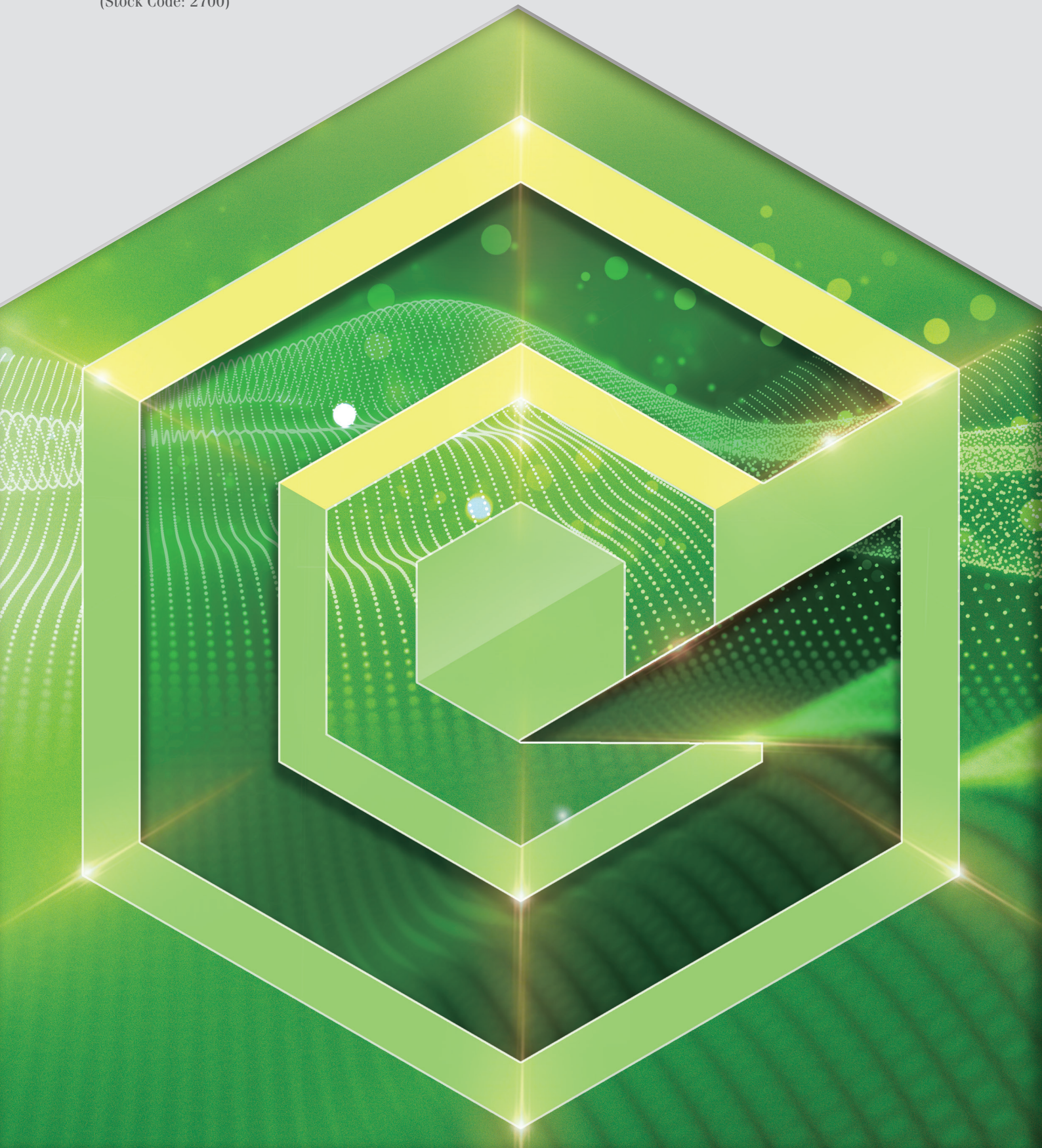




**GREEN INTERNATIONAL**  
Holdings Limited  
格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2700)

**ANNUAL  
REPORT  
2023**



# CONTENTS

2	Corporate Information
3	Chairman’s Statement
4	Management Discussions and Analysis
11	Profile of Directors
13	Report of the Directors
23	Corporate Governance Report
40	Environmental, Social and Governance Report
63	Independent Auditors’ Report
68	Consolidated Statement of Profit or Loss
69	Consolidated Statement of Profit or Loss and Other Comprehensive Income
70	Consolidated Statement of Financial Position
72	Consolidated Statement of Changes in Equity
73	Consolidated Statement of Cash Flows
74	Notes to the Consolidated Financial Statements
145	Five-Year Financial Summary

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Yu Zhoujie (*Chairman*)

Mr. Yu Xiangjin

#### Non-executive Directors

Mr. Chen Hanhong

Mr. Liu Dong

#### Independent Non-executive Directors

Mr. Wu Hong

Mr. David Tsoi

Mr. Wang Chunlin

### COMPANY SECRETARY

Mr. Xin Yingnan

### AUDIT COMMITTEE

Mr. David Tsoi (*Committee Chairman*)

Mr. Wu Hong

Mr. Wang Chunlin

### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1708, 17/F

West Tower, Shun Tak Centre

200 Connaught Road Central

Hong Kong

### PRINCIPAL BANKER

OCBC Wing Hang Bank Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F., Far East Finance Centre

16 Harcourt Road,

Hong Kong

### REMUNERATION COMMITTEE

Mr. David Tsoi (*Committee Chairman*)

Mr. Yu Zhoujie

Mr. Wu Hong

Mr. Wang Chunlin

### NOMINATION COMMITTEE

Mr. Yu Zhoujie (*Committee Chairman*)

Mr. David Tsoi

Mr. Wu Hong

Mr. Wang Chunlin

### AUDITOR

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

31st Floor, Gloucester Tower

The Landmark, 11 Pedder Street

Central, Hong Kong

### STOCK CODE

2700

### WEBSITE

<http://www.irasia.com/listco/hk/greeninternational/>

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Green International Holdings Limited (the "**Company**"), I present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023.

This year has been a challenging year for us, due to the prolonged effect of epidemic which has caused uncertainties of economy and business as well as consumption pattern of the service industry. Despite the challenges faced by the Group, the Group reported total revenue in the amount of approximately HK\$48.8 million and recorded a substantial decrease in loss to HK\$8.79 million during the financial year of 2023.

Looking ahead, the Group will closely review the latest business and market development and evaluate potential business expansion opportunities as and when they arise. In addition, the Board and the management team will continue to adopt measures to improve the Group's capabilities of business management, operations, market development and corporate governance to enhance corporate value of the Group.

On behalf of the Board, I would like to express my gratitude to our fellow directors and all employees for their valuable contribution, and to our shareholders, customers, suppliers, bankers and business associates for their continued support.

**Yu Zhoujie**

*Chairman of the Board*

Hong Kong, 28 March 2024

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### BUSINESS REVIEW

#### Overview

During the year ended 31 December 2023 (the “**Year**”) under review, the Group continued to be principally engaged in provision of (i) health and medical services and (ii) beauty and wellness products and related services.

#### Health and Medical Business

The health and medical business segment (the “**Health and Medical Business**”) of the Group operates its hospital business in Hunan Province, China through Li County Phoenix Hospital Company Limited (“**Phoenix Opco**”) and Yiyang Zizhong Kidney Disease Hospital Company Limited (“**Zizhong Opco**”) having the medical organisation operating license granted by the local bureau of the National Health Commission to carry out, amongst others, permitted medical treatments and hemodialysis treatment.

Since 2021, China has launched the deepening of reform of medicine and healthcare systems, calling for the need of high-quality services under a sound pricing system to guarantee deserved prices for medical services at local hospitals in China. During the Year, the Group’s Health and Medical Business continued to face challenges from market competitors. Furthermore, operating overheads of the Health and Medical Business have increased due to the implementation of additional hygiene measures and patient handling procedures to alleviate the threat of the epidemic.

During 2023, the relocation of Zizhong Opco has been completed, with larger and better equipped premises and therefore larger operational capacity.

#### Beauty and Wellness Business

The beauty and wellness business (the “**Beauty and Wellness Business**”) of the Group operates its beauty parlors under the brand name of 瑪莎 (Marsa) in Shenzhen, China through selling of beauty and wellness products and related services to local customers.

The performance of the Beauty and Wellness Business continued to be sluggish during the Year due to the changes in consumption patterns after the epidemic and the downturn in the beauty, fitness and bodybuilding industries.

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### Prospect

The prolonged effect of COVID-19 has caused uncertainties in the economy and business environment during the past few years. With the lifting of the epidemic related measures in China in December 2022, the Group will closely review the latest business and market development. Save as the aforementioned hospital relocation, the acquisition and expansion plans of the Group's hospital business have slowed down due to the deepening of reform of medicine and healthcare systems in 2021. The key tasks of Medical Reform in the second half of 2023 have also been clarified, including continuously carrying out the compilation of medical service price indices and related monitoring work, evaluating the price reform situation in five pilot cities, and launching provincial pilot projects for medical service price reform. Pending the clarification of market reactions under the reform, the Group does not intend to commit to any substantial acquisition or expansion plans under any specified timeline prematurely.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the Year was approximately HK\$48,831,000 (2022: HK\$47,236,000), representing an increase of approximately 3.38% as compared to last year. Despite the challenges faced by the Group, the revenue increased through marketing efforts and the provision of quality services.

### Direct Costs and Operating Expenses

The Group's direct costs and operating expenses for the Year was approximately HK\$20,003,000 (2022: HK\$21,089,000), representing a decrease of approximately 5.15% as compared to last year. The decrease in the total direct costs and operating expenses was mainly caused by the decrease in costs of goods.

### Gross Profit and Gross Profit Margin

The Group's gross profit for the Year was approximately HK\$28,828,000 (2022: HK\$26,147,000), representing an increase of approximately 10.25% as compared to last year, principally due to the increased revenue but decreased costs of goods. The Group's gross profit margin for the Year was 59.04% (2022: 55.35%).

### Selling Expenses

The Group's selling expenses for the Year amounted to approximately HK\$13,270,000 (2022: HK\$12,647,000), representing an increase of approximately 4.93% as compared to last year. The increase in the selling expenses was generally in line with the increase in revenue.

### Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately HK\$21,989,000 (2022: HK\$23,821,000), representing a decrease of approximately 7.69% as compared to last year. The decrease in the administrative expenses was mainly attributable to implementation of cost control measures.

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### Impairment Testing on Cash-Generating Unit of the Health and Medical Business

The management regards the Health and Medical Business as a separately identifiable cash generating unit. The management carried out an impairment assessment on the cash-generating unit in respect of the Health and Medical Business, including property, plant and equipment and right-of-use assets, which have an impairment indicator, at the end of the reporting period by reference to the valuation prepared by an independent valuer. The valuation was based on (a) the five-year cash flow projections which are discounted using the discount rate of 10.32%; (b) a terminal value calculated using a discount rate of 3%; and (c) the latest financial forecast figures provided by the management of Phoenix Opco and Zizhong Opco taking into account the latest market development. No impairment loss of property, plant and equipment and right-of-use assets was recognised in the Group's consolidated statement of profit or loss for the years ended 31 December 2022 and 2023.

### Impairment Testing on Cash-Generating Unit of Beauty and Wellness Business

The management regards the Beauty and Wellness Business as a separately identifiable cash generating unit. The management carried out an impairment assessment on the cash-generating unit in respect of the Beauty and Wellness Business, including trademark user right and technical know-how, property, plant and equipment and right-of-use assets, which have an impairment indicator, at the end of the reporting period by reference to the valuation prepared by an independent valuer. The valuation was based on (a) the five-year cash flow projections which are discounted using the discount rate of 12.4%; (b) a terminal value calculated using a discount rate of 3%; and (c) the updated financial forecast figures provided by the management of Beauty and Wellness Business taking into account the latest market trend and environment. Impairment losses of trademark user right and technical know-how, property, plant and equipment and right-of-use assets of approximately HK\$4,369,000 (2022: HK\$1,295,000), HK\$1,387,000 (2022: HK\$651,000) and HK\$2,340,000 (2022: HK\$1,039,000), respectively, were recognised in the Group's consolidated statement of profit or loss for the Year.

### Finance Costs

The Group's finance costs for the Year amounted to approximately HK\$2,278,000 (2022: HK\$3,330,000). Details of the finance costs are set out in Note 8 to the consolidated financial statements.

### Loss for the Year from Continuing Operations

The Group's net loss for the Year was approximately HK\$8,791,000 (2022: HK\$13,814,000).

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### USE OF PROCEEDS OF EQUITY FUND RAISING ACTIVITIES

The Company had not conducted any equity fund raising activities during the Year.

The amount of proceeds brought forward from the issue of equity securities (including securities convertible into equity securities) made in previous financial year(s) and the details of the use of such proceeds are set out as below:

On 25 September 2020, the Company announced a one-for-one rights issue (the “**2020 Rights Issue**”) involving the issue and allotment of 1,649,736,733 ordinary shares of the Company at the subscription price of HK\$0.06 per rights share. The subscription price of HK\$0.06 per rights share represents: (i) a discount of approximately 17.81% to the closing price of HK\$0.0730 per share as quoted on the Stock Exchange on 25 September 2020; and (ii) a discount of approximately 28.06% to the average closing price of HK\$0.0834 per share based on the closing prices of the shares as quoted on the Stock Exchange per the five consecutive trading days prior to and excluding 25 September 2020. The rights issue became unconditional on 9 December 2020, raising net proceeds of approximately HK\$95.9 million. The aggregate nominal value of the rights shares as of 16 December 2020, being the date of allotment of the rights shares, was approximately HK\$65,989,469. As disclosed in the previous announcements and financial reports of the Company, the net proceeds of the 2020 Rights issue were utilised as to HK\$15 million for the Group’s corporate expenses and overheads as originally intended during the year ended 31 December 2021 (“**FY2021**”). Among the remaining HK\$80.9 million which was originally intended for the potential acquisitions, expansion and equipment purchase of the Group’s hospital business, only approximately RMB3.1 million (HK\$3.5 million) was used during the year ended 31 December 2022 (“**FY2022**”) for the relocation of the Group’s hospital at Yiyang (“**Yiyang Hospital**”) owned and operated by Yiyang Opco (a subsidiary of the Company) in accordance with the original intended use.

As disclosed in the Company’s announcement dated 11 August 2023, the entire capital expenditure budget for the relocation of Yiyang Hospital was planned to be approximately RMB17.3 million (HK\$19.5 million), comprising refurbishment labour costs, service fees and material purchases, purchases of new equipment to cater for the expanded capacity, and other miscellaneous costs. Up to 31 December 2023, approximately RMB15.3 million (HK\$17.3 million) was already used for the relocation of Yiyang Hospital, with the remaining relocation budget of HK\$2.2 million currently expected to be fully utilised by the third quarter of 2024.

As disclosed in the Company’s announcement dated 11 August 2023, save as the relocation of Yiyang Hospital, the Group does not intend to commit to any substantial acquisition or expansion plans under any specified timeline prematurely, due to the taking of more conservative expansion strategy by the Group in response to the deepening of reform of medicine and healthcare systems in 2021, which has adversely affected the expected rates of return of hospital investment projects.



## MANAGEMENT DISCUSSIONS AND ANALYSIS

As disclosed in the Company's annual report 2022, subsequent to the period end of FY2022, the Board resolved to change the use of HK\$19 million out of the remaining net proceeds of the 2020 Rights Issue to be used in the Group's general working capital and meeting the Group's liabilities and expenses (such as overheads and rental payments, staff costs, professional fees) as they fall due. The Board is of the view that such change is in the best interests of the Company and its shareholders as a whole, as it is vital to have sufficient working capital to maintain the Group's businesses as a going concern. Up to 31 December 2023, approximately HK\$8.9 million was used for the Group's overhead expenses. The Company expects the remaining HK\$10.1 million to be fully utilised by the end of 2024.

Based on the Group's present budget planning, overhead expenses of approximately HK\$7 million and HK\$5 million are normally expected to accrue in the first and second half of the Company's financial year on average. As disclosed in the Company's announcement dated 11 August 2023, if no suitable acquisition target can be identified in due course, the Company intends to change the intended use of the remaining HK\$42.4 million of net proceeds of the 2020 Rights Issue also for the Group's overhead expenses. Assuming the same overhead half yearly budgets as estimated above, these remaining HK\$42.4 million of net proceeds are projected to be fully utilised by or around 2028.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had total assets of approximately HK\$136,201,000 (31 December 2022: HK\$168,637,000) and debts of approximately HK\$50,759,000 (31 December 2022: HK\$72,517,000), giving rise to a leverage ratio (defined as debt to total assets) of approximately 37.27% (31 December 2022: 43.00%).

As at 31 December 2023, the Group had net current assets of approximately HK\$15,467,000 (31 December 2022: HK\$41,784,000), being the surplus of current assets of approximately HK\$80,018,000 (31 December 2022: HK\$99,745,000) over the current liabilities of approximately HK\$64,551,000 (31 December 2022: HK\$57,961,000), giving rise to a current ratio of approximately 1.24 (31 December 2022: 1.72).

As at 31 December 2023, the Group had cash and bank balances of approximately HK\$66,826,000 (31 December 2022: HK\$81,742,000).

## GEARING RATIO

As at 31 December 2023, the gearing ratio of the Group (defined as debt to equity) was approximately 123% (31 December 2022: 139%). For this purpose, debt includes bonds payable, other borrowings and lease liabilities, if applicable.

## SIGNIFICANT INVESTMENT HELD

The Group had no significant investment held as at 31 December 2023.

## ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### CHARGES ON ASSETS

None of the Group's assets was pledged to secure any facilities and borrowings granted to the Group as at 31 December 2023.

### CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2023.

### FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong dollars and Renminbi. The Group was not engaged in any hedging measures during the Year. The Group will regularly review its position and may use financial measures to hedge its foreign currency exposure if it considers the risk to be significant.

### CAPITAL STRUCTURE

Save as disclosed herein, there were no changes in the capital structure of the Company for the year ended 31 December 2022, the year ended 31 December 2023 and up to the date of this report.

#### (A) Share Capital

Details of the movements of the share capital for the years ended 31 December 2022 and 2023 are set out in Note 23 to the consolidated financial statements.

#### (B) Share Options

##### *Old Share Option Scheme*

The old share option scheme (the "**Old Share Option Scheme**") adopted by the Company on 2 September 2006 lapsed on 2 September 2016 pursuant to the terms of the Old Share Option Scheme.

##### *New Share Option Scheme*

At the annual general meeting of the Company held on 26 June 2019, a new share option scheme (the "**New Share Option Scheme**") was approved by the shareholders of the Company. The New Share Option Scheme has a lifespan of 10 years. At the annual general meeting of the Company held on 26 June 2019, the Scheme Mandate Limit was approved to allow the Company to grant options for the holders thereof to subscribe up to 147,326,614 shares (before adjustments upon the share consolidation), representing 10% of the shares in issue as the date of approval of the scheme.

Details of the New Share Option Scheme are set out in the circular of the Company dated 24 May 2019.

## MANAGEMENT DISCUSSIONS AND ANALYSIS

No share options were granted under the New Share Option Scheme for the Year and the year ended 31 December 2022 and there were no outstanding share options as at 31 December 2023 and 2022. As at the date of this report, the maximum number of options which can be granted under the New Share Option Scheme was 29,465,322 consolidated shares (equivalent to 147,326,614 options before the five-to-one share consolidation took effect on 22 January 2021), representing 4.47% of the existing issued share capital of the Company.

### (C) Convertible Bonds

There were no outstanding convertible bonds as at 31 December 2023 and 2022.

## DIVIDEND

The Directors do not recommend the payment of any dividend for the Year (2022: Nil).

## HUMAN RESOURCES

As at 31 December 2023, the Group has 179 employees in Hong Kong and China. Employees' remuneration, promotion and salary increments are assessed based on both individuals' and the Group's performance, professional and working experiences and by reference to prevailing market practices and standards.

