loss after tax and decrease the Group's accumulated losses by approximately HK$nil (2021: HK$391,000). A similar 10% decrease in the net asset value would have an equal but opposite effect.

The sensitivity analysis has been determined assuming that the reasonably possible changes in stock prices, net asset values or other risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock price, net asset value or the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2021.

(f) Fair value measurement

(i) Financial instruments measured at fair value

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(f) Fair value measurement (cont'd)

(i) Financial instruments measured at fair value (cont'd)

	Fair value at 31 December 2022	**Fair value measurements as at 31 December 2022 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements				
Assets:				
Financial assets at FVTPL				
– Listed equity securities	**5,107**	**5,107**	**–**	**–**
	5,107	**5,107**	**–**	**–**

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Assets:				
Financial assets at FVTPL				
– Listed equity securities	8,282	8,282	–	–
– Unquoted investment	3,906	–	–	3,906
	12,188	8,282	–	3,906

During the years ended 31 December 2022 and 31 December 2021, there were no transfers between levels.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(f) Fair value measurement (cont'd)

(i) Financial instruments measured at fair value (cont'd)

The movements in the Level 3 financial instruments measured at fair value are as follows:

	Financial assets at FVTPL HK$'000
At 1 January 2021	12,546
Net realised and unrealised gain recognised in profit or loss	(8,640)
At 31 December 2021 and 1 January 2022	**3,906**
Net realised and unrealised loss recognised in profit or loss	**(3,906)**
At 31 December 2022	**–**

The fair value gain or loss of the financial assets at FVTPL for the period recognised in profit or loss is presented in "other gains/(losses), net" in the consolidated statement of profit or loss.

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values.

Information about Level 3 fair value measurements

Type	**Valuation techniques**	**Significant unobservable inputs**	**Inter-relationship between unobservable inputs and fair value measurement**
Financial assets at FVTPL – unquoted investment	Net assets value	Net asset value of the fund	The fair value increases as the net asset value of the fund increases

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	2022 **HK$'000**	2021 HK$'000
Short-term employee benefits	**5,639**	9,012

Total remuneration is included in the administrative expenses.

(b) Other related party transactions

Related party transactions

In addition to the related party transactions and balances detailed elsewhere in these financial statements, details of other related party transactions entered into on terms agreed between the parties during the year are disclosed as follows:

	2022 **HK$'000**	2021 HK$'000
Business venture in which a non-controlling shareholder of a subsidiary is the owner		
Fellow subsidiary		
Income received from trademark licensing	**–**	3,213

Notes to the Consolidated Financial Statements

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33. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2022 HK$'000**	2021 HK$'000
Non-current assets			
Property, plant and equipment		**1,080**	1,727
Interests in subsidiaries		**187,055**	187,065
Trade and other receivables		**5,787**	7,568
		193,922	196,360
Current assets			
Financial assets at FVTPL		**5,107**	12,188
Trade and other receivables		**9,947**	9,823
Amounts due from subsidiaries		**179,395**	191,816
Cash and cash equivalents		**1,231**	3,274
		195,680	217,101
Current liabilities			
Trade and other payables		**(11,949)**	(11,842)
Amounts due to subsidiaries		**(167,474)**	(179,659)
Lease liabilities		**(683)**	(620)
Provision for taxation		**(163)**	(163)
		(180,269)	(192,284)
Net current assets		**15,411**	24,817
Total assets less current liabilities		**209,333**	221,177
Non-current liability			
Lease liabilities		**(431)**	(1,114)
NET ASSETS		**208,902**	220,063
CAPITAL AND RESERVES	27		
Share capital		**398,980**	398,980
Share premium		**20,663**	20,663
Reserves		**(210,741)**	(199,580)
TOTAL EQUITY		**208,902**	220,063

Approved and authorised for issue on behalf of the board of directors on 30 March 2023.

Dong Wei	**He Mei**
Chief Executive Officer	*Director*

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

34. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

At 31 December 2022, the directors consider the immediate holding company and ultimate holding company of the Group to be Tianyuan Manganese Limited, a company incorporated in Cayman Islands, and Ningxia Tianyuan Manganese Industry Group Co., Ltd., a company incorporated in PRC respectively. These entities do not produce financial statements available for public use.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after a date to be determined

3 Effective for annual periods beginning on or after 1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Corporate Information

Executive Directors
Dong Wei (Chairman)

Non-Executive Directors
He Mei
Zhou Yuan

Independent Non-Executive Directors
Yuen Kwok Kuen
Zhou Siqi
Li Jun

Audit Committee
Yuen Kwok Kuen
Zhou Siqi
Li Jun

Remuneration Committee
Li Jun
Yuen Kwok Kuen
Zhou Siqi
Dong Wei

Nomination Committee
Zhou Siqi
Yuen Kwok Kuen
Li Jun
Dong Wei

Chief Executive Officer
Dong Wei

Company Secretary
Siu Man On

Auditors
Crowe (HK) CPA Limited
9/F Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Principal Bankers
Industrial and Commercial Bank of China (Asia) Limited

Registrars
Principal Registrar
Computershare Hong Kong Investor Services Limited

Branch Registrar
Maples and Calder,
Cayman Islands

Principal Office
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30 Harbour Road, Wanchai
Hong Kong

Registered Office
C/o Maples and Calder
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Cayman Islands
British West Indies

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