## MATERIAL LITIGATION

During the Year and up to the date of this report, neither the Company nor any other member of the Group was engaged in any litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## EXECUTIVE DIRECTORS

**Mr. Yu Zhoujie (“Mr. Yu ZJ”)**, aged 27, was appointed as a non-executive Director on 16 July 2020, the Chairman of the Board on 25 March 2021, and the chairman of the nomination committee and a member of the remuneration committee of the Company on 25 March 2021. He was re-designated as an executive Director on 1 August 2023. Mr. Yu ZJ graduated from The Pennsylvania State University with a degree of Bachelor of Science and obtained a master of science degree in Business Analysis from the University of Hong Kong. Prior to joining the Group, Mr. Yu ZJ occupied management roles in private companies in which he was responsible for the formulation of investment strategies, project acquisitions and portfolio management. Mr. Yu ZJ is currently a member of the Hong Kong Corporate Governance Association.

Mr. Yu ZJ is the son of Ms. Zhou Cuiqiong who is the sole shareholder of Jumbo Faith International Limited, the 56.08% controlling shareholder of the Company.

**Mr. Yu Xiangjin (“Mr. Yu XJ”)**, aged 48, joined the Company as the Chief Financial Officer of the Group’s operating companies in the PRC since January 2018 and was appointed as an executive Director on 16 July 2020. Mr. Yu XJ graduated from Hong Kong Baptist University with a Masters’ degree of Business Administration and the qualification of senior accountant in China. Prior to joining the Group, Mr. Yu XJ previously occupied finance and management positions in international conglomerates and large enterprises in China. Mr. Yu XJ is experienced in corporate financial management, internal control, budget management and financial modeling.

As at the Latest Practicable Date, Mr. Yu XJ has assumed various positions in the Company’s subsidiaries including the legal representative, director and general manager of Shenzhen Green Medical Management Co., Ltd. (深圳市格林醫療管理有限公司), the supervisor of Li County Phoenix Hospital Co., Ltd. (澧縣鳳凰醫院有限公司), Yiyang Zizhong Kidney Disease Hospital Co., Ltd. (益陽子仲腎臟病醫院有限公司) and Shenzhen Qianhai Gangying Health Management Co., Ltd. (深圳前海港影健康管理有限公司), the director of China Joy Holdings Limited and Health Gold Holdings Limited, and the company secretary of several subsidiaries of the Group.

## NON-EXECUTIVE DIRECTORS

**Mr. Chen Hanhong (“Mr. Chen”)**, aged 72, was appointed as an executive Director on 1 July 2013 and was re-designated as a non-executive Director on 16 July 2020. Mr. Chen has over 30 years of experience in the management and investment industries. Mr. Chen completed the Tsinghua Executive Master in Business Administration Research and Advanced Study Class organized by the Research Institute of Tsinghua University in Shenzhen. As at the Latest Practicable Date, Mr. Chen is the director of certain subsidiaries of the Group.

**Mr. Liu Dong (“Mr. Liu”)**, aged 55, was appointed as an executive Director on 13 July 2018 and re-designated as a non-executive Director on 1 August 2023. Mr. Liu has completed his undergraduate studies in Medical University of People’s Armed Police Force of China (now known as Logistics University of People’s Armed Police Force of China), Tianjin, China in 1996. Mr. Liu has more than 20 years of experience in financial investment, trading and property development in China and Hong Kong. As at the Latest Practicable Date, Mr. Liu has assumed various positions in the Company’s subsidiaries including the director of China Joy Holdings Limited.

## PROFILE OF DIRECTORS

According to the disclosure of interest filings, Mr. Liu regarded himself to be deemed, pursuant to Part XV of the Securities and Futures Ordinance, to be interested in (a) 9,146,000 shares held under his personal capacity and (b) 16,000,000 shares held by Smoothly Good Investment Development Limited, a controlled corporation wholly-owned by Mr. Liu.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wu Hong (“Mr. Wu”)**, aged 64, was appointed as an independent non-executive Director and a member of the audit committee of the Company on 7 November 2011, and a member of the remuneration committee and nomination committee of the Company on 30 June 2017. Mr. Wu is currently a professor of the College of Design at Shenzhen University in the PRC. He has many years of experience in the field of design, and has worked in both the academic field and in commercial areas in the PRC. Mr. Wu graduated from Chinese National Academy of Arts with a doctoral degree in art and design.

**Mr. David Tsoi (“Mr. Tsoi”)**, aged 76, was appointed as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Company on 12 June 2017. Mr. Tsoi was appointed as the chairman of the audit committee and the remuneration committee of the Company on 14 June 2017.

Mr. Tsoi is currently a director of Alliot, Tsoi CPA Limited. Mr. Tsoi obtained a master’s degree in business administration from the University of East Asia, Macau (currently known as University of Macau) in 1986. Mr. Tsoi is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, a chartered certified accountant registered with the Association of Chartered Certified Accountants, and a chartered professional accountant and certified general accountant certified by the Chartered Professional Accountant of British Columbia, Canada. Mr. Tsoi is also registered as a certified tax adviser with The Taxation Institute of Hong Kong. Mr. Tsoi is a fellow of The Institute of Chartered Accountants in England and Wales, a fellow member of The Society of Chinese Accountants & Auditors, and a fellow member of CPA Australia. Mr. Tsoi is currently an independent non-executive director of Universal Technologies Holdings Limited (stock code: 1026), Tianli Holdings Group Limited (stock code: 117), Everbright Grand China Assets Limited (stock code: 3699) and InvesTech Holdings Limited (stock code: 1087), the shares of which are all listed on the Stock Exchange.

**Mr. Wang Chunlin (“Mr. Wang”)**, aged 60, was appointed as an independent non-executive Director, a member of the audit committee, remuneration committee and nomination committee of the Company on 12 June 2017.

Mr. Wang graduated from the University of International Business and Economics in Beijing in 1986 and has since attained a master’s degree in business administration from Murdoch University in Australia and a master’s degree in International Shipping and Transport Logistics from the Hong Kong Polytechnic University. Mr. Wang was formerly an executive director of Pacific Basin Shipping Limited.

## **REPORT OF THE DIRECTORS**

The Board of the Company presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the “Year”).

### **PRINCIPAL ACTIVITIES**

During the Year under review, the Group continued to be principally engaged in provision of (i) health and medical services and (ii) beauty and wellness products and related services. The principal activities and other particulars of its principal subsidiaries are set out in Note 32 to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the Year is set out in Note 5 to the consolidated financial statements.

### **BUSINESS REVIEW**

The business review of the Group for the Year is set out in the section headed “Management Discussions and Analysis” of this annual report.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the Year are set out in the accompanying consolidated financial statements. The Board does not recommend the payment of a final dividend for the years ended 31 December 2023 (2022: HK\$Nil).

### **SHARE CAPITAL**

Movements in the share capital of the Company during the Year are set out in Note 23 to the consolidated financial statements.

### **DISTRIBUTABLE RESERVES**

Movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and Note 32 to the consolidated financial statements, respectively.

As at 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$Nil (2022: HK\$Nil).

## REPORT OF THE DIRECTORS

### PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements.

### PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Year.

### CONNECTED TRANSACTIONS

The Group had no connected transactions during the Year.

### DIRECTORS

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

#### **Executive Directors**

Mr. Yu Zhoujie (*Chairman*)  
Mr. Yu Xiangjin

#### **Non-executive Directors**

Mr. Chen Hanhong  
Mr. Liu Dong

#### **Independent Non-executive Directors**

Mr. Wu Hong  
Mr. David Tsoi  
Mr. Wang Chunlin

#### **Biographical Details of Directors**

Brief biographical details of Directors are set out in the section headed "Profile of Directors" of this annual report.

### Director's Service Contracts

Details of the terms of director's service contracts are summarised as follows:

<b>Executive Directors</b>	<b>Service agreement commencement date</b>	<b>Service period</b>	<b>Notice period for termination by either party</b>
Mr. Yu Zhoujie ( <i>Chairman</i> )	1 August 2023	3 years	1 month
Mr. Yu Xiangjin	16 July 2020	3 years	1 month

<b>Non-executive Directors</b>	<b>Appointment letter commencement date</b>	<b>Service period</b>	<b>Notice period for termination by either party</b>
Mr. Chen Hanhong	16 July 2020	3 years	1 month
Mr. Liu Dong	1 August 2023	3 years	1 month

<b>Independent Non-executive Directors</b>	<b>Appointment letter commencement date</b>	<b>Service period</b>	<b>Notice period for termination by either party</b>
Mr. Wu Hong	7 November 2017	1 year	1 month
Mr. David Tsoi	12 June 2017	1 year	1 month
Mr. Wang Chunlin	12 June 2017	1 year	1 month

None of the Directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

### Emoluments of the Directors and the Five Highest Paid Individuals

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Note 11 to the consolidated financial statements.

### Directors' Arrangements to Acquire Shares or Debentures

Save and except the New Share Option Scheme which was adopted in 2019, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Directors' Interests in Transactions, Arrangements or Contracts

Save for transactions disclosed in the notes to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's businesses to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.



## REPORT OF THE DIRECTORS

### Directors' Interests in Competing Business

None of the Directors or their respective associates (as defined under the Listing Rules) have an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the Year.

### Confirmation of Independence by Independent Non-executive Directors

Each of the independent non-executive Directors has provided an annual confirmation of his independence.

## DIRECTORS' INTERESTS IN SHARES

As at 31 December 2023, the interests or short positions of the Directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "**SFO**"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

### Long positions in shares of the Company and its associated corporations

Name of Director	Capacity in which the shares are held	Long positions in shares	Approximate percentage of total issued shares (Note 2)
Mr. Liu Dong	Beneficial owner and interest of controlled corporation	25,146,000 (Note 1)	3.81%

Notes:

- According to the disclosure of interest filings, these 25,146,000 shares deemed to be interested by Mr. Liu Dong ("**Mr. Liu**") comprised (a) 9,146,000 shares held by Mr. Liu personally and (b) 16,000,000 shares held by Smoothly Good Investment Development Limited ("**Smoothly Good**"), a controlled corporation wholly-owned by Mr. Liu. Mr. Liu and Smoothly Good's deemed interests in 16,000,000 Shares here duplicates with each other; and
- The percentages are calculated based on the total number of 659,894,693 issued shares as at 31 December 2023.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2023, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

### Long positions in shares and underlying shares of the Company

Name of substantial shareholder	Capacity in which the shares are held	Long positions in shares	Approximate percentage of total issued shares (Note 3)
Ms. Zhou Cuiqiong	Interest of controlled corporations	370,071,730 (Note 1)	56.08%
Jumbo Faith	Interest of controlled corporations and beneficial owner	370,073,730 (Note 1)	56.08%
Fluent Robust	Beneficial owner	67,647,058 (Note 1(b))	10.25%
Mr. Yu Qigang	Family interests	370,071,730 (Note 2)	56.08%

#### Notes:

- According to the disclosure of interest filings, these 370,071,730 shares deemed to be interested by Zhou Cuiqiong ("Ms. Zhou") and Jumbo Faith International Limited ("Jumbo Faith") comprised:
  - 302,424,672 shares beneficially owned by Jumbo Faith, a controlled corporation wholly-owned by Ms. Zhou. Ms. Zhou and Jumbo Faith's deemed interests in 302,424,672 shares duplicated with each other; and
  - 67,647,058 shares beneficially owned by Fluent Robust Limited ("Fluent Robust"), which is a controlled corporation wholly-owned by Jumbo Faith, which is in turn wholly-owned by Mr. Zhou. Ms. Zhou, Jumbo Faith and Fluent Robust's deemed interests in 67,647,058 shares duplicated with each other.
- Mr. Yu Qigang ("Mr. Yu"), as the spouse of Ms. Zhou, is taken to be interested in the 302,424,672 shares held by Jumbo Faith and 67,647,058 shares held by Fluent Robust by virtue of Part XV of the SFO as described in Note 1 above.
- The percentages are calculated based on the total number of 659,894,693 issued shares as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## REPORT OF THE DIRECTORS

### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes in the information of the Directors are set out below:

With effect from 1 August 2023, Mr. Yu Zhoujie was re-designated from a non-executive Director to an executive Director, and Mr. Liu Dong was re-designated from an executive Director to a non-executive Director. With effect from 31 July 2023, Mr. Tsang Kwok Wai resigned as a joint company secretary of the Company, and Mr. Yu Xiangjin replaced Mr. Chen Hanhong and acted as the authorised representative of the Company for the purpose of Rule 3.05 of the Listing Rules and for the purpose of service of process and notices in Hong Kong under the Companies Ordinance, Chapter 622 of the Laws of Hong Kong.

Mr. David Tsoi resigned as an independent non-executive director of Guoen Holdings Limited (formerly known as Guru Online (Holdings) Limited) (listed on the Stock Exchange, stock code: 8121) with effect from 8 August 2023, and resigned as an independent non-executive director of VPower Group International Holdings Limited (listed on the Stock Exchange, stock code: 1608) with effect from 5 December 2023.

### SHARE OPTION SCHEME

#### Old Share Option Scheme

The old share option scheme (the “**Old Share Option Scheme**”) adopted by the Company on 2 September 2006 lapsed on 2 September 2016 pursuant to the terms of the Old Share Option Scheme.

#### New Share Option Scheme

At the annual general meeting of the Company held on 26 June 2019, a new share option scheme (the “**New Share Option Scheme**”) was approved by the shareholders of the Company. The New Share Option Scheme has a lifespan of 10 years. At the annual general meeting of the Company held on 26 June 2019, the Scheme Mandate Limit was approved to allow the Company to grant options for the holders thereof to subscribe up to 147,326,614 shares (before adjustments upon the share consolidation), representing 10% of the shares in issue as at the date of approval of the scheme.

No share options have been granted under the New Share Option Scheme for the Year and the year ended 31 December 2022 and there were no outstanding share options as at 31 December 2023 and 2022. As at the date of this report, the maximum number of options which can be granted under the New Share Option Scheme was 29,465,322 consolidated shares (equivalent to 147,326,614 options before the five-to-one share consolidation took effect on 22 January 2021), representing 4.47% of the existing issued share capital of the Company. The remaining lifespan of the New Share Option Scheme is 6 years and 3 months.

Principal terms of the New Share Option Scheme are set out below:

### **1. Participants**

The Board may at its discretion grant options to the following eligible persons ("**Eligible Participants**"):

- (i) any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any entity in which any member of the Group holds any interest (the "**Invested Entity**");
- (ii) any discretionary trust whose discretionary objects include any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any Invested Entity; and
- (iii) a company beneficially owned by any director, employee (whether full-time or part-time employee), professional adviser, business consultant or service vendor to the Group or any Invested Entity.

### **2. Purpose**

- (i) The New Share Option Scheme is a share incentive scheme and is established to provide the Company with a flexible means of giving incentive or rewards to Eligible Participants for their retention and contribution or potential contribution to the Group.
- (ii) The New Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with a view to motivating the Eligible Participants to utilize their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

### **3. Maximum entitlement of each Eligible Participant**

Unless approved by the shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue.

Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his associates abstaining from voting.

## REPORT OF THE DIRECTORS

### 4. *Subscription price*

The subscription price in respect of any option must be at least the highest of:

- (i) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a day on which the Stock Exchange is open for the business of dealing in securities listed thereon ("**Business Day**"); and
- (ii) the average of the closing prices of the Shares as shown on the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a share of the Company.

### 5. *The period within which the securities must be exercised under an option*

An option shall be exercisable at any time during a period to be notified by the Board to each Grantee during which an option may be exercised, such period not exceeding a period of ten years commencing on the date of grant of option and expiring on the last day of such period.

### 6. *The minimum period for which an option must be held before it can be exercised*

Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before such an option can be exercised under the terms of the New Share Option Scheme.

### 7. *Amount payable upon acceptance of option*

HK\$1.00 is payable by each Eligible Participant to the Company on acceptance of an Offer of an option, which shall be paid within 21 days from the date on which an offer of the grant of options is made to an Eligible Participant.

Details of the New Share Option Scheme are set out in the circular of the Company dated 24 May 2019.

Amendments to Chapter 17 of the Listing Rules become effective on 1 January 2023. As provided under the transitional arrangements, an issuer can continue to make grants to participants eligible under the amended Chapter 17 under existing schemes until refreshment or expiry of the existing scheme mandate, upon which the issuer would be required to amend the terms of the schemes to comply with the amended Chapter 17 and seek shareholders' approval for a new scheme mandate.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue attributable to the Group's five largest customers combined was less than 30% of the Group's total purchases and sales, respectively.

## RETIREMENT SCHEMES

The Group participates in a mandatory provident fund scheme in Hong Kong (the "**MPF scheme**"), which is a defined contribution scheme, for its employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in an independent administered fund.

The Group participates in a defined contribution scheme administrated by the relevant authorities of the People's Republic of China (the "PRC"). Contributions to the scheme are calculated as a percentage of employees' salaries and the Group has no further payment obligations once the contributions have been paid. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

## **EQUITY-LINKED AGREEMENT**

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

## **MANAGEMENT CONTRACTS**

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

## **FINANCIAL SUMMARY**

A summary of the published results and of the assets, liabilities and equity of the Group for each of the past five financial years is set out in the section headed "Five-year Financial Summary" of this annual report.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **PUBLIC FLOAT**

According on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the sufficiency of public float requirement under the Listing Rules at any time during the Year and up to the date of this annual report.

## **CORPORATE GOVERNANCE**

The Corporate Governance Report of the Company is set out in the section headed "Corporate Governance Report" of this annual report.

## REPORT OF THE DIRECTORS

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group considers the importance of environmental affairs and believes business development and environment affairs are highly related. The Group recognizes its corporate responsibility regarding environmental and social sustainability. We are committed to promoting sustainable practices in all our operations, striving to minimize our impact on the planet while fostering a positive societal influence. Going forward, we pledge to adopt environmentally friendly practices, such as promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances, enhancing resource efficiency. Going forward, the Group will continue to promote environmental and social sustainability through various initiatives consistent with its policies and relevant laws and regulations.

The Environmental, Social and Governance Report of the Company is set out in the section headed “Environmental, Social and Governance Report” of this annual report.

### AUDIT COMMITTEE

The audit committee was established by the Company with written terms of reference in compliance with the requirements set out in Appendix C1 to the Listing Rules. Currently, the audit committee consists of three independent non-executive Directors, namely Mr. David Tsoi (committee chairman), Mr. Wu Hong and Mr. Wang Chunlin. One out of three audit committee members, Mr. David Tsoi, possesses recognised professional qualifications in accounting and has wide experience in audit and accounting.

The audited consolidated financial statements of the Group for the Year have been reviewed by the audit committee of the Company, which is of the opinion that such statements complied with applicable accounting standards and the Listing Rules, and that adequate disclosures have been made.

### AUDITORS

The consolidated financial statements for the Year were audited by HLB Hodgson Impey Cheng Limited (“HLB”) whose term of office will expire upon the forthcoming annual general meeting. The audit committee has recommended to the Board of the Company that HLB be re-appointed as the auditors of the Company at the forthcoming annual general meeting.

On behalf of the Board

**Yu Zhoujie**

*Chairman of the Board*

Hong Kong, 28 March 2024

## CORPORATE GOVERNANCE

Corporate governance is crucial for the sustainable success of the Company. It ensures transparent decision-making, accountability, and ethical conduct, fostering trust among shareholders, investors, and stakeholders. Effective governance practices promote responsible leadership, mitigate risks, and enhance overall performance, thus laying the foundation for long-term prosperity.

## CORPORATE CULTURE AND STRATEGY

The Company emphasizes the importance of the following values when conducting businesses and providing guidance to our management personnel, namely: (a) the excellence in the quality of goods and services, to be achieved through equipment upgrades and staff training; (b) diversification and growth, to be achieved by our constant efforts in research and development and the exploration of new business opportunities; and (c) sustainability, to be achieved through environmental protection endeavours and collaboration with the society. The Company will review our corporate culture and strategy and make necessary adjustments to cope with the ever-changing market conditions.

## CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2023 (the “Year”), the Company has applied the principles and complied with the code provisions contained in the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules, save for the deviation disclosed in the following paragraph:

With respect to Code Provision D.2.5, an issuer should have an internal audit function and issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. Due to the size and scale of operations, the Group did not have internal audit function during the Year. The Company has engaged Crowe (HK) Risk Advisory Limited as an external consultant to establish an internal audit function for the Year. The external consultant has assisted the audit committee in carrying out an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group, and has reported the status of its review to the audit committee on a regular basis. The Group has formulated an internal audit charter to define the scope of duties and responsibilities of the internal audit function and its reporting protocol.

## THE BOARD OF DIRECTORS

### Responsibilities

The Board is responsible for the leadership and control for the Group and collectively responsible for promoting success of the Group by directing and supervising the Group’s affairs. The Board also formulates objectives, overall corporate strategies and business plans, and oversees the financial and management performance of the Group. Senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group, which include the implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group business. Approval has to be obtained from the Board prior to any significant transactions entered into by senior management on behalf of the Group.



## CORPORATE GOVERNANCE REPORT

With respect to corporation governance functions, the board is responsible for performing the corporate governance duties. It may delegate the responsibility to a committee or committees. During the Year and up to the date of this report, the Board had performed the following duties:

- (i) developing and reviewing relevant corporate governance policy and practice of the Company;
- (ii) reviewing and monitoring continuous professional development and training of the Directors and senior management;
- (iii) reviewing and monitoring the policies and practices of the Company being in compliance with the statutory and other regulatory provisions;
- (iv) developing, reviewing and checking code and provision of conducts applicable to the Directors and employees; and
- (v) reviewing that the Company being in compliance with the CG Code and corporate governance reporting requirements.

In addition, the Board is also responsible for overseeing the risk management and internal control systems and reviewing their effectiveness, overseeing the environmental, social and governance, regularly reviewing the delegated functions to ensure that they accommodate the needs of the Group, and maintaining an on-going dialogue with shareholders.

All Directors have full and timely access to all relevant information in relation to the Group as well as advice from and services provided by the company secretary of the Company, if and when required, with a view to ensure that the procedures are in compliance and all applicable rules and regulations are followed.

There are established procedures for the Directors upon reasonable request, to seek independent advice in appropriate circumstances for them to discharge their duties and responsibilities, at the Company's expenses.

### Composition

The Board currently comprises two (2) executive Directors, two (2) non-executive Directors and three (3) independent non-executive Directors from different business and professional fields. The Directors, including independent non-executive Directors, have brought a balance of valuable and diversified businesses and professional expertise, experiences and independent judgment to the Board for its efficient and effective management for the Group's business, ranging from entrepreneur insights, management experience, business connections, industry knowledge, understanding of capital market, financial management and governance aspects.

As at the date of this report, the Board comprises Mr. Yu Zhoujie (Chairman) and Mr. Yu Xiangjin as executive Directors; Mr. Chen Hanhong and Mr. Liu Dong as non-executive Directors; and Mr. Wu Hong, Mr. David Tsoi and Mr. Wang Chunlin as independent non-executive Directors. The profiles of each Director are set out in the section headed "Profile of Directors" of this annual report.

There is no relationship (including financial, business, family or other material/relevant relationship(s), if any, between board members and in particular, between the chairman and the chief executives.

#### **Non-executive Directors**

The functions of non-executive Directors should include:

- (i) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (ii) taking the lead where potential conflicts of interests arise;
- (iii) serving on the audit, remuneration, nomination and other governance committees, if invited; and
- (iv) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

#### **Independent Non-executive Directors**

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed at least three (3) independent non-executive Directors, of whom Mr. David Tsoi has appropriate professional qualifications and related experience in financial matters.

The Company has received written annual confirmation from each of the incumbent independent non-executive Directors regarding their independence pursuant to the requirements of Rule 3.13 of the Listing Rules. In the light of these confirmations, the Company considers all incumbent independent non-executive Directors to be independent in accordance with the guidelines set out in the Listing Rules.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a period of one (1) year which could be terminated by either party giving to the other one (1) month's written notice.

## CORPORATE GOVERNANCE REPORT

One out of the three independent non-executive Directors, namely Mr. Wu Hong, has served more than nine years during the Year. The Board was of the view that the long service of Mr. Wu Hong would not affect his exercise of independent judgement and was satisfied that Mr. Wu Hong has the required character, integrity and experience to continue to fulfill the role of an independent non-executive Director. Taking into consideration of his independent scope of work in the past years and his annual confirmations of independence in full compliance with the Rule 3.13 of the Listing Rules, the Board was satisfied with the independence of Mr. Wu Hong despite his years of service as an independent non-executive Director having exceeded nine years.

During part of the reporting period, one of the independent non-executive Directors, namely, Mr. David Tsoi, has held his seventh or more listed company directorship. Notwithstanding this, the Board was of the view that his ability to devote sufficient time to the Company's affairs was demonstrated by his high attendance rate of the board, committee and general meetings of the Company.

### Appointment and Re-election of Directors

The Board retains the functions of selecting and approving candidates to become Board members. Directors who are appointed by the Board are subject to retirement by rotation in accordance with the Company's articles of association (the "**Articles of Association**").

In accordance with the Articles of Association, any Director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third (1/3), shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every three (3) years. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors (including those appointed for a specific term) so to retire in every year shall be those who have been longest in office since their last re-election or appointment, but as between persons who became the Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Any Director appointed by the Directors either to fill a casual vacancy on the Board or as an addition to the existing Board shall not be taken into account in determining which particular Directors or the number of the Directors who are to retire by rotation.

### Board Independence

The Board should establish mechanisms to ensure independent views and input are available to the Board and such mechanisms should be reviewed annually by the Board. During the Year, the Board has reviewed the implementation and effectiveness of such mechanisms and made the following observations:

- (i) Three out of seven Directors are independent non-executive Directors, satisfying the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors.
- (ii) Independent non-executive Directors are invited to join Board committees to ensure independent views are available.
- (iii) The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive director before appointment. The Nomination Committee will also assess the continued independence of the long-serving independent non-executive Directors on an annual basis.
- (iv) Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his own personal particulars that may materially affect his independence.
- (v) All independent non-executive Directors are required to submit a written confirmation to the Company annually to confirm their independence.
- (vi) All Directors are encouraged to seek further information and documentation from the management on the matters to be discussed at or outside Board and Board committee meetings.
- (vii) All Directors are aware of their right to seek assistance from the Company's management and company secretary and, where necessary, to seek independent advice from external professional advisers at the Company's expense.
- (viii) All Directors are encouraged to express their views in an open and candid manner at or outside Board and Board committee meetings.
- (ix) All Directors are reminded at Board and Board committee meetings to disclose any material interest in contract, transaction or arrangement and where such material interest does exist, shall abstain from voting and not be counted in the quorum on any Board or committee resolution approving the same.

## CORPORATE GOVERNANCE REPORT

### Model Code on Securities Transaction By Directors of Listed Issuers

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules (the “**Model Code**”) as the code of conduct for Directors in their dealings in the Company’s securities. Upon specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Year.

### Induction and Continuing Professional Development for Directors

In compliance with Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. During the Year, the Directors confirmed to the Company that they have participated in the following continuous professional development activities:

<b>Directors</b>	<b>Type of trainings</b> (Notes)
<b>Executive Directors</b>	
Mr. Yu Zhoujie ( <i>Chairman</i> )	a, b
Mr. Yu Xiangjin	b
<b>Non-executive Directors</b>	
Mr. Chen Hanhong	b
Mr. Liu Dong	b
<b>Independent Non-executive Directors</b>	
Mr. Wu Hong	b
Mr. David Tsoi	b
Mr. Wang Chunlin	b

Notes:

- (a) attending seminars and/or training sessions
- (b) reading the latest updates on the applicable changes in the Listing Rules and information relating to directors’ duties and responsibilities and ongoing obligations of listed issuers, etc.

Each newly appointed director would receive an induction information package which includes, among other things, a director’s training manual covering directors’ duties and key topics of the Listing Rules and the SFO, a list of study materials, the Group’s internal control policies and procedures to enable the new director to get familiarized with the Group’s operations.

The Group provides briefings and other training to develop and refresh the Directors' knowledge and skills, and continuously update Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Latest updates on rule changes, regulatory bulletins, circulars and guidance notes are displayed at the Company's offices to ensure awareness of corporate governance practices and rules compliance.

### **Chairman and Chief Executive**

The key role of Chairman of the Board is to provide leadership to the Board. In performing his duties, Chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities. The Chairman of the Board also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Group. Mr. Yu Zhoujie, a Director of the Company, has been the Chairman of the Board since 25 March 2021.

The key role of Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and the business of the Group. The duties of Chief Executive Officer normally include: (i) providing leadership and supervising the effective management of the Group; (ii) monitoring and controlling the financial and operational performance of various divisions; and (iii) implementing the strategies and policies adopted by the Group, setting and implementing objectives and development plans.

The position of chief executive officer of the Company was vacated since November 2018. The Company will review the need of recruiting suitable candidate to fill up the vacancy from time to time. In the meantime, the functions of chief executive officer are taken up by executive Directors of the Company.

### **Directors' and officers' liability insurance and indemnity**

The Company has arranged appropriate liability insurance for the Directors and senior management of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis. Throughout the Year, no claim had been made against the Directors and the officers of the Company.

### **Responsibilities for the Financial Statements**

The Directors acknowledge their responsibilities for preparing the Group's financial statements that give a true and fair view of the state of affairs of the Group. The financial statements for the Year have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The responsibilities of the external auditors, HLB Hodgson Impey Cheng Limited ("HLB"), are set out in Independent Auditors' Report of this annual report.

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES

The Board has established three (3) committees, namely the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) for overseeing particular aspects of the Group’s affairs. All Board committees of the Company are established with defined written terms of reference.

The Audit Committee comprises only independent non-executive Directors, and the majority of the members of the Remuneration Committee and the Nomination Committee comprises independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

#### **Audit Committee**

During the Year and as at the date of this report, the Audit Committee comprises three (3) independent non-executive Directors, namely, Mr. David Tsoi (chairman of the Audit Committee), Mr. Wu Hong and Mr. Wang Chunlin. Out of the Audit Committee members, Mr. David Tsoi has appropriate professional qualifications and related experience in financial matters. No former partner of the Company’s existing auditing firm acted as a member of the Audit Committee within two years from ceasing to be a partner or having any financial interest in the auditing firm.

The primary functions of the Audit Committee include:

- (i) reviewing of the financial statements and reports and considering of any significant or unusual items raised by the Group’s staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (ii) reviewing of the adequacy and effectiveness of the Company’s financial reporting systems, risk management and internal control systems and associated procedures;
- (iii) reviewing and monitoring of the external auditors’ independence and objectivity and the effectiveness of the audit; and
- (iv) reviewing of the relationship with the external auditors by reference to the work performed by the auditors, its fees and terms of management, and the making of recommendation to the Board on the appointment, reappointment and removal of external auditors.

The work performed by the Audit Committee during the Year includes:

- (i) reviewing of the relationship with the external auditors by reference to the work performed by the auditors, its fees and terms of management, and make recommendation to the Board on the reappointment of external auditors;
- (ii) reviewing of the annual and interim results and reports of the Company as to whether they are in compliance with the accounting standards and relevant requirements in relation to financial reporting under the Listing Rules and other laws;
- (iii) reviewing of matters relating to risk management and internal control systems, and the plans and objectives of the internal audit function established by the Company;
- (iv) reviewing of the Group's accounting principles and practices, financial reporting and statutory compliance matters; and
- (v) reviewing arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions.

#### **Remuneration Committee**

During the Year and as at the date of this report, the Remuneration Committee comprises the Chairman of the Board, Mr. Yu Zhoujie, and three (3) independent non-executive Directors, namely, Mr. David Tsoi (chairman of the Remuneration Committee), Mr. Wu Hong and Mr. Wang Chunlin.

The primary functions of the Remuneration Committee include:

- (i) reviewing, recommending and approving the remuneration policy and structure and remuneration packages of executive Directors and senior management;
- (ii) reviewing, recommending and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (iii) determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management;
- (iv) reviewing, recommending and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and
- (v) establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his close associates will participate in deciding his own remuneration, whose remuneration shall be determined by reference to the performance of the individual and the Group as well as market practice and conditions.



## CORPORATE GOVERNANCE REPORT

The work performed by the Remuneration Committee during the Year includes:

- (i) reviewing of the remuneration policy of the Directors and senior management;
- (ii) assessing the performance of executive Directors;
- (iii) reviewing and determining, with delegated responsibility from the Board, the remuneration package of each Director and the Company Secretary including bonus payment, pension rights and compensation payable;
- (iv) approving the forms of the service agreement for each executive Director and the appointment letter for each non-executive Director and independent non-executive Director; and
- (v) reviewing the share option scheme of the Company on an annual basis and considered that no share option was granted under the share option scheme of the Company and no material matter relating to the share option scheme has to be reviewed.

### Remuneration Paid to Members of Senior Management

Details of remuneration paid to members of senior management (including Directors) fell within the following bands:

	<b>Number of Individuals</b>
HK\$Nil – HK\$500,000	2
HK\$500,000 or above	3

### Nomination Committee

During the Year and as at the date of this report, the Nomination Committee comprises the Chairman of the Board, Mr. Yu Zhoujie (also chairman of the Nomination Committee), and three (3) independent non-executive Directors, namely, Mr. David Tsoi, Mr. Wu Hong and Mr. Wang Chunlin.

The primary functions of the Nomination Committee include:

- (i) reviewing the criteria and procedures of selection of the Directors and senior management, and providing suggestions;
- (ii) conducting extensive search for qualified candidates for the Directors and senior management;
- (iii) reviewing the Board diversity policy and the progress on achieving the objectives set for implementing the said policy; and
- (iv) assessing the candidates for the Directors and senior management and providing the relevant recommendations.

The nomination procedures and the process and criteria adopted by the Nomination Committee include:

- (i) taking into account, during the course of the nomination process of new Directors, a range of diversity perspectives including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, as part of the selection criteria;
- (ii) identifying individuals suitably qualified to become Board members, selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships; and
- (iii) assessing the independence of independent non-executive Directors.

The work performed by the Nomination Committee during the Year includes:

- (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;
- (ii) assessing the independence of independent non-executive Directors; and
- (iii) making recommendations to the Board on the appointment, re-appointment and succession planning for directors (including the chairman and the chief executive).

## MEETINGS

The Board meets on a regular and on an ad hoc basis, as required by business needs. Minutes of board, committee and general meetings are kept by the management and the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the management and the Company Secretary, and has the right to seek external professional advice if necessary.

During the Year, the Company held five (5) board meetings, two (2) Audit Committee meetings, two (2) Nomination Committee meetings, two (2) Remuneration Committee meetings, and one (1) annual general meeting held on 30 June 2023. The attendance records of the Directors at such meetings are as follows:

Directors	Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings	Annual General meeting
<b>Executive Directors</b>					
Yu Zhoujie	5/5	–	2/2	2/2	1/1
Yu Xiangjin	5/5	–	–	–	1/1
<b>Non-executive Directors</b>					
Chen Hanhong	5/5	–	–	–	1/1
Liu Dong	5/5	–	–	–	1/1
<b>Independent non-executive Directors</b>					
Wu Hong	5/5	2/2	2/2	2/2	1/1
David Tsoi	5/5	2/2	2/2	2/2	1/1
Wang Chunlin	5/5	2/2	2/2	2/2	1/1

## CORPORATE GOVERNANCE REPORT

### ANNUAL GENERAL MEETING

The annual general meeting (the “**2023 AGM**”) of the Company for the Year was duly held on 30 June 2023. At the 2023 AGM, Mr. Liu Dong, Mr. Yu Xiangjin and Mr. Wang Chunlin retired from office and were re-elected Directors of the Company.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the Group’s risk management and internal control systems and reviewing their effectiveness at least annually.

As a part of the Group’s risk management and internal control systems, appropriate policies and controls have been designed and established by the Group to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group’s performance are appropriately identified and managed. These measures and procedures are designed to provide a reasonable, but not absolute, assurance on the accuracy of information presented by the Company, identification of systematic loopholes, and fairness and transparency in the making of management decisions.

The Company has engaged Crowe (HK) Risk Advisory Limited as an external consultant to facilitate the establishment and maintenance of its internal audit function for the Year. The external consultant has assisted the audit committee in carrying out an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group, and has assisted the senior management in reporting the status of effectiveness of the systems to the audit committee on a regular basis. The Group has formulated an internal audit charter to define the scope of duties and responsibilities of the internal audit function and its reporting protocol.

The Group conducts an annual risk assessment to identify potential and significant strategic, operational, financial and compliance risks of its major business based upon various internal and external risk factors. Each of potential risk is rated at level of high, medium or low under the consideration of the likelihood of occurrence and their impacts on achieving business objectives. Respective internal control measures are proposed and executed to mitigate the consequences of the identified risks to the Group. In addition, executive Directors hold regular meetings with the senior management to review and monitor the business and financial performance of the different business segments of the Group. The purpose is to enhance communication and accountability between directors and management so that material strategic, financial, operational and compliance risks or potential deviations are promptly identified and addressed in an appropriate manner, and material issues are reported to the Board in a timely manner for its consideration.

Based on the results of the risk assessment, an internal control review plan was formulated which prioritizes the risks identified into annual internal control review projects. During the Year, internal control review was conducted in accordance with the approved internal control review plan to identify deficiencies in the design of the internal controls, to evaluate the effectiveness of existing internal controls and to develop recommendations for improvement in the audit projects. Having performed such review, the Board considers the Group's risk management and internal control systems in place for the Year are effective and adequate, and no material internal control failings, weaknesses or deficiencies have been identified during the course of the review.

The Company adopts internal controls and reporting systems on handling and dissemination of inside information in accordance with "Guidelines on Disclosure of Inside Information" issued by the Securities and Future Commission, which set out procedures in handling inside information in a secure and proper manner as well as those aimed to avoid mishandling of inside information of the Group.

## **BOARD DIVERSITY POLICY**

The Company adopts a Board Diversity Policy in accordance with the requirement set out in the CG Code. The Company recognizes that the Board diversity is an essential element contributing to the sustainable development of the Company. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to the skills, knowledge, gender, age, cultural and educational background or professional experience. All Board appointments are based on merits of individual candidates, considered against a variety of objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee monitors the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy. During the Year, the Nomination Committee reviewed the Board Diversity Policy and was satisfied with its effectiveness. However, the Nomination Committee noticed that the Board currently has nil female director out of seven Directors in total, and recommended to the Board that the Company has to appoint at least one Director of a different gender on or before 31 December 2024 to comply with the Listing Rules.

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group as at 31 December 2023 was 15:85 (male:female). In hiring employees, the Company considers various factors including gender, age, cultural and education background, qualification, professional experience, skills, knowledge and length of service. The Company will encourage gender diversity across the entire workforce of the Group.

## **NOMINATION POLICY**

The Company adopts a Nomination Policy of having a board of directors with a diversity of skills and experience. The selection and proposed appointment of the Directors are submitted to the approval of both the Nomination Committee of the Company and the Board, and the re-election of Directors is conducted in accordance with the Articles. The criteria of assessing a candidate include his/her ability to devote sufficient time and attention to participate in the affairs of the Company including the attendance of Board meetings and serving on committees, to bring business experience to the Board and to contribute to the Board's diversity. If the candidate is proposed to be appointed as an independent non-executive Director, his/her independence shall be assessed in accordance with the requirements under the Listing Rules. The totality of the candidate's education, qualifications and experience shall be evaluated in assessing his/her suitability.

## CORPORATE GOVERNANCE REPORT

### DIVIDEND POLICY

The Company adopts a Dividend Policy, taking into consideration all circumstances including the following factors before declaring or recommending dividends: (i) the current and projected financial performance of the Company; (ii) the growth and investment opportunities; (iii) other macro and micro economic factors; and (iv) other factors or events that the Board may consider relevant or appropriate from time to time. The payment of dividend is also subject to any restrictions under the applicable laws and the Articles.

### WHISTLE-BLOWING POLICY

The Company adopted a Whistle-Blowing Policy, providing employees and relevant third parties who deal with the Group (e.g. customers, suppliers, creditors and debtors) with guidance and reporting channels to the designated person. All reported matters will be investigated independently and, in the meantime, all information received from a whistle-blower and its identity will be kept confidential. The Board and the Audit Committee will regularly review the Whistle-blowing Policy and mechanism to improve its effectiveness.

### ANTI-FRAUD AND ANTI-CORRUPTION POLICY

The Company adopted an Anti-Fraud and Anti-Corruption Policy, setting out guidelines and the minimum standards of conducts, the applicable laws and regulations, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group adopts a zero tolerance policy on any forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties. The Board and the Audit Committee will review the Anti-Fraud and Anti-Corruption Policy and mechanism periodically to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

### AUDITORS

The consolidated financial statements for the Year were audited by HLB whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

### AUDITORS' REMUNERATION

The remuneration of services provided by the external auditors for the Year are HK\$1,200,000 for audit service and HK\$Nil for non-audit service.

## SHAREHOLDERS' RIGHTS

### Procedures for shareholders to put forward enquiries to the Board

The Company's website provides the email address, telephone and facsimile numbers to enable the shareholders of the Company (the "**Shareholders**") to make any enquiries and concerns to the Board. The Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling.

### Procedures for attending general meetings and demanding poll

The general meetings of the Company provide a forum for communication between the Shareholders and the Board. The chairman of the Board as well as the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings. Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders issued during the Year, and will be explained during the proceedings of meetings.

In accordance with Rule 13.39(4) of the Listing Rules and the Articles of Association of the Company, all votes of the Shareholders to be taken at general meetings shall be taken by poll unless it relates purely to a procedural or administrative matter and the chairman, in good faith, decides to allow such matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of the forthcoming annual general meeting of the Company will be voted by poll, and the poll results will be published on the websites of the Company and the Stock Exchange on or before the business day following the shareholders' meeting.

### Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist himself may do so in the same manner, and all reasonable expenses incurred by the requisitionist as a result of the failure of the Board shall be reimbursed to the requisitionist by the Company.

## CORPORATE GOVERNANCE REPORT

### Procedures for shareholders to put forward proposals at general meetings

There are no provisions allowing the Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, the Shareholders may request the Company to convene an extraordinary general meeting following the procedures under Article 58 of the Articles of Association as set out above.

Pursuant to Article 88 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

If a shareholder wishes to propose a person for election as a director of the Company at a general meeting, he/she shall deposit a written notice at the Company's head office at Suite 1708, 17th Floor., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, in compliance with Article 88 and containing all details as required by Rule 13.51(2) of the Listing Rules.

### COMMUNICATIONS WITH SHAREHOLDERS

The Company adopts a Communication with Shareholders Policy to ensure that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company. The Company has established several channels to communicate with the Shareholders. The Board will review the implementation and effectiveness of the Communication with Shareholders Policy annually.

The primary communication channel between the Company and the Shareholders is through the publication of financial reports, announcements and circulars on the websites of the Company and the Stock Exchange, and the publication of press releases, notices and other information on the Company's website. All the Shareholders' communications are available on the websites on the websites of the Company and the Stock Exchange.

## CORPORATE GOVERNANCE REPORT

The Company's general meetings provide a forum for the Shareholders to exchange views with the Board. Board members and management of the Company are available to answer the Shareholders' questions and explain the procedures of vote taking by poll. Information and documents relating to the proposed resolutions are sent to the Shareholders before the general meetings in accordance with the notice periods and deadlines prescribed by the Articles of Association and the Listing Rules.

The Company and its registrars serve the Shareholders with respect to share registration matters.

In view of the above shareholders' communication means and measures adopted by the Company, the Board is of the view that the shareholders' communication policy implemented during the year ended 31 December 2023 was sufficient and effective.

### CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange. Save as disclosed herein, no other significant change is made to the Company's constitutional documents during the Year.

In compliance with the amended Appendix A1 to the Listing Rules which sets out a uniform set of 14 "Core Standards" for issuers regardless of their place of incorporation, a special resolution for the amendments to the Memorandum and Articles of Association of the Company has been approved at the annual general meeting which was held on 30 June 2023. For further details regarding the adoption of new Articles of Association, please see the Company's circular dated 6 June 2023.

### INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the Shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2169 0813 during normal business hours, by fax at (852) 2169 0663 or by e-mail at [ir@green-international.com](mailto:ir@green-international.com).



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### About this Report

The Environmental, Social and Governance (“ESG”) Report (“Report”) of Green International Holdings Limited (“Company”, together with its subsidiaries, or the “Group”) has made reference to the ESG Reporting Guide in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEx Appendix C2 ESG Reporting Guide”), and compile the report content in accordance with the principles of materiality, quantitative, balance and consistency.

The scope of this report is based on the Company and its major subsidiaries, unless specifically stated otherwise. There were no significant changes observed in the Group’s operating locations, the suppliers’ location and supply chain structure in the financial year ended 31 December 2023 (“Year” or “Reporting Period”).

### Reporting Period and Scope

The statistics, figures and information cited in this Report are referenced from the archived questionnaires, records, and research of the Group. This Report highlights the Group’s sustainability efforts in environmental and social aspects. Reporting period: 1 January 2023 to 31 December 2023, the financial period of the Group’s Annual Report 2023.

Organizations covered: Green International Holdings Limited and its subsidiaries.

### Reference Guidelines

HKEx Appendix C2 ESG Reporting Guide

### Contact

Should you have any enquiries or feedback on this Report, please feel free to contact the Group via the following methods:

- **Address:** Suite 1708, 17/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
- **Tel:** +852 2169-0813
- **Fax:** +852 2169-0663
- **Email:** [ir@green-international.com](mailto:ir@green-international.com)
- **Official website:** <http://www.irasia.com/listco/hk/greeninternational/>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Overview

The principal business of the Group are (i) health, medical and related services, (ii) beauty and wellness services, and (iii) integrated financial services. Being a well-recognized health, medical, beauty and wellness service provider in China, the Group has been dedicated to providing customers with various treatment services with professionalism and high-quality. In addition, the Group has leveraged their own professional experience by continuously exploring the latest medical and beauty technologies to provide the best service to the customers. Thus, the Group has established important long-term business relationships with customers by providing diversified medical beauty services.

### Core Values/Management Principles

The Group strives to integrate the concept of sustainable development into its business development process and commits to become an environmentally and socially responsible corporation in the society. The concept of triple bottom line is well in-placed which aims at taking a balance between economic development, environmental protection and social responsibility. All the business operations of the Group are well-managed and complied with relevant national and local laws and regulations.

### ESG Governance Structure

The Group attaches great importance to its ESG commitment and is dedicated to fully integrating the factors into the decision-making process. The Group has established a governance framework to ensure its ESG strategies are aligned with the company's strategic growth and advocate incorporating ESG elements into the daily business operations. The Group's ESG governance structure consists of the board of the Company ("**Board**") and the ESG working group that work together to drive its ESG strategies.

The Board	<ul style="list-style-type: none"> <li>• Has full responsibility for the Group's ESG strategy and reporting, including setting and overseeing related goals and policy directions.</li> <li>• Regularly discusses and reviews the Group's ESG-related risks and opportunities, performance, goals and measures with the assistance of the ESG working group.</li> <li>• Ensures the effectiveness of ESG risk management and internal control mechanism.</li> </ul>
The ESG working group	<ul style="list-style-type: none"> <li>• Comprised of core members from various departments of the Group and reports progress to the Board on a regular basis, assisting and supporting the Board's oversight of ESG-related issues.</li> <li>• Responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance to ensure compliance with relevant law and regulations as well as preparing ESG reports.</li> <li>• Arranges meetings regularly to discuss and review ESG-related issues including but not limited to the effectiveness of the Group's ESG performance, policies and procedures and sustainability strategy goals.</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

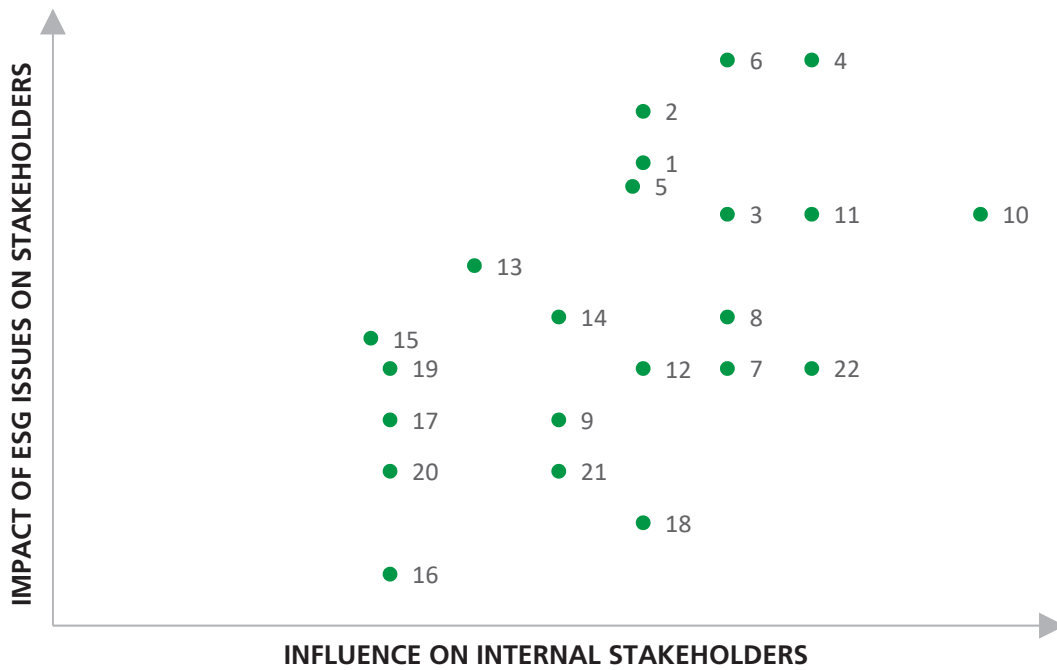
### Stakeholder Engagement and Materiality

To identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions as shown in the table below to discuss and to review areas of attention which will help the business meet its potential growth and be prepared for future challenges.

Stakeholders	Engagement Channels
Government and regulatory agencies	<ul style="list-style-type: none"> <li>• Publication of notices, circulars, interim and annual reports</li> <li>• Policy consultation</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Special General Meeting</li> <li>• Email, telephone communication and corporate website</li> <li>• Publication of notices, circulars, interim and annual reports</li> </ul>
Potential Investors	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Conferences</li> <li>• Email, telephone communication and corporate website</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Employee survey</li> <li>• Staff activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• On-site feedback</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• On-site visits</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group identifies issues for disclosure in the Report through internal and external materiality assessments. The Group collects feedback from the stakeholders through their respective communication channels regarding their major concerns on ESG issues. The Board further considers the impact of each identified ESG issue on the Group’s operations, as well as the availability of the Group’s resources, to determine the importance of each ESG issue, the result of which is displayed in the following materiality matrix.



- |  |   |  |
|--|---|--|
| 1. Safety and quality of products and services | 2. Customer satisfaction                              | 3. Customers’ privacy and confidentiality                        |
| 4. Effluents management                        | 5. Waste management                                   | 6. Staff occupational health and safety                          |
| 7. Water efficiency                            | 8. Energy efficiency                                  | 9. Land use, pollution and restoration                           |
| 10. Environmental compliance                   | 11. Air emissions                                     | 12. Greenhouse gas emissions                                     |
| 13. Staff development and training             | 14. Anti-corruption training                          | 15. Business ethics  |
| 16. Contributions to the society               | 17. Communication and connection with local community | 18. Environmental friendliness on products and service purchased |
| 19. Intellectual property                      | 20. Diversity and equal opportunities                 | 21. Anti-discrimination  |
| 22. Climate change                             |   |  |

The Group determines the extent of disclosure in this Report according to the importance of the issues to the business and the stakeholders.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Environmental Performance

The Group complied with all related national laws and regulations of the People's Republic of China ("PRC" or "China") such as the *Environmental Protection Law of the PRC*, the *Law of the PRC on the Prevention and Control of Atmospheric Pollution*, the *Law of the PRC on the Prevention and Control of Water Pollution*, the *Law of the PRC on Prevention and Control of Pollution From Environmental Noise*, the *Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste*, *Law of the PRC on Environmental Impact Assessment*, and *Regulations on the Administration of Medical Wastes*, and implements corresponding environmental management policies at all levels to fulfil the Group's environmental protection objectives.

During the Reporting Period, no material changes have been made to the Group's major business and the Group has complied with the latest environmental regulations.

#### 1. Environmental Targets

Through sustainable development goals, the Group facilitates collaboration among the operating entities to achieve common goals. With the improvements in standards, efficiency and innovation, the Group aims to mitigate operational risks and build long-term resilience for its businesses.

Category	Metrics and targets	Implementation measures <sup>1</sup>
Greenhouse gas emission reduction	<p>Metrics:</p> <ul style="list-style-type: none"> <li>— Gas emissions</li> <li>— Direct emission from combustion (Scope 1 emissions)</li> <li>— Direct emission from vehicles (Scope 1 emissions)</li> <li>— Indirect emission from electricity consumption (Scope 2 emissions)</li> <li>— GHG emissions intensity</li> </ul> <p>Targets:</p> <ul style="list-style-type: none"> <li>— Actively respond to the national carbon peak and carbon neutrality goals and practice green operations.</li> <li>— Reduce the Group's greenhouse gas emissions by 5% by 2026 on the 2021 basis through the use of energy efficient fuels and fuel-saving vehicles whenever possible.</li> </ul>	<p>Implemented:</p> <ul style="list-style-type: none"> <li>— Vehicles owned by the Group are required to qualify for the latest emission standards to achieve better fuel efficiency and lower exhaust gas emission.</li> <li>— All departments to manage their power consumption of air-conditioners, and to monitor departmental staff to switch off all electrical equipment and production facilities during breaks and after work.</li> <li>— Set up ventilation and air-conditioning system and maintain at 25 degrees Celsius.</li> <li>— Encourage the carpooling to reduce the usage of vehicles.</li> </ul> <p>To-be implemented:</p> <ul style="list-style-type: none"> <li>— Green office to be implemented.</li> <li>— Carbon emission to be verified.</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Category	Metrics and targets	Implementation measures <sup>1</sup>
Waste reduction	<p>Metrics:</p> <ul style="list-style-type: none"> <li>— Hazardous waste disposal quantity</li> <li>— Hazardous waste intensity</li> <li>— Non-hazardous waste disposal quantity</li> <li>— Non-hazardous waste intensity</li> </ul> <p>Targets:</p> <ul style="list-style-type: none"> <li>— Green procurement will be implemented and green procurement standards will be incorporated into supplier management.</li> <li>— Garbage classification will be implemented in all office premises.</li> <li>— All electronic waste will be disposed in a harmless manner.</li> <li>— Waste disposal amount consistent with the level of the Reporting Period in the next 3 to 5 years.</li> </ul>	<p>Implemented:</p> <ul style="list-style-type: none"> <li>— Promote “paper-free” office and encourage staff to reduce printing demands.</li> <li>— Encourage material and stationery re-use and choosing suitable packaging materials.</li> <li>— All used waste bags are then stored in a designated area with traceable record.</li> <li>— Promote waste segregation and recycling within the office to further reduce the generation of general waste.</li> <li>— All general wastes are properly stored to ensure hygienic condition and grease traps are installed in kitchens to prevent oil seepage into the waste water system.</li> </ul> <p>To-be implemented:</p> <ul style="list-style-type: none"> <li>— Awareness of avoiding food waste to be promoted.</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Category	Metrics and targets	Implementation measures <sup>1</sup>
Resources conservation	<p>Metrics:</p> <ul style="list-style-type: none"> <li>— Electricity consumption</li> <li>— Electricity consumption intensity</li> <li>— Non-renewable fuel consumption</li> <li>— Non-renewable fuel consumption intensity</li> <li>— Amount of water consumed</li> <li>— Water consumption intensity</li> <li>— Packaging materials consumption</li> <li>— Packaging materials consumption intensity</li> </ul> <p>Targets:</p> <ul style="list-style-type: none"> <li>— Reduce the Group's electricity consumption by 5% by 2026 on the 2021 basis.</li> <li>— Reduce the Group's non-renewable fuel consumption by 5% by 2026 on the 2021 basis.</li> <li>— Reduce the Group's water consumption by 5% by 2026 on the 2021 basis.</li> <li>— Reduce the Group's packaging materials consumption by 5% by 2026 on the 2021 basis.</li> </ul>	<p>Implemented:</p> <ul style="list-style-type: none"> <li>— All employees to switch off and unplug any electronic devices that are not in use to avoid standby power loss.</li> <li>— Doors and curtains are shut to enhance the thermal insulation of the office.</li> <li>— Maintains the air-conditioning system at 25 degrees Celsius, which is the optimal level for energy efficiency.</li> <li>— Encourages employees to share rides when using the Group's vehicles.</li> <li>— Regular maintenance on water pipelines are conducted to prevent any unnecessary water wastage.</li> </ul> <p>To-be implemented:</p> <ul style="list-style-type: none"> <li>— Water-saving facilities to be improved, and water-saving faucets to be installed in certain workplaces.</li> </ul>

Note:

1. Measures are illustrated on a "including but not limited to" basis.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2. Emissions

The Group has strictly followed all laws and regulations and improved its emission management. Apart from the use of electricity, vehicular emission is the other major source of emission from the Group's business.

#### 2.1. Gas Emission

Due to the nature of the Group's business, it emits low level of gaseous pollutants and the use of electricity of the hospitals and beauty are the major indirect and direct emission sources respectively. The Group has issued "Public Area Air-conditioning Standard Operating Procedures" to limit the use of air-conditioning in public area, such as regulating the temperature with 25.5°C, turning off during off-work hour, etc. The established policy could greatly reduce the use of electricity in workplace and improve the staffs' environmental awareness.

Apart from the above-mentioned measures, the Group has also set out a list of general rules for the staff on energy conservation and reduction, the major measures are:

- Conduct regular maintenance on all electricity equipment of the Group to ensure proper functioning;
- The Human Resources and Administration Department ("**HR Department**") keeps track on the energy consumption of all departments;
- Encourage paper-less office environment to reduce the indirect emission from paper waste;
- Reduce unnecessary business trips and promote the use of video conferencing for meetings; and
- Adopt energy efficient devices to reduce the use of electricity where possible in operations.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Major Gas Emission Indicators

<b>Direct Emissions</b>	<b>Unit</b>	<b>Consumption in 2023</b>	<b>Consumption in 2022</b>
Carbon Dioxide (CO <sub>2</sub> )	Tonnes	183.61	205.67
Methane (CH <sub>4</sub> )	Tonnes	0.00	0.00
Nitrous Oxide (N <sub>2</sub> O)	Tonnes	0.00	0.00
Nitrogen Oxides (NO <sub>x</sub> )	Tonnes	0.08	0.00
Sulphur Oxides (SO <sub>x</sub> )	Tonnes	0.00	0.00
Particulate Matter (PM)	Tonnes	0.01	0.00

<b>Total Greenhouse Gas Emissions</b>	<b>Unit</b>	<b>Consumption in 2023</b>	<b>Consumption in 2022</b>
Direct emission from combustion	t-CO <sub>2</sub> eq.	0.32	0.00
Direct emission from vehicles	t-CO <sub>2</sub> eq.	186.19	208.52
Indirect emission from electricity consumption	t-CO <sub>2</sub> eq.	414.27	407.74

<b>Emission Intensity (per employee)</b>	<b>Unit</b>	<b>Consumption in 2023</b>	<b>Consumption in 2022</b>
Direct emission from combustion	t-CO <sub>2</sub> eq.	0.00	0.00
Direct emission from vehicles	t-CO <sub>2</sub> eq.	1.14	1.20
Indirect emission from electricity consumption	t-CO <sub>2</sub> eq.	2.53	2.34

The Group recognizes its operation contributes to considerable amount of greenhouse gases emission and strives to realize its corporate vision of sustainable development. The Group follows the low-carbon development goals of China's 14th Five-Year Plan, and sets the relevant environmental goals tabulated in the "Environmental Targets" section.

### 2.2. Waste Management

As a medical industry player, waste management is the major issue for the Group. The Group always adopts the philosophy of natural and pollution-free services to the customers. All medical waste produced from the Group's business operation strictly followed the "Regulation on the Administration of Medical Wastes".

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

All types of medical waste, such as syringes, needles, cartridges, surgical dressing, swabs dribbling with blood, are all treated as hazardous waste and collected and sealed with biochemical-safe plastic bags with clear biohazard labels. All bags are then stored in a designated area with traceable record. The Group has also assigned qualified medical waste collectors to process the medical waste properly. The increase in hazardous waste during the Report Period was due to an increase of the number of hospital patients.

The major type of non-hazardous waste are generated from the kitchen operations in the Group's wellness centre and hospitals. All general wastes are properly stored to ensure hygienic condition and grease traps are installed in kitchens to prevent oil seepage into the waste water system.

During the daily operation, the Group has also taken measures to reduce waste generation as follow:

- Establish waste-classification system to properly collect general waste by type, such as paper, plastic and metal, to facilitate waste recycling;
- Encourage reusing papers and double-sided printing in workplace;
- Utilize recycled packaging and products in kitchen operations; and
- Adopt electronic ways such as WeChat and e-notices to provide information and receipt to customers.

### *Major Waste Generation Indicators*

<b>Waste Types</b>	<b>Unit</b>	<b>Consumption in 2023</b>	<b>Consumption in 2022</b>
Hazardous Waste	Tonnes	55.53	40.41
Non-Hazardous Waste	Tonnes	4.03	3.68

<b>Waste Intensity (per employee)</b>	<b>Unit</b>	<b>Consumption in 2023</b>	<b>Consumption in 2022</b>
Hazardous Waste	Tonnes	0.34	0.23
Non-Hazardous Waste	Tonnes	0.02	0.02

The Group continues to record and assess its usage of medical supplies and paper for setting their corresponding use efficiency targets in the future, which are tabulated in the "Environmental Targets" section for reference.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2.3. Water Discharge

The Group has formulated policies and guidelines to ensure the efficient use of water and promote water-saving measures during operation as waste is the essential component for the Group's daily business. For example, all water taps are manually controlled to reduce unnecessary water consumption and all flush toilets are equipped with water-saving devices. The use of water measures is also included as one of the topics for staffs' regular training to improve their water-using habits.

During this Reporting Period, the wastewater generation statistic is not available. Please refer to "Use of Resources" for the water consumption statistics of the Group as the Group believes the usage of water can largely represent the waste discharge situation of the Group.

### 3. Use of Resources

The Group promotes resource efficiency by implementing various measures during daily operations. And the Group is dedicated to protect the environment from over-exploitation which would also benefit the Group's business sustainability in long term. Only water supplies from municipal pipelines are used by the Group and regular maintenance on water pipelines are conducted to prevent any unnecessary water wastage. In addition, monthly use of water is recorded in the environmental data collection system and such statistics could help staff to identify any water usage abnormalities. During the Reporting Period, no material issues were observed by the Group in seeking water resources. In addition, the increase of electricity consumption during the Report Period was due to an increase of the number of hospital patients.

#### Resource Consumption Units

Resource Consumption	Unit	Consumption in 2023	Consumption in 2022
Electricity	Kilowatt Per Hour	527,733.00	519,418.00
Non-renewable fuel	Litre	70,503.35	78,695.00
Water	Tonnes	23,885.00	33,298.00
Packaging materials	Tonnes	5.60	6.10

Resource Consumption Intensity (Per Employee)	Unit	Consumption in 2023	Consumption in 2022
Electricity	Kilowatt Per Hour	3,217.88	2,985.16
Non-renewable fuel	Litre	429.90	452.27
Water	Tonnes	145.64	191.37
Packaging materials	Tonnes	0.03	0.04

The Group targets to achieve the environmental goals in the coming years based on the measures presented in the "Environmental Targets" section.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 4. The Environment and Natural Resources

Due to the business nature of the operation, the Group does not generate material risk to the environment nor use up enormous amount of natural resources. Despite that, the Group strives to minimize the impact of the business operation to the environment and natural resources. During daily operation, all environmental protection measures are under supervision to ensure proper implementation. The Group also constantly explores any potential emission reduction measures day-to-day.

The Group is committed to environmental protection while proactively managing the impact of its business on the environment and natural resources. The Group strives to achieving the goal of environmentally sustainability and integrating environmental protection concepts into internal management and business operations. Therefore, the Group has implemented a number of resource use and emission reduction measures, and actively promote environmental awareness among employees to encourage them to make suggestions of innovative ideas to reduce environmental damage and assist the Group in achieving more sustainable operations. Relevant details are described in the “Environmental Targets”, “Emissions” and “Use of Resources” sections.

### 5. Climate Change

In the context of global warming, the risks and impacts of climate change are becoming more and more significant, which is a major challenge for humanity. Based on the framework and recommendations proposed by the Task Force on Climate-related Financial Disclosure (“**TCFD**”) and focusing on “governance”, “strategy”, “risk management” and “metrics and targets”, the Group proactively identified and analyzed the physical risks and transitional risks associated with climate change that affect the Group, in order to deal with the impact of climate change on the Group’s operations.

#### 5.1. Governance

The Group’s Board sets the direction and monitors the progress of sustainable development initiatives, including those related to climate change. The Board delegates the ESG working group to oversee the ESG management and report regularly to the Board on the major climate risks and mitigation actions. The ESG working group handles the daily climate risk identification and assessment and drives the work on climate change issues.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 5.2. Strategies

The Group is aware of the possible physical and transitional impacts of climate change on its operations, as well as the new opportunities for growth. The Group's physical impacts are mainly related to acute and chronic changes in the climate. The Group expects that extreme rainfall and higher average temperature will affect its business in some ways. For instance, extreme rainfall could disrupt the infrastructure and the mobility of the staff. Transitional impacts are mainly associated with policy and regulatory, technological and reputational changes that result from the shift to a low-carbon economy. For instance, relevant national policies lead the Group to adopt more low-carbon technologies. On the other hand, climate change also offers the Group some benefits, such as improving the use of energy resources, developing green and low-carbon technologies, and lowering and optimizing operational costs. Moreover, by mitigating climate risks and adapting to market and policy demands, the Group will continue to activate its own business and explore its potential for development.

### 5.3. Risk Management

The Group considers climate risk as part of its corporate risk management and developed the following procedures to identify the relevant risks:

- |                                |   |
|--------------------------------|---|
| Step 1:<br>Risk inventory      | <ul style="list-style-type: none"> <li>— Preliminary identification of climate risk and opportunity aligned with the TCFD categories</li> <li>— Analyse sector and peer best practices</li> <li>— Interviews with climate risk related departments</li> <li>— Generate a long list of climate-related risks and opportunities (“<b>CRROs</b>”)</li> </ul> |
| Step 2:<br>Scenario analysis   | <ul style="list-style-type: none"> <li>— Selection of low and high carbon climate scenarios for analysis</li> <li>— Selection of the time horizon for analysis</li> <li>— Conducting scenario analysis for CRROs to identify material climate risks and opportunities</li> </ul>  |
| Step 3:<br>Risk quantification | <ul style="list-style-type: none"> <li>— Selecting quantitative indicators, database and models for quantitative analysis</li> <li>— Developing financial impact transmission pathways</li> <li>— Developing financial impact quantification tools</li> <li>— Quantifying the financial impact of material risks and opportunities</li> </ul>             |
| Step 4:<br>Risk response       | <ul style="list-style-type: none"> <li>— Developing risk management measures for material CRROs</li> <li>— Assessing the effectiveness of the risk mitigation measures</li> </ul>   |

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2023, the Board and the ESG working group evaluated the impact of climate change on the Group's business, including the following types of risks: physical, transition, acute, chronic, policy and regulatory, technological and reputational. They also developed appropriate adaptation and mitigation strategies and suggestions. The table below summarizes the climate change risks and the corresponding actions that the Group has taken or planned to take:

Risk categories		Risk impacts	Control measures
Physical Risks	Acute Risk	Extreme weather such as typhoons and extreme precipitation will affect the normal operation of infrastructure facilities and employees commuting. The Group may be involved in breach of contract, compensation, and legal liability due to business interruption and other problems.	<ul style="list-style-type: none"> <li>— When selecting a site for office/workplace, the Group studies the historical data of local disasters and give priority to weather-friendly regions.</li> <li>— The Group extends the natural disaster emergency management systems to its customers.</li> <li>— The Group incorporates disaster prevention drills into its maintenance system and conduct them on a regular basis.</li> </ul>
	Extreme precipitation		
Chronic Risk	Rising of average temperature	Increasing temperature could cause a potentially adverse impact on the daily operation and maintenance of the equipment of the Group, including impacting the lifespan of the facilities and equipment within the workplaces. The energy consumption pressure for heat dissipation and cooling of the equipment and indoor environment is high, resulting in higher carbon emissions. Simultaneously, it also increases the consumption of water resources.	<ul style="list-style-type: none"> <li>— When selecting a site for office/workplace, the Group gives priority to areas that can efficiently use natural resources, and which are rich in renewable energy.</li> <li>— The Group actively communicate with energy trading institutions about green energy consumption opportunities.</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk categories		Risk impacts	Control measures
Transition Risks	Policy and Regulatory Risk	International and domestic regulatory agencies, capital market index ratings all have continuously upgraded requirements for disclosing environment-related information. To implement carbon trading, carbon tax, and environmental tax, the government must raise the accuracy requirement of carbon emissions data reporting. The Group needs to improve the overall comprehensiveness and accuracy of environmental data disclosure. If the environmental reporting requirements are not met, the Group will face compliance risks from regulatory authorities.	<ul style="list-style-type: none"> <li>— The Group actively conduct research on policy control risks, enhance communication with stakeholders, and actively respond to the demands of the stakeholders.</li> <li>— The Group continues to promote the meticulous management of energy and establish the management and control systems for energy statistical analysis, so as to mitigate the compliance risk of information disclosure.</li> <li>— The Group continues to promote energy conservation and emission reduction, such as the implementation of green office policies and minimizing waste in daily business operation.</li> </ul>
	Technology Risk	In view of global warming and environmental protection, China has introduced new energy consumption and carbon emission control policies and measures and has put forward energy-saving requirements for the general commercial sectors. The Group thus faces pressure to transition to low carbon technologies. This may lead to an increase in compliance and operating costs. Failing to invest in or develop new low-carbon technologies could increase the Group's risk of financial loss.	<ul style="list-style-type: none"> <li>— The Group examines the justification of new technology investments and the compatibility with its business. The latest technologies need to be proven compatible, and which have passed technical experiments and have applied on a small scale before entering the large-scale application stage, so as to avoid the financial losses caused by unnecessary development failures.</li> <li>— The Group encourages its business partners and customers to adopt low-carbon and energy-saving new technologies.</li> </ul>
	Reputational Risk	Extreme climate events, such as extreme precipitation and typhoons, and chronic climate change, such as rising average temperature, may affect the safe and continuous operation of the Group. This may cause concerns and negative feedback from stakeholders regarding the stability of the Group's business. Besides, energy-saving and emission reduction have become a major concern of regulatory and investment institutions under the dual carbon target initiative. High energy consumption in daily operation may trigger concerns among stakeholders (including the government and investors) regarding the Group's operational efficiency and commitment to compliance obligations.	<ul style="list-style-type: none"> <li>— According to the requirements of regulatory authorities, the Group improves the accuracy and comprehensiveness of the disclosure of carbon emission data and energy consumption data and reduce the concerns and negative feedback of the Group's stakeholders.</li> <li>— The Group formulates emergency management plans for extreme natural disasters, natural disasters prevention plans and a summary of contingency measures for emergencies to minimize the impact of climate change on the Group's operation, reducing the concerns and negative feedback of the Group's stakeholders.</li> </ul>

The Group is committed to minimizing its environmental impact and enhancing its sustainability performance. It has adopted various measures to reduce its resource consumption and emissions and fostered a culture of environmental responsibility among its staff. The Group welcomes innovative suggestions from its employees on how to further protect the environment and operate more sustainably. More information can be found in the sections on "Environmental Targets".

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SOCIAL PERFORMANCE

### 1. Employment

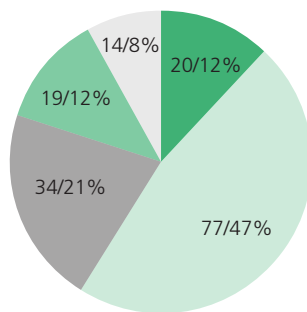
The Group has strictly complied with national regulations, such as *the Labour Law of the PRC*, *the Labour Contract Law of the PRC*, *the Employment Promotion Law of the PRC*, *the Labour Dispute Mediation and Arbitration Law of the PRC*, *the Regulation on the Annual Leave of Employees* and local labour laws and regulations. All employees are well protected and ensured to provide a safe and equal working environment to the employees, all of the related employment policies are demonstrated in the “Staff Handbook” and it covers various topics, such as compensation and dismissal, recruitment and promotion, working hours, rest periods, and other benefits and welfare. The formulated policies can ensure that the Group is effectively managing and providing labour protection to the staffs’ compensation and benefits, recruitment and promotion, working hours, rest periods, entitled leaves, equal opportunity, diversity, anti-discrimination, staff training, attendance and performance.

The Group also ensures that an equal employment opportunity is provided for all job applicants. The Human Resources department strictly follows the recruitment principles of equal employment set out by the Group, and the Group will not tolerate any discrimination including gender, disability, pregnancy, family status, age, race, sexual orientation, nationality, ethnicity, and religion as stated in local laws and regulations. The Group does not tolerate any discrimination or harassment behaviour in the workplace, and any breaching of such policies during recruitment processes will be dealt with according to corresponding procedures.

During the Reporting Period, the Group was not aware of any material non-compliance with those applicable laws and regulations relating to employment.

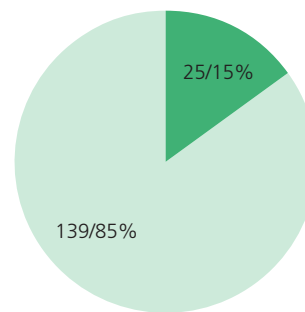
In 2023, the Group employed 164 full-time staff and no part-time staff, respectively, in the PRC. The total workforce categorized by age group and gender are shown below.

**Number and percentage of staff by age group, 2023**



■ 18-25 years old ■ 26-35 years old ■ 36-45 years old  
 ■ 46-55 years old ■ >55 years old

**Number and percentage of staff by gender, 2023**



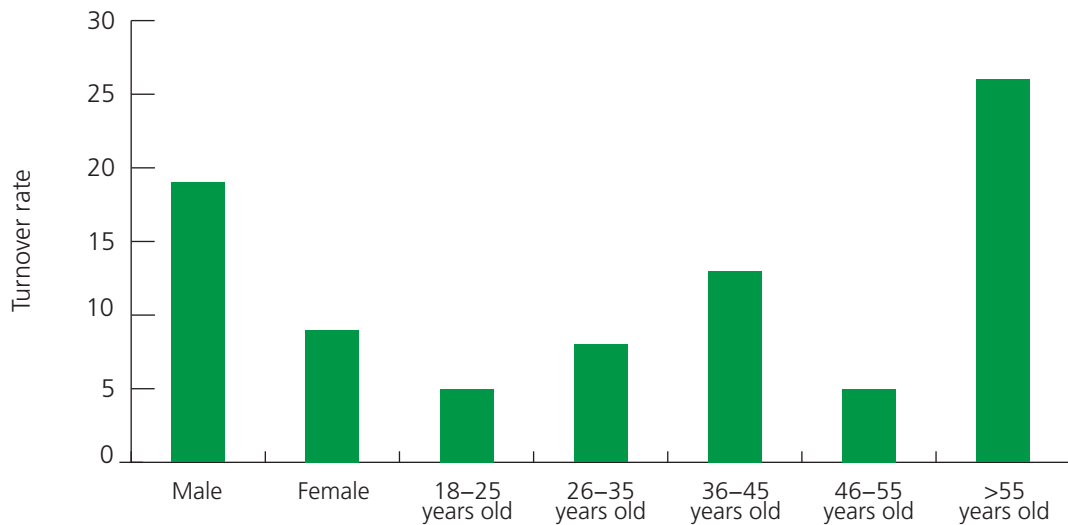
■ Male ■ Female



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2023, the overall employee turnover rate of the group was 10%. Employee turnover rates categorized by gender and age group are shown below.

**Employee turnover rate by gender and age group, 2023**



### 2. Health and Safety

The Group has strictly followed *the Labour Law of the PRC, the Prevention and Control of Occupational Diseases of the PRC, Fire Control Law of the PRC, Measures for the Determination of Work-related Injuries* and relevant local laws and regulations, and is committed to providing a safe and comfortable working environment. Sufficient equipment and facilities are provided to the staff to maintain a safe and healthy working environment during daily operation. In the meantime, all permanent staff are covered with social, medical and accidental insurances as required by law.

All business operations of the Group are authorised by the PRC government and obtained sanitation permits. All service personnel are required to undergo pre-employment body check to meet the statutory public sanitation standards. The Group has also ensured adequate protection equipment, such as masks and gloves, are provided to all employees. In order to improve the indoor air quality and prevent any health-related risks, all workplaces are equipped with ventilation and fresh air systems. The ventilation system are regularly conducted with maintenance to increase its work efficiency. As a medical service provider, all the instruments require stringent safety standards. In order to achieve it, the Group requires all suppliers to provide certifications of relevant instruments prior to making procurement decisions. The existing instruments and electrical appliances are required to conduct regular functional testing.

All workplaces are installed with qualified emergency lights, fire extinguishers, fire alarms, and fire hydrants to minimize the risk of fire. Third-party fire safety consultants are also engaged to conduct annual check on the relevant equipment as well. In the meantime, the Group has provided regular employee training on the operating methodologies and procedures of equipment and product handling to ensure they could be fully aware of the job-related risks. In addition, emergency training and drills, such as fire drills and fire prevention training, are also provided to all employees to enhance their preparedness when sudden safety incidents arise.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In each of the past three years, including the current reporting year, the Group was not aware of any work-related fatalities, lost days due to work injury and any violations of the PRC health and safety laws and regulations.

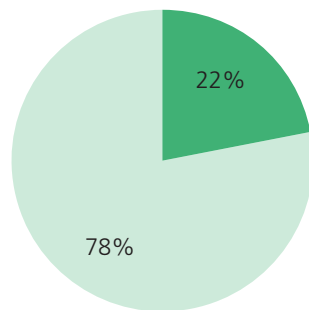
### 3. Development and Training

The Group offers employees with a platform to realize their career development and personal value, develops their professional skills through diversified training courses and seminars, and provides them with smooth career development opportunities. The trainings consist of in-house and external training courses, including regular medical training, annual assessments, rotation, seminars, workshops, conferences, etc. In particular, qualified clinical staffs are regularly sent for exchange to enhance their clinical exposure and knowledge. On the other hand, all hospitals would conduct regular medical training and assessment to the clinical staffs every month to ensure their skillset and professionalism are up to the Group’s standard.

In addition, the Group sponsors employees to attend external training and educational programs, in order to further support their career development.

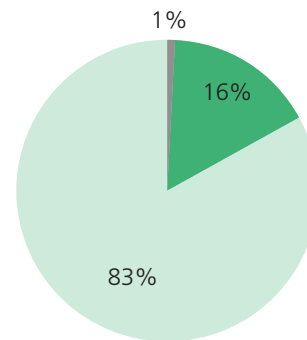
For the year ended 31 December 2023, approximately 42.1% of the employees of the Group participated in training of different types. The percentage of employees trained categorized by gender and employee category are shown below.

Percentage of staff trained by gender, 2023



■ Male ■ Female

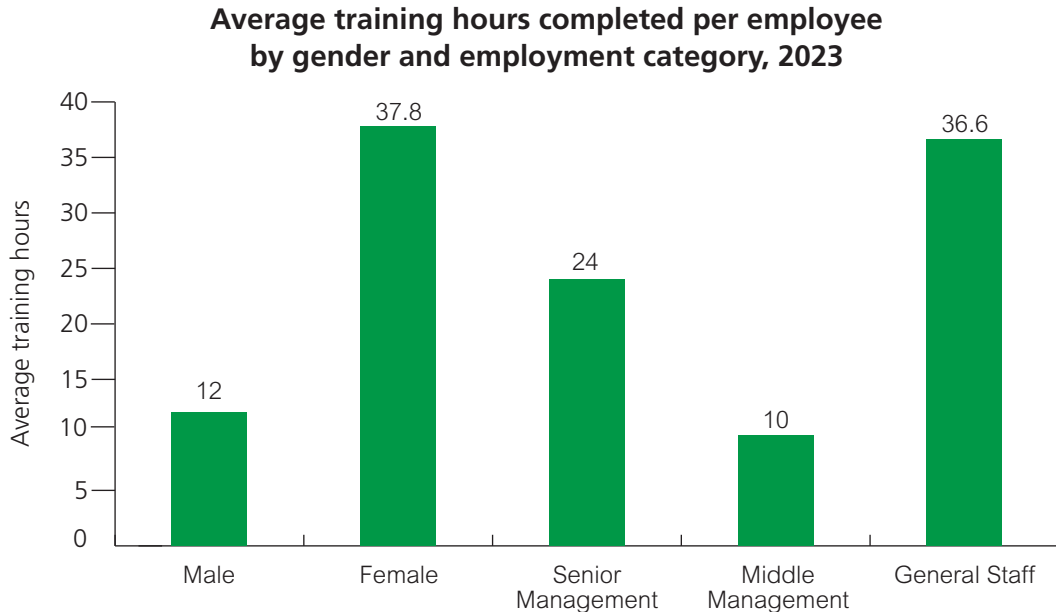
Percentage of staff trained by employee category, 2023



■ Senior Management ■ Middle Management ■ General Staff

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 31 December 2023, the average training hours per employee are approximately 13.6 hours. Average training hours completed per employee categorized by gender and employee category are shown below.



#### 4. Labour Standards

The Group considers employees as the key driver for its development, strictly observes the labor regulations and codes of the PRC, adheres to lawful employment, resolutely resists child labor and forced labor, and earnestly protects various legal rights of employees. The Group has developed sound recruitment, dismissal, salary, promotion, working hours and leave systems to protect the basic rights of employees. In 2023, there were no labour strikes within the Group and it did not experience any material labour disputes nor any material insurance claims related to the employees' injuries.

The Group is not aware of any material non-compliance with the relevant standards, rules and regulations in relation to its employment and labour practices in 2023. The Group also did not experience any material safety problems and no material safety accidents occurred due to the fault of the Group.

The Group recognizes and respects employee diversity, provides equal career platform for employees with different sex, nation and religion, and strives to create a dynamic, inclusive, democratic and pleasant workplace. The Group firmly believes that it has maintained a good working relationship with its employees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to improve transparency, the Group has formulated the Human Resources Management System (《人事管理制度》) and Files Management System (《檔案管理制度》), the HR Department regularly monitors information and data related to employment to prevent non-compliance with rules, such as child labour and forced labour. All applicants are required to present valid identity documents during recruitment processes. If the applicants are found providing any false information, the Group possesses the rights to terminate the terms of employment with immediate effect. In particular, the Group has formulated regulations on managing the prohibition of child labour. Individuals under the age of 16 or without identification documents are disqualified from employment. During the Reporting Period, the Group did not find any use of forced labour and child labour.

### 5. Supply Chain Management on Environmental and Social Risks

The selection of suppliers is crucial for the service quality and business sustainability of the Group. The Group has developed the Company Centralised Procurement Policy (《公司集中採購》) and established diverse and stringent procedures for the selection of and consistent monitoring of suppliers and products carefully, and maintained a stable relationship with qualified suppliers. The Group generally seeks to have a long-term business relationship with its suppliers and value the services quality and goodwill of the suppliers. Additionally, in China, the Group is committed to green purchasing, and incorporates green procurement indicators such as energy efficiency, low radiation and durability into the purchasing of daily office supplies such as refrigerators, computers, photocopiers, etc.

The Group maintains a list of suppliers who have track records in dealing with it or in the market. Regular assessments on the suppliers, including field investigations, requests to provide basic certifications, licenses and product catalogues, will be conducted to ensure that the suppliers are not only committed to the cost and quality of the products supplied, but also have not violated any laws and practices.

During the Reporting Period, all the Group's 70 suppliers were located in the PRC, which reaffirmed the strategy of supporting the local economy. The Group did not experience any significant problems with the products provided by its suppliers, any materials limitations in the supply nor any shortage of any products. The Group will continue to increase the number and diversity of the suppliers.

### 6. Product Responsibility

The Group always regards the medical quality and patient safety as the core of its work, continuously improves quality management system and customer service system, fulfills responsible marketing, improves its own medical service capability and promotes the industry development. During the Year, the Group complied with specific standards and all applicable laws and regulations regarding health, medical and related services. There was no non-compliance relating to, nor had there been any complaints received during the Reporting Period in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and method of redress.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### **6.1. Data Protection and Privacy**

The Group registers and collects patients/customers' personal data according to the Standard Registration Procedures of the Group.

The Group has established the Medical Record Management Office (《病案管理室》) and security measures are in place to ensure adequate protection and confidentiality of all corporate data and information. The conditions and other relevant data of patients in the information system are subject to strict management by setting up proper access control at the database level. Prior written approval from relevant customer is required whenever such information is required to be utilized by third party. All employment contracts specifically contain confidentiality provisions and employees are prohibited from accessing information without approval and/or leaking private and confidential information to third parties. Trainings are provided to employees to handle and use patient information with extreme caution, protect patient information, and comply with statutory requirements in privacy law and legal action will be taken against any violation.

During the Reporting Period, there were no cases initiated against the Group, nor any complaints received, regarding any breach of relevant privacy laws, regulations and policies in any area in which the Group operates.

### **6.2. Protecting Intellectual Property**

The Group owns and values different types of intellectual properties such as patents and copyrights. The trademarks registered for the beauty service centre brand-name as well as for the name and associated signs of its hospitals are the Group's principal intellectual property rights. The Group is committed to comply with trademark and intellectual property laws and have confidentiality agreements with its senior employees to protect all intellectual property relating to the Group and operations.

For the Reporting Period, the Group had no infringements upon intellectual property rights including medical devices, procedures or pharmaceutical products which had or could have a material adverse effect on its business, and there were no legal proceedings against the Group.

### **6.3. Customer Services and Complaints**

The Group always regards the medical quality and patient safety as the core of its work, continuously improves quality management system and customer service system, fulfills responsible marketing, improves its own medical service capability and promotes industry development. The Group is committed to providing high-quality medical services for each patient. Frontline staffs are provided with customer service training and relevant guidelines to strengthen their awareness and service skills. All the customers of the Group are requested to conduct satisfaction evaluation after the completion of services and all operations' managers will contact customers via after-sales phone calls or WeChat follow up to conduct customer satisfaction surveys.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As for potential medical disputes, the Group has also developed sound medical dispute management systems. The staff shall report all complaints to their supervisors who will review the matter with the relevant customers and offer them remedial proposals. The complaints will be recorded for internal review. If the complaint cannot be resolved on site or if a complaint has been received online through email or WeChat, the incident will be reported to the general manager, who will investigate the incident and file a report to the management with solutions to improve or avoid similar incidents in the future. An explanation will be sent to the relevant customers to ensure the matter has been resolved and to maintain good customer relationships.

### 6.4. Safety and Hygiene

The Group has developed a sound occupational health and safety management system by exercising strict disinfection procedures to ensure machines and equipment to be used are uncontaminated. All responsible employees are required to operate equipment or dispense pharmaceuticals and deliver service in accordance with national standards and internal operating guidelines. In addition, the Group has signed the agreement of partnership to have regular assessments of radiation dose level of its radiology rooms and the physical conditions of its archers. The Group also has installed the anti-radiation lead plate to avoid the leakage of radiation. The Group conducts safety checks and maintenance where necessary of its equipment and audits of its pharmaceuticals and general items used in its hospital services, on an on-going basis, to ensure strict compliance with relevant safety, hygiene and public security requirements.

### 6.5. Security

The Group has established safety and anti-crime manuals and safety and security training are also provided to staff regularly to ensure that they are aware of safety and security procedures. To ensure that the Group was able to identify theft or harassment of medical and services staff promptly and stop such activities, the Group has assigned a team of staff to monitor the CCTV camera systems at hospitals. Immediate investigation would be performed by the team security team if any suspicious circumstances arise or stop any fights or harassment of staff or patients and their families once identified.

## 7. Anti-Corruption

Ethics are the cornerstone of integrity and honesty. The Group complies with the applicable laws and regulations including Company Law of the PRC and continuously improves business ethics and transparency of business operation, in order to acquire the long-term support of stakeholders. All directors and employees are required to strictly follow the Code of Conduct and Staff Regulations to prevent potential bribery, extortion, fraud and money laundering. The Group's Code of Conduct clearly states that:

- All directors and employees should avoid conflicts of personal interest and their professional duties;
- Employees should not exercise authority, make influenced decisions and actions or gain access to the Group's assets and information through their employment in the Group to achieve private and personal gain;

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Employees are required to declare any conflict of interest by completing the required form as instructed by the Group's HR Department;
- Neither directors nor employees shall obtain or provide benefits to governmental department, patients, suppliers, or people with business relationship with the Group;
- Any acceptance of voluntary gifts over a prescribed value must be declared and have undergone the approval process as administered by the Group's HR Department; and
- The Group's whistle-blowing procedures encourage and enable its employees to confidentially and anonymously report on observed and suspend non-compliance and questionable practices through telephone or email.

During the Reporting Period, there were no verified corruption incidents and legal actions involving the Group or its employees. The Group has adopted and implemented clear policies and procedures with regards to procurement, sales, patient service delivery, operational management and finance, which comply with applicable national and local laws and regulations such as the Criminal Law of the PRC.

### 8. Community Investment

The Group is committed to community care, organizes various community activities to improve accessibility of medical service and health conditions, and encourages employees to participate in volunteer services to support local communities. Recruiting employees from the local communities, the Group secures employees familiar with the local environment and who are more acutely aware of local concerns and issues.

During the Reporting Period, the Group made monetary contributions of approximately RMB4,000, RMB15,000 and RMB1,200 to initiatives related to education, environmental concerns and health, respectively. With the development of the new hospital division, the Group will devote more resources to local community investment.



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Central  
Hong Kong

**TO THE SHAREHOLDERS OF  
GREEN INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Green International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 68 to 144, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and consolidated cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by 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 *Auditors’ 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.



## INDEPENDENT AUDITORS' REPORT

### 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.

#### Key audit matter

##### **Impairment assessment on trademark user right and technical know-how, property, plant and equipment and right-of-use assets**

Refer to Note 15, 16 and 17 to the consolidated financial statements.

As at 31 December 2023, the Group had trademark user right and technical know-how, right-of-use assets and property, plant and equipment of approximately HK\$5,850,000, HK\$24,556,000 and HK\$25,777,000 respectively.

Management performed impairment assessment and concluded that an impairment loss on trademark user right and technical know-how, right-of-use assets and property, plant and equipment of approximately HK\$4,369,000, HK\$2,340,000 and HK\$1,387,000 respectively was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation was obtained in order to support management's estimates.

#### How our audit addressed the key audit matter

Our procedures in relation to management's impairment assessment included:

- Evaluating the independent valuer's competence, capabilities and objectivity;
- Assessing management's identification of Cash Generating Units ("CGUs") based on the Group's accounting policies and our understanding of the Group's business;
- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts;
- Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and
- Checking, on a sampling basis, the accuracy and relevance of the input data used.

We found the key assumptions were supported by available evidence.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "**Other Information**").

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

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

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITORS' 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 engagement, 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

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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, action taken to eliminate threats or safeguards applied.

## INDEPENDENT AUDITORS' REPORT

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on audit resulting in this independent auditors' report is Ng Chi Ho.

#### **HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

#### **Ng Chi Ho**

Practising Certificate Number: P08084

Hong Kong, 28 March 2024

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	6	48,831	47,236
Direct costs and operating expenses		(20,003)	(21,089)
<b>Gross profit</b>		<b>28,828</b>	26,147
Other income, gains and losses, net	7	7,445	2,779
Selling expenses		(13,270)	(12,647)
Administrative expenses		(21,989)	(23,821)
Impairment loss of trademark user right and technical know-how	17	(4,369)	(1,295)
Impairment loss of property, plant & equipment	15	(1,387)	(651)
Impairment loss of right-of-use assets	16	(2,340)	(1,039)
Finance costs	8	(2,278)	(3,330)
<b>Loss before income tax</b>	9	<b>(9,360)</b>	(13,857)
Income tax credit	10	569	43
<b>Loss for the year</b>		<b>(8,791)</b>	(13,814)
<b>Loss for the year attributable to:</b>			
— Equity holders of the Company		(10,626)	(13,229)
— Non-controlling interests		1,835	(585)
		<b>(8,791)</b>	(13,814)
<b>Loss per share for loss for the year attributable to the equity holders of the Company</b>			
— Basic and diluted (HK cents per share)	13	(1.61)	(2.00)

The notes on pages 74 to 144 are an integral part of these consolidated financial statements.

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

For the year ended 31 December 2023

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(8,791)</b>	(13,814)
<b>Other comprehensive expenses, net of tax</b>		
— Exchange differences arising during the year	<b>(763)</b>	(966)
<b>Total comprehensive expenses for the year</b>	<b>(9,554)</b>	(14,780)
<b>Total comprehensive expenses for the year attributable to:</b>		
— Equity holders of the Company	<b>(11,283)</b>	(14,064)
— Non-controlling interests	<b>1,729</b>	(716)
	<b>(9,554)</b>	(14,780)

The notes on pages 74 to 144 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	25,777	9,459
Right-of-use assets	16	24,556	45,302
Trademark user right and technical know-how	17	5,850	10,219
Prepayments	21	–	3,912
		<b>56,183</b>	68,892
<b>Current assets</b>			
Inventories	18	5,726	7,689
Trade receivables	20	3,058	2,855
Prepayments, deposits and other receivables	21	4,408	7,459
Bank balances and cash	22	66,826	81,742
		<b>80,018</b>	99,745
<b>Total assets</b>		<b>136,201</b>	168,637
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	23	131,979	131,979
Reserves		(90,815)	(79,792)
		<b>41,164</b>	52,187
<b>Non-controlling interests</b>		<b>2,448</b>	2,348
<b>Total equity</b>		<b>43,612</b>	54,535

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bonds payables	24	–	5,366
Lease liabilities	29	27,453	49,754
Deferred tax liabilities	25	585	1,021
		<b>28,038</b>	56,141
<b>Current liabilities</b>			
Trade payables	26	3,639	4,599
Contract liabilities	27	140	189
Accruals and other payables	28	44,604	40,589
Bonds payables	24	5,860	–
Lease liabilities	29	10,267	12,581
Tax payable		41	3
		<b>64,551</b>	57,961
<b>Total liabilities</b>		<b>92,589</b>	114,102
<b>Total equity and liabilities</b>		<b>136,201</b>	168,637
<b>Net current assets</b>		<b>15,467</b>	41,784
<b>Total assets less current liabilities</b>		<b>71,650</b>	110,676

Approved and authorised for issue by the board of directors on 28 March 2024 and signed on its behalf by:

**Mr Yu Zhoujie**  
Director

**Mr Yu Xiangjin**  
Director

The notes on pages 74 to 144 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to the equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Other reserve* HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
As at 1 January 2022	131,979	895,647	11,875	–	(973,250)	66,251	3,064	69,315
Loss for the year	–	–	–	–	(13,229)	(13,229)	(585)	(13,814)
Exchange differences arising during the year	–	–	(835)	–	–	(835)	(131)	(966)
	–	–	(835)	–	(13,229)	(14,064)	(716)	(14,780)
<b>As at 31 December 2022 and 1 January 2023</b>	<b>131,979</b>	<b>895,647</b>	<b>11,040</b>	<b>–</b>	<b>(986,479)</b>	<b>52,187</b>	<b>2,348</b>	<b>54,535</b>
Loss for the year	–	–	–	–	(10,626)	(10,626)	1,835	(8,791)
Exchange differences arising during the year	–	–	(657)	–	–	(657)	(106)	(763)
	–	–	(657)	–	(10,626)	(11,283)	1,729	(9,554)
Change in ownership in interest in a subsidiary	–	–	–	260	–	260	(1,629)	(1,369)
<b>As at 31 December 2023</b>	<b>131,979</b>	<b>895,647</b>	<b>10,383</b>	<b>260</b>	<b>(997,105)</b>	<b>41,164</b>	<b>2,448</b>	<b>43,612</b>

\* Other reserve represents the difference recognised between the carrying amount of the interest acquired and the consideration paid to non-controlling interest from a change in ownership in interest in a subsidiary transaction.

The notes on pages 74 to 144 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	30	22,390	(12,709)
Profits tax refund/(paid)		171	(103)
Net cash generated from/(used in) operating activities		22,561	(12,812)
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	15	(23,867)	(357)
Interest received		2,827	527
Payment for termination of lease		(3,840)	–
Net cash (used in)/generated from investing activities		(24,880)	170
<b>Cash flows from financing activities</b>			
Interest paid		(1,784)	(2,545)
Acquisition of additional interest of a subsidiary		(1,369)	–
Addition of other borrowings		2,768	–
Repayment of lease liabilities		(9,995)	(12,724)
Net cash used in financing activities		(10,380)	(15,269)
<b>Net decrease in cash and cash equivalents</b>		<b>(12,699)</b>	<b>(27,911)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>81,742</b>	<b>110,743</b>
<b>Effects of exchange rate changes on balances denominated in foreign currencies</b>		<b>(2,217)</b>	<b>(1,090)</b>
<b>Cash and cash equivalents at 31 December</b>		<b>66,826</b>	<b>81,742</b>

The notes on pages 74 to 144 are an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. Its registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2006. Its parent company is Jumbo Faith International Limited (“**Jumbo Faith**”), which is wholly owned by Ms. Zhou Cuiqiong, mother of Mr. Yu Zhoujie (a non-executive Director and the Chairman of the Company).

The Group was principally engaged in provision of (i) health and medical services and (ii) beauty and wellness products and related services.

These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the Company’s functional currency, and all values are rounded to the nearest thousand (“**HK\$’000**”), except when otherwise indicated.

These consolidated financial statements have been approved for issue by the Board on 28 March 2024.

### 2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Statement of compliance

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

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, 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 that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.3 Application of New and Amendments to Hong Kong Financial Reporting Standards

##### ***New and amendments to HKFRSs that are mandatorily effective for the current year***

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for their annual reporting period commencing 1 January 2023 for the preparation of consolidated financial statements:

HKFRS 17(including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

##### ***Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the Year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.3 Application of New and Amendments to Hong Kong Financial Reporting Standards *(Continued)*

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance.

#### ***Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group’s financial position and performance.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.3 Application of New and Amendments to Hong Kong Financial Reporting Standards *(Continued)*

##### ***Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) — Long Service Payment (“LSP”) offsetting mechanism in Hong Kong***

The Company and its subsidiary are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.3 Application of New and Amendments to Hong Kong Financial Reporting Standards *(Continued)*

***Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) — Long Service Payment (“LSP”) offsetting mechanism in Hong Kong (Continued)***

Based on management’s assessment, the change has had no material impact on the Group’s financial positions and performance.

#### 2.4 New and amendments to HKFRS in issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 And HKAS 28	Sales or Contribution of Assets between an Investor and its Associate its Joint Venture <sup>1</sup>
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.5 Basis of consolidations

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.5 Basis of consolidations *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### ***Changes in the Group's interests in existing subsidiaries***

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### 2.6 Business combinations

A business is an integrated set of activities and assets which includes 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.6 Business combinations *(Continued)*

Acquisition of businesses 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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the “**Conceptual Framework**”) except for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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 arrangement are recognised and measured in accordance with HKAS 12 Income Tax 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 HKFS 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.6 Business combinations *(Continued)*

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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts 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 entity's net assets in the event of liquidation may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS. When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from 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, with the corresponding adjustments against goodwill. 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 changes in the fair value of the contingent consideration that do 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 at subsequent reporting dates in accordance with HKAS 39 or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, 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 its acquisition-date fair value and resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.6 Business combinations *(Continued)*

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 during the measurement period (see above), or 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 the date.

#### 2.7 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 (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### 2.8 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions. The chief executive officer of the Company is empowered by the Board to manage the assets and activities of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.9 Foreign currency translation

##### **(a) Functional and presentation currency**

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

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where the items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

##### **(c) Group companies**

The results and financial positions of all group companies (none of which has a currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate the date of that statement of financial position;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.9 Foreign currency translation *(Continued)*

##### **(d) Disposal and partial disposal of foreign operation**

On the disposal of a foreign operation (that is, a disposal of the Group's entire interests in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange difference accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposal (that is, reductions in the Group's ownership interests to associates, joint ventures or financial assets), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

#### 2.10 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate assets, 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 the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	3 years or the lease period, whichever is shorter
Plant and machinery	5–10 years
Office equipment, furniture and fixtures	3 years
Transportation vehicles	3–5 years

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

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 (Note 2.12).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.10 Property, plant and equipment *(Continued)*

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

Construction in progress is stated at costs less accumulated impairment losses. Cost includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalised of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for construction in progress.

#### 2.11 Other intangible assets

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets that have indefinite useful lives are not subject to amortisation, but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Otherwise, amortisation is calculated using the straightline method to reduce their costs to their residual values over their estimated useful lives.

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.

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.

#### 2.12 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.12 Impairment of non-financial assets *(Continued)*

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### 2.13 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“**FVTPL**”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.13 Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### **Financial assets**

##### *Classification and measurement of financial assets at amortised cost*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“**FVTPL**”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.13 Financial instruments *(Continued)*

##### *Financial assets (Continued)*

##### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

##### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other revenue and other income” line item.

##### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses (“**ECL**”) on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.13 Financial instruments *(Continued)*

##### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

##### *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.13 Financial instruments *(Continued)*

##### *Financial assets (Continued)*

##### *Significant increase in credit risk (Continued)*

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

##### *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

##### *Credit-impaired financial assets*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.13 Financial instruments *(Continued)*

##### *Financial assets (Continued)*

##### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

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.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivable) and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.13 Financial instruments *(Continued)*

##### **Financial assets** *(Continued)*

##### **Measurement and recognition of ECL** *(Continued)*

Interest income 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 amortised cost of the financial asset.

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 receivables where the corresponding adjustment is recognised through a loss allowance account.

##### **Financial liabilities and equity instruments**

##### **Classification as financial liabilities or equity**

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### **Equity instruments**

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

##### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

##### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.13 Financial instruments *(Continued)*

##### ***Financial liabilities at amortised cost***

Financial liabilities (including trade payables, accruals and other payables, bond payables and lease liabilities) are subsequently measured at amortised cost, using the effective interest method.

##### ***Derecognition***

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.

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 the profit or loss.

#### 2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. 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.

#### 2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

#### 2.17 Current and deferred income tax

Tax expense comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdictions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.17 Current and deferred income tax *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

#### 2.18 Employee benefits

##### **(a) Pension obligations**

###### **(i) Hong Kong**

The Group participates in a mandatory provident fund scheme (the “MPF scheme”), which is a defined contribution scheme, for its employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in an independent administered fund. Both the Group and the employees are required to contribute 5% of the employee’s relevant income, subject to maximum of HK\$1,500 per employee per month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund is available.

For long service payment (“LSP”) obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measure on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group’s MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.18 Employee benefits *(Continued)*

##### (a) *Pension obligations (Continued)*

##### (ii) *The People's Republic of China (the "PRC")*

The Group participates in a defined contribution scheme administrated by the relevant authorities of the PRC. Contributions to the scheme are calculated as a percentage of employees' salaries and the Group has no further payment obligations once the contributions have been paid. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

##### (b) *Employee leave entitlements*

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

##### (c) *Share-based compensation plan*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.18 Employee benefits

##### **(d) Bonus plan**

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

##### **(e) Termination benefits**

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

##### **(f) 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.

#### 2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.19 Provisions *(Continued)*

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of this is recognised as interest expense.

#### 2.20 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as provision.

#### 2.21 Revenue recognition

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.

Control of the good or service is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.21 Revenue recognition *(Continued)*

##### ***Interest income***

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest come is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### 2.22 Leases

##### ***Definition of 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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### ***As a lessee***

##### ***Allocation of consideration to components of a contract***

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

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.22 Leases *(Continued)*

##### *As a lessee (Continued)*

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.22 Leases *(Continued)*

##### *As a lessee (Continued)*

##### *Refundable rental deposits*

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

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.22 Leases *(Continued)*

##### *As a lessee (Continued)*

##### *Lease liabilities (Continued)*

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

#### 2.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (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 of 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### 2.23 Related parties *(Continued)*

- (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 each other);
  - (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 party and the other entity is an associate of the third party;
  - (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 parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of the person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 3.1 Financial risk factors

The Group's major financial instruments include trade receivables, deposits and other receivables, bank balances and cash, trade payables, accruals and other payables, lease liabilities and bonds payables. Details of the financial instruments are disclosed in respective notes.

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

#### (a) Foreign exchange risk

The Group has foreign currency denominated monetary assets and liabilities, which exposed the Group to foreign currency risk. The Group currently does not have a foreign exchange policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the risk arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Asset		Liability	
	2023 HK'000	2022 HK'000	2023 HK'000	2022 HK'000
Renminbi ("RMB")	9,337	11,116	81,271	105,005

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in Hong Kong Dollars against RMB. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit or equity where the Hong Kong Dollars strengthen 5% (2022: 5%) against RMB. For a 5% (2022: 5%) weakening of the Hong Kong Dollars against RMB, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

	Impact of RMB	
	2023 HK'000	2022 HK'000
Renminbi ("RMB")	2,698	3,521

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(b) Credit risk*

The carrying amounts of trade receivables, deposits and other receivables and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

##### *Trade receivables*

The Group also has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors.

The Group applies simplified approach to provide for expected credit losses presented by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking.

The Group assessed lifetime expected credit losses rate of trade receivables is insignificant at 31 December 2023 and 2022 as there are no recent history of default and continuous payments have been received. Based on historical and forward looking elements of the Group, it was determined that no loss allowance provision is necessary in respect of these balances as there has not been a significant change in credit quality of the client.

##### *Deposits and other receivables*

For deposits and other receivables, the Directors make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(b) Credit risk (Continued)*

###### *Deposits and other receivables (Continued)*

The movement of loss allowances for deposits and other receivables during the year are as follows:

	<b>Other Receivables</b> <i>HK\$'000</i>
As at 1 January 2022	1,297
Allowance for expected credit losses	1,176
Effect of foreign currency exchange difference	(108)
<b>As at 31 December 2022 and 1 January 2023</b>	<b>2,365</b>
Reversal of expected credit losses	<b>(1,465)</b>
Effect of foreign currency exchange difference	<b>(46)</b>
<b>As at 31 December 2023</b>	<b>854</b>

###### *Bank Balances*

The credit risk on bank balances are limited because the majority of the counterparties are bank with high credit-ratings assigned by International credit-ratio agencies. The Group has no other significant concentration of credit risk.

##### *(c) Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### (c) *Liquidity risk (Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both principal and interest cash outflows. To the extent that interest flows are floating rate, the undiscounted amounts is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate %	On demand or within 1 year HK\$'000	1 to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<b>As at 31 December 2023</b>						
Trade payables	–	3,639	–	–	3,639	3,639
Accruals and other payables	1.1%	45,112	–	–	45,112	44,604
Lease liabilities	3.4%	11,434	10,575	18,981	40,990	37,720
Bond payable	13.24%	6,000	–	–	6,000	5,860
		<b>66,185</b>	<b>10,575</b>	<b>18,981</b>	<b>95,741</b>	<b>91,823</b>
<b>As at 31 December 2022</b>						
Trade payables	–	4,599	–	–	4,599	4,599
Accruals and other payables	0.9%	40,974	–	–	40,974	40,589
Lease liabilities	3.9%	14,757	13,752	40,990	69,499	62,335
Bond payable	13.24%	–	6,000	–	6,000	5,366
		<b>60,330</b>	<b>19,752</b>	<b>40,990</b>	<b>121,072</b>	<b>112,889</b>

##### (d) *Cash flow and fair value interest rate risk*

Except for cash and cash equivalents, the Group has no other significant interest-bearing assets at floating rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(d) Cash flow and fair value interest rate risk (Continued)*

The Group has no significant in interest-bearing liabilities at floating rates. As at 31 December 2023, the Groups has bonds payables, other borrowing and lease liabilities (2022: bonds payables, other borrowing and lease liabilities) carried interest at fixed rates. Save as disclosed above, the Group does not have any other interest bearing borrowings. The details of bonds payables, other borrowing and lease liabilities are disclosed in Notes 24, 28 and 29 respectively.

The Group does not use derivative financial instruments to hedge its cash flow and fair value interest rate risk.

#### 3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits/accumulated losses.

The Group monitor its capital structure on the basis of gearing ratio. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the issue of new shares as well as the issue of new debt.

The gearing ratios at 31 December 2023 and 2022 were as follows:

	<b>2023</b> <b>HK'000</b>	2022 HK\$'000
Debt (i)	<b>50,759</b>	72,517
Equity (ii)	<b>41,164</b>	52,187
Gearing ratio	<b>123.3%</b>	139.0%

Notes:

- (i) Debt includes bonds payables, other borrowing and lease liabilities.
- (ii) Equity includes all capital and reserves of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Estimated Impairment of trade and other receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Notes 3.1(b), 20 and 21.

#### (b) Impairment of right-of-use assets and property, plant and equipment

Right-of-use assets and property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, the carrying amounts of right-of-use assets and property, plant and equipment amounted to HK\$24,556,000 and HK\$25,777,000 (2022: HK\$45,302,000 and HK\$9,459,000, respectively). For the year ended 31 December 2023, impairment losses of approximately HK\$2,340,000 and HK\$1,387,000 (2022: HK\$1,039,000 and HK\$651,000) was recognized for right-of-use assets and property, plant and equipment respectively. Details of the right-of-use assets and property, plant and equipment are disclosed in Notes 16 and 15.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

#### (c) Impairment of trademark user right and technical know-how

The Group determines whether trademark user right and technical know-how is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the trademark user right and technical know-how is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of trademark user right and technical know-how at December 2023 was HK\$5,850,000 (2022: HK\$10,219,000). For the year ended 31 December 2023, impairment loss of approximately HK\$4,369,000 (2022: HK\$1,295,000) was recognised for technical know-how. Further details are disclosed in Note 17.

### 5. REVENUE AND SEGMENT INFORMATION

The Group primarily operates in Hong Kong and the People's Republic of China (the "PRC"). The Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide. Each of the Group's business units represents a strategic business unit that offers products or services which are subject to risks and returns that are different from those of the other business units. The Group's business units are as follows:

- (a) the health and medical segment, which is engaged in the operation of health and medical related businesses of its hemodialysis center and hospital; and
- (b) the beauty and wellness segment, which is engaged in selling of beauty and wellness products and related services.

Operating segments are identified for financial reporting purposes in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board has been identified as the Group's chief operating decisionmaker.

Inter-segment revenue is eliminated on consolidation. Inter-segment sales and transfers are transacted according to the relevant prevailing market prices.

Segment results are presented as operating profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.1 Revenue of the Group, together with the analysis of the revenue by segments and geographical regions are as follows:

	<b>Health and Medical business <i>HK\$'000</i></b>	<b>Beauty and wellness business <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>For the year ended 31 December 2023</b>			
<b>The PRC</b>			
— At a point in time	<b>31,212</b>	<b>17,619</b>	<b>48,831</b>
<hr/>			
	Health and Medical business <i>HK\$'000</i>	Beauty and wellness business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 December 2022</b>			
<b>The PRC</b>			
— At a point in time	31,806	15,430	47,236
<hr/>			

The geographic location analysis of revenue is allocated based on the geographic location of customers and the operating geographic location of the health and medical business and beauty and wellness business. For the years ended 31 December 2023 and 2022, no single customer's revenue accounted for more than 10% of the Group's total revenue.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.2 Results by operating segments are as follows:

	2023 HK\$'000	2022 HK\$'000
Health and medical business <i>(Note (i))</i>	6,897	658
Beauty and wellness business <i>(Note (ii))</i>	(7,510)	(2,399)
<hr/>		
Total net operating loss by operating segments	(613)	(1,741)
Unallocated corporate expenses, net	(7,934)	(7,610)
Net reversal/(allowance) of expected credit loss on other receivables	1,465	(1,176)
Finance costs	(2,278)	(3,330)
<hr/>		
Loss before income tax	(9,360)	(13,857)
Income tax credit	569	43
<hr/>		
Loss for the year	(8,791)	(13,814)

Notes:

- (i) For the year ended 31 December 2023, other gain approximately HK\$5,066,000 (2022: HK\$Nil) was included within the health and medical business segment.
- (ii) For the year ended 31 December 2023, impairment loss of trademark user right and technical know-how, property, plant and equipment and right-of-use assets of approximately HK\$4,369,000 (2022: HK\$1,295,000), HK\$1,387,000 (2022: HK\$651,000) and HK\$2,340,000 (2022: HK\$1,039,000) respectively were included within the beauty and wellness business segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.3 Other segment information are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amounts included in the segment results:		
Depreciation and amortization:		
— Health and medical business	5,234	5,215
— Beauty and wellness business	3,428	4,441
	<b>8,662</b>	9,656
— Unallocated	960	1,005
	<b>9,622</b>	10,661
Addition to non-current assets:		
— Health and medical business	23,653	5,417
— Beauty and wellness business	207	83
	<b>23,860</b>	5,500
— Unallocated	1,867	1,184
	<b>25,727</b>	6,684

The non-current assets include property, plant and equipment and right-of-use assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.4 Total assets of the Group by operating segments and geographical regions are as follows:

	Health and medical business <i>HK\$'000</i>	Beauty and wellness business <i>HK\$'000</i>	Unallocated corporate assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2023</b>				
Hong Kong	–	–	68,672	68,672
The PRC	51,964	15,565	–	67,529
Segment total assets	51,964	15,565	68,672	136,201
	Health and medical Business <i>HK\$'000</i>	Beauty and wellness business <i>HK\$'000</i>	Unallocated corporate assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2022</b>				
Hong Kong	–	–	81,655	81,655
The PRC	57,604	29,378	–	86,982
Segment total assets	57,604	29,378	81,655	168,637

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.5 Non-current assets of the Group (excluding financial instruments) by operating segments and geographical regions are as follows:

	Health and medical business <i>HK\$'000</i>	Beauty and wellness business <i>HK\$'000</i>	Unallocated corporate assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2023</b>				
Hong Kong	–	–	1,102	1,102
The PRC	44,242	10,839	–	55,081
Segment total assets	44,242	10,839	1,102	56,183
	Health and medical business <i>HK\$'000</i>	Beauty and wellness business <i>HK\$'000</i>	Unallocated corporate assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2022</b>				
Hong Kong	–	–	188	188
The PRC	46,149	22,555	–	68,704
Segment total assets	46,149	22,555	188	68,892

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. REVENUE

The revenue of the Group is represented revenue generated by health and medical business, beauty and wellness business.

An analysis of revenue by types of services as follows:

	2023 HK\$'000	2022 HK\$'000
Health and medical business	31,212	31,806
Beauty and wellness business	17,619	15,430
<b>Total revenue recognised at a point in time</b>	<b>48,831</b>	<b>47,236</b>

All of the Group's revenue from contracts with customers are generated in the PRC where the goods or services are sold or rendered. All revenue contracts are for the period of one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed.

### 7. OTHER INCOME, GAINS AND LOSS, NET

	2023 HK\$'000	2022 HK\$'000
Bank interest income	2,624	960
Government subsidy ( <i>Note (a)</i> )	422	693
Sundry income	1,007	198
Other gain ( <i>Note (b)</i> )	5,066	–
Gain on modification of lease	1,659	–
Rent concession	–	947
Loss on disposal of property, plant and equipment	(3,333)	(19)
<b>Total</b>	<b>7,445</b>	<b>2,779</b>

*Note a:* During the year ended 31 December 2023, the Group recognized government grant of approximately HK\$422,000 which was derived from the government tax policy in PRC. During the year ended 31 December 2022, the Group recognized government grant of approximately HK\$693,000 in respect of COVID-19 related subsidies which is related to Employee Support Scheme provided by Hong Kong Government and government tax policy in PRC.

*Note b:* Following amicable negotiation, an independent third party has agreed to terminate certain lease arrangement of plant and machinery of the Group and the Group recorded a gain of approximately HK\$5,066,000 including waiver of some other payables in regards of the lease payable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest expenses:		
— Bonds payable	494	469
— Other borrowing	428	316
— Lease liabilities	1,356	2,545
	<b>2,278</b>	3,330

### 9. LOSS BEFORE INCOME TAX

Loss from income tax has been arrived at after charging/(crediting):

	2023 HK\$'000	2022 HK\$'000
Auditors' remuneration	1,200	1,250
Depreciation of property, plant and equipment	2,587	2,514
Depreciation of right-of-use assets	7,035	8,147
Merchandise purchased and movements in inventories	13,386	15,436
Employee benefit expenses	22,728	22,188
Net (reversal)/allowance of expected credit loss on other receivables	(1,465)	1,176

### 10. INCOME TAX CREDIT

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. INCOME TAX CREDIT *(Continued)*

The amounts of income tax credited/(debited) to the consolidated statement of profit or loss are as follows:

	2023 HK\$'000	2022 HK\$'000
Current taxation		
PRC enterprise income tax		
— Current year	133	(87)
Deferred taxation	436	130
	<b>569</b>	43

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 December 2023 and 2022.

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using Hong Kong profits tax rate as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before income tax	<b>(9,360)</b>	(13,857)
Calculated at Hong Kong Profits tax rate of 16.5% (2022: 16.5%)	<b>(1,544)</b>	(2,286)
Effect of different tax rates in other jurisdictions	546	(294)
Income not subject to tax	<b>(2,114)</b>	(161)
Expenses not deductible	<b>2,024</b>	687
Tax effect of tax losses not recognised	<b>519</b>	2,011
Income tax credit	<b>(569)</b>	(43)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. EMPLOYEE BENEFIT EXPENSES

	2023 HK\$'000	2022 HK\$'000
Wages, salaries and other short-term employee benefits	22,444	21,874
Pension costs — defined contribution plans	284	314
	<b>22,728</b>	22,188

## (a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2023 is set out below:

Name of Director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Employer's contribution to pension scheme HK\$'000	Share options HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
YU, Zhoujie ( <i>Chairman</i> )	–	355	13	–	368
YU, Xiangjin	–	505	18	–	523
<b>Non-executive Directors</b>					
CHEN, Hanhong	285	–	–	–	285
LIU, Dong	–	180	5	–	185
<b>Independent Non-executive Directors</b>					
WU, Hong	180	–	–	–	180
TSOI, David	180	–	–	–	180
WANG, Chunlin	180	–	–	–	180
	<b>825</b>	<b>1,040</b>	<b>36</b>	<b>–</b>	<b>1,901</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. EMPLOYEE BENEFIT EXPENSES *(Continued)*

#### (a) Directors' emoluments *(Continued)*

The remuneration of each Director for the year ended 31 December 2022 is set out below:

Name of Director	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Share options <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive Directors</b>					
LIU, Dong	–	180	9	–	189
YU, Xiangjin	–	360	18	–	378
<b>Non-executive Directors</b>					
CHEN, Hanhong	360	–	–	–	360
YU, Zhoujie ( <i>Chairman</i> )	–	180	9	–	189
<b>Independent Non-executive Directors</b>					
WU, Hong	180	–	–	–	180
TSOI, David	180	–	–	–	180
WANG, Chunlin	180	–	–	–	180
	900	720	36	–	1,656

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. EMPLOYEE BENEFIT EXPENSES *(Continued)*

#### (b) 5 highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 including 2 Directors (2022: 2), whose emoluments are disclosed in Note 11(a). Details of emoluments of the remaining 3 (2022: 3) individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Wages, salaries and other short-term employee benefits	1,890	1,890
Pension costs-defined contribution plans	54	54
	<b>1,944</b>	1,944

The emoluments are within the following bands:

	Number of individuals	
	2023	2022
Nil–HK\$500,000	1	–
HK\$500,001–HK\$1,000,000	2	3
	<b>3</b>	3

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

### 12. LOSS ATTRIBUTABLE TO THE EQUITY HOLDER OF THE COMPANY

The loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK\$7,900,000 (2022: HK\$52,255,000) (Note 32(c)).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. LOSS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	(10,626)	(13,229)
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	659,895	659,895
<b>Loss per share</b>		
Basic loss per share (HK cents) (Note)	(1.61)	(2.00)

Note: The basic loss per share was same as diluted loss per share as there is no potential ordinary shares in issue in 2023 and 2022.

### 14. DIVIDENDS

No dividend in respect of the year ended 31 December 2023 (2022: Nil) is to be proposed at the forthcoming annual general meeting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Transportation vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 January 2022</b>					
Cost	45,535	34,833	7,271	1,090	88,729
Accumulated depreciation and impairment	(36,159)	(31,737)	(6,330)	(1,042)	(75,268)
Net book amount	9,376	3,096	941	48	13,461
<b>Year ended 31 December 2022</b>					
Opening net book amount	9,376	3,096	941	48	13,461
Additions	215	63	79	–	357
Depreciation (Note 9)	(1,203)	(1,017)	(288)	(6)	(2,514)
Written off	–	–	(19)	–	(19)
Impairment loss for the year	(375)	(258)	(14)	(4)	(651)
Exchange realignment	(764)	(338)	(69)	(4)	(1,175)
<b>At 31 December 2022</b>	7,249	1,546	630	34	9,459
<b>At 31 December 2022</b>					
Cost	41,747	32,229	6,067	1,005	81,048
Accumulated depreciation and impairment	(34,498)	(30,683)	(5,437)	(971)	(71,589)
Net book amount	7,249	1,546	630	34	9,459

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Transportation vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 January 2023</b>					
Cost	41,747	32,229	6,067	1,005	81,048
Accumulated depreciation and impairment	(34,498)	(30,683)	(5,437)	(971)	(71,589)
Net book amount	7,249	1,546	630	34	9,459
<b>Year ended 31 December 2023</b>					
Opening net book amount	7,249	1,546	630	34	9,459
Additions	17,378	5,271	1,218	–	23,867
Depreciation (Note 9)	(1,612)	(740)	(234)	(1)	(2,587)
Written off	(2,198)	(1,085)	(50)	–	(3,333)
Impairment loss for the year	(1,007)	(326)	(41)	(13)	(1,387)
Exchange realignment	(152)	(58)	(31)	(1)	(242)
At 31 December 2023	19,658	4,608	1,492	19	25,777
<b>At 31 December 2022</b>					
Cost	54,226	35,797	6,543	981	97,547
Accumulated depreciation and impairment	(34,568)	(31,189)	(5,051)	(962)	(71,770)
Net book amount	19,658	4,608	1,492	19	25,777

Depreciation expense for the year ended 31 December 2023 of approximately HK\$1,085,000 (2022: HK\$1,067,000) and HK\$1,502,000 (2022: HK\$1,447,000) have been recognised as selling expenses and administrative expenses, respectively.

During the year ended 31 December 2023, an impairment loss of approximately HK\$1,387,000 (2022: HK\$651,000) was recognised in respect of beauty and wellness business segment. Please refer to Note 17 for detail of impairment tests.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. RIGHT-OF-USE ASSETS

	Plant and machinery <i>HK\$'000</i>	Leased Properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2023</b>			
Carrying amount	10,223	14,333	24,556
<b>As at 31 December 2022</b>			
Carrying amount	24,442	20,860	45,302
<b>For the year ended 31 December 2023</b>			
Depreciation charge	(1,485)	(5,550)	(7,035)
Impairment loss for the year	–	(2,340)	(2,340)
Disposal	(12,168)	–	(12,168)
Additions ( <i>Note</i> )	–	1,860	1,860
Exchange realignment	(566)	(497)	(1,063)
<b>For the year ended 31 December 2022</b>			
Depreciation charge	(2,418)	(5,729)	(8,147)
Impairment loss for the year	–	(1,039)	(1,039)
Additions ( <i>Note</i> )	–	6,327	6,327
Exchange realignment	(2,158)	(1,628)	(3,786)

Note: Amounts include right-of-use assets resulting from new leases entered.

Details of total cash outflow of leases is set out in the consolidated cash flow statements.

During the current year, the Group leases properties for own use. Lease contracts are entered into for fixed term of two to nineteen years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Depreciation expense for the year ended 31 December 2023 of approximately HK\$7,035,000 (2022: HK\$8,147,000) have been recognized as administrative expenses.

During the year ended 31 December 2023, an impairment loss of approximately HK\$2,340,000 (2022: HK\$1,039,000) was recognized in respect of beauty and wellness business segment. Please refer to Note 17 for detail of the impairment tests.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. TRADEMARK USER RIGHT AND TECHNICAL KNOW-HOW, AND OTHER INTANGIBLE ASSETS

	<b>Trademark user right and technical know-how</b>	<b>Goodwill</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note (a))</i>	<i>(Note (b))</i>	
<b>At 31 December 2022</b>			
Cost	222,222	54,232	276,454
Accumulated amortisation and impairment	(212,003)	(54,232)	(266,235)
Net book amount	10,219	–	10,219
<b>Year ended 31 December 2022</b>			
Opening net book amount	11,514	–	11,514
Impairment loss	(1,295)	–	(1,295)
Closing net book amount	10,219	–	10,219
<b>At 31 December 2023</b>			
Cost	<b>222,222</b>	<b>54,232</b>	<b>276,454</b>
Accumulated amortisation and impairment	<b>(216,372)</b>	<b>(54,232)</b>	<b>(270,604)</b>
Net book amount	<b>5,850</b>	–	<b>5,850</b>
<b>Year ended 31 December 2023</b>			
Opening net book amount	<b>10,219</b>	–	<b>10,219</b>
Impairment loss	<b>(4,369)</b>	–	<b>(4,369)</b>
Closing net book amount	<b>5,850</b>	–	<b>5,850</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. TRADEMARK USER RIGHT AND TECHNICAL KNOW-HOW, AND OTHER INTANGIBLE ASSETS (Continued)

Notes:

- (a) The trademark user right and technical know-how was licensed exclusively to the Group for an infinite period at a nominal consideration of HK\$1, which comprises the trademarks of the Marsa brand in relation to the acquisition of the beauty and wellness business acquired in May 2015 and the know-how of operating the said business, including but not limited to business and operating models and technical skill for the beauty and wellness business. As a result, the trademark user right and technical know-how is considered by management of the Group as having an indefinite useful life and will not be amortized.

**Impairment assessment on trademark user right and technical know-how with indefinite useful life, property, plant and equipment and right-of-use assets in respect of the Group's beauty and wellness business**

The recoverable amount of the trademark user right and technical know-how with indefinite useful life is determined based on value-in-use calculation by reference to the valuation report issued by an independent valuer. The cash flow projection is based on a five-year profit forecast reviewed by the Directors in respect of the relevant identifiable CGU. Cash flows beyond the five-year period are extrapolated using growth rate of 3% (2022: 3%), which does not exceed the long-term average growth rate for the beauty and wellness business industry. The cash flows are discounted using a discount rate of 12.35% (2022: 17.56%). The discount rate used is pre-tax and reflects specific risks relating to the beauty and wellness segment. Other key assumptions involve (i) management's expectations for the market development and (ii) the continuity of the cooperation relationship with business partners.

During the year ended 31 December 2023, an impairment loss of approximately HK\$4,369,000, HK\$2,340,000 and HK\$1,387,000 (2022: HK\$1,295,000, HK\$1,039,000 and HK\$651,000) was recognized in respect of the trademark user right and technical know-how, right-of-use assets and property, plant and equipment within the beauty and wellness segment respectively, as the management of the Company considers that the Beauty Business faced weakened customer sentiment in Shenzhen throughout the year.

- (b) Goodwill has been allocated for impairment testing purposes to the cash-generating units of health and medical business by Charm Eastern Limited and its subsidiaries ("Charm Eastern Group"), which is classified into the Group's reportable segment of health and medical operation. The goodwill has been fully impaired.

### 18. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials and consumables	5,726	7,689

The cost of inventories recognized as expenses and included in cost of sales during the year ended 31 December 2023 amounted to approximately HK\$13,386,000 (2022: HK\$15,436,000) (Note 9).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. FINANCIAL INSTRUMENTS BY CATEGORY

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Financial assets</b>		
at amortised cost		
Trade and other receivable, excluding prepayments	6,680	9,722
Bank balances and cash	66,826	81,742
	<b>73,506</b>	91,464
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Financial liabilities</b>		
at amortised cost		
Bonds payables	5,860	5,366
Lease liabilities	37,720	62,335
Trade and other payables	48,243	45,188
	<b>91,823</b>	112,889

### 20. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	3,058	2,855

The Group's trade receivables generally have a credit period of 90 days. The maximum credit risk exposure at the end of the reporting period is the carrying amount of trade receivables. The Group does not have any collateral as security. The Group formulates policies and procedures to ensure the sale of products or services to customers with appropriate credit history in order to minimize credit risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. TRADE RECEIVABLES *(Continued)*

#### Ageing analysis

The ageing analysis of trade receivables, based on invoice dates, as at 31 December 2023 and 2022 are as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	<b>2,461</b>	2,220
31–60 days	<b>165</b>	192
61–90 days	<b>165</b>	117
91–180 days	<b>110</b>	135
Over 180 days	<b>157</b>	191
	<b>3,058</b>	2,855

Details of assessment on expected credit losses are set out in Note 3.1b.

Trade receivables are denominated in the following currencies:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Renminbi	<b>3,058</b>	2,855

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Prepayments	786	4,504
Other deposits paid	3,188	2,823
Other receivables	1,058	5,976
Interest receivables	230	433
	<b>5,262</b>	13,736
Less: Allowance for expected credit losses on deposits and other receivables ( <i>Note</i> )	<b>(854)</b>	(2,365)
	<b>4,408</b>	11,371
Less: Non-current portion of prepayments	–	(3,912)
Current portion of prepayments, deposits and other receivables	<b>4,408</b>	7,459

Note: Movement in allowance for ECL that has been recognised for deposits and other receivables under ECL model of HKFRS 9 for the years ended 31 December 2023 and 2022 was detailed in Note 3.1(b).

Prepayments, deposits and other receivables are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Hong Kong	937	1,187
Renminbi	3,471	10,184
	<b>4,408</b>	11,371

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22. CASH AND BANK BALANCES

	2023 HK\$'000	2022 HK\$'000
Bank balances and cash ( <i>Note</i> )	<b>66,826</b>	81,742

Cash at banks earn interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	<b>64,018</b>	70,662
Renminbi	<b>2,808</b>	11,080
	<b>66,826</b>	81,742

Included in the cash and bank balances were amounts in RMB of approximately HK\$2,808,000 (2022: HK\$11,080,000) which were not freely convertible into other currencies

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. SHARE CAPITAL

Details on the movements of the share capital for the years ended 31 December 2023 and 2022 are set out as follows:

	Number of shares		Nominal value	
	2023 Number	2022 Number	2023 HK'000	2022 HK'000
<b>Authorised capital:</b>				
As at 1 January and 31 December	1,000,000,000	1,000,000,000	200,000	200,000
<b>Issued and fully paid:</b>				
As at 1 January and 31 December	659,894,693	659,894,693	131,979	131,979

### 24. BONDS PAYABLES

Details on the movements of the bonds payables for the years ended 31 December 2023 and 2022 are set out as follows:

	HK\$'000
As at 1 January 2022	4,897
Interest expense	469
As at 31 December 2022 and 1 January 2023	5,366
Interest expense	494
<b>As at 31 December 2023</b>	<b>5,860</b>

As at 31 December 2023 and 2022, there were outstanding bonds with an aggregate principal amount HK\$4,000,000.

On 24 March 2017, the Company entered into a placing agreement with Green Securities Limited ("Green Securities"), pursuant to which Green Securities agreed with the Company to place bonds up to a principal amount of HK\$4,000,000 to a placee who is an independent third party at 100% of the principal amount of the bonds. The bond is denominated in Hong Kong dollars, unsecured, bears interest at 7.15% per annum and will mature on the date falling on the seventh anniversary of the issue of the bond. Interest is payable on the maturity date.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 13.24% per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities/(assets) recognized and the movements thereon during the current and prior year:

	Trademark user right and technical know-how <i>HK\$'000</i>	Right-of-use assets <i>HK\$'000</i>	Lesae liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2022	1,151	–	–	1,151
Adjustment ( <i>Note 2.3</i> )	–	5,666	(5,666)	–
As at 1 January 2022 (restated)	1,151	5,666	(5,666)	1,151
Credited to consolidated statement of profit or loss ( <i>Note 10</i> )	(130)	(493)	493	(130)
As at 31 December 2022 (restated)	1,021	5,173	(5,173)	1,021
Credited to consolidated statement of profit or loss ( <i>Note 10</i> )	(436)	(1,861)	1,861	(436)
<b>As at 31 December 2023</b>	<b>585</b>	<b>3,312</b>	<b>(3,312)</b>	<b>585</b>

At the end of the reporting period, the Group has unused tax losses of approximately HK\$46,807,000 (2022: HK\$45,858,000) available for offset against future profits for the future five years. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

### 26. TRADE PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	3,639	4,599



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26. TRADE PAYABLES (Continued)

#### Ageing analysis

The ageing analysis of trade payables, based on invoice dates, as at 31 December 2023 and 2022 are as follows:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	1,934	2,154
31–60 days	703	1,435
61–90 days	473	782
91–180 days	394	63
Over 180 days	135	165
	<b>3,639</b>	4,599

The Group's trade payables generally have a credit period of 30–90 days. The carrying amounts of trade payables approximate their fair values.

Trade payables are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Renminbi	<b>3,639</b>	4,599

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Receipts in advance	140	189
		HK\$'000
Movements in contract liabilities:		
As at 1 January 2022		3,599
Decrease in contract liabilities as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year		(3,599)
Increase in contract liabilities excluding amount recognised as revenue during the year		189
As at 31 December 2022 and 1 January 2023		189
Decrease in contract liabilities excluding amounts recognised as revenue during the year		(3,410)
Increase in contract liabilities excluding amount recognised as revenue during the year		140
As at 31 December 2023		140

The Group receives advance payment before the provision of medical services to customers, this will give rise to contract liabilities until the revenue recognised exceeds the amount of the advance payment. The contract liabilities would be recognised as revenue within one year.

## 28. ACCRUALS AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Accruals	6,665	5,493
Other borrowings (Note (i))	7,179	4,816
Other payables (Note (ii))	30,760	30,280
	44,604	40,589

Notes:

- (i) As at 31 December 2023, other borrowings were unsecured loans from independent third parties, carrying interest rate of 7.0%–7.2% (2022: 8%) and repayable on demand.
- (ii) As at 31 December 2023, payable to the lessor in respect of leased machineries in the amount of approximately HK\$10,802,000 (2022:HK\$14,923,000) was included in the other payables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28. ACCRUALS AND OTHER PAYABLES *(Continued)*

Accruals and other payables are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	3,595	2,349
Renminbi	41,009	38,240
	<b>44,604</b>	40,589

### 29. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Leases liabilities payable:		
Within one year	10,267	12,581
Within a period of more than one year but not exceeding two years	9,720	11,978
Within a period of more than two years but not exceeding five years	14,141	30,079
Within a period of more than five years	3,592	7,697
	<b>37,720</b>	62,335
Less: Amount due for settlement within one year shown under current liabilities	<b>(10,267)</b>	(12,581)
Amount due for settlement after one year shown under non-current liabilities	<b>27,453</b>	49,754

The Group entered into lease arrangements with independent third parties in relation to certain properties and plant and machinery. The lease terms ranged from 2–19 years (2022: 2–19 years). The weighted average incremental borrowing rates applied to lease liabilities range from 2.1% to 5.7% (2022: 2.1% to 5.7%) per annum as at 31 December 2023, respectively.

The leases liabilities amount to approximately HK\$9,688,000 (2022: HK\$26,610,000) are secured by the lessor's charge over the leased assets with net carrying amount of HK\$10,223,000 (2022: HK\$24,443,000).

Lease obligations denominated in RMB was approximately HK\$36,623,000 (2022: HK\$62,166,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### Cash generated from/(used in) operations

	Notes	2023 HK\$'000	2022 HK\$'000
Loss before tax		(9,360)	(13,857)
Adjustment for:			
— Depreciation of property, plant and equipment	15	2,587	2,514
— Depreciation of right of use assets	16	7,035	8,147
— Loss on disposal of property, plant and equipment	7	3,333	19
— Gain on termination of lease	7	(5,066)	—
— Gain on modification of lease	7	(1,659)	—
— Impairment loss of trademark user right and technical know-how	17	4,369	1,295
— Impairment loss of property, plant and equipment	15	1,387	651
— Impairment loss of right-of-use assets	16	2,340	1,039
— Rent Concession	7	—	(947)
— Net (reversal)/allowance for expected credit losses on other receivables	9	(1,465)	1,176
— Interest income	7	(2,624)	(960)
— Finance cost	8	2,278	3,330
		<b>3,155</b>	2,407
Changes in working capital:			
— Inventories		1,779	1,097
— Trade receivables		(274)	7,824
— Prepayments, deposits and other receivables		8,143	(6,182)
— Trade payables		(849)	618
— Contract liabilities		(44)	(3,283)
— Other payables and accruals		10,480	(15,190)
Cash generated from/(used in) operations		<b>22,390</b>	(12,709)

#### Significant non-cash transactions

The Group had the following significant non-cash activities during the year ended 31 December 2023:

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$1,860,000 in respect of lease arrangements for leased properties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### Reconciliation of liabilities arising from financing activities

	Bonds payables <i>HK\$'000</i>	Other borrowing (including in other payables) <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Net debt as at 1 January 2022</b>	4,897	2,746	75,464	83,107
Interest expenses	469	316	2,545	3,330
Interest paid	–	–	(2,545)	(2,545)
Addition of other borrowings	–	2,028	–	2,028
Rent concession	–	–	(947)	(947)
Repayment of lease liabilities	–	–	(12,724)	(12,724)
Addition of lease liabilities	–	–	6,327	6,327
Exchange realignment	–	(274)	(5,785)	(6,059)
<b>Net debt as at 31 December 2022 and 1 January 2023</b>	<b>5,366</b>	<b>4,816</b>	<b>62,335</b>	<b>72,517</b>
Interest expenses	494	428	1,356	2,278
Interest paid	–	(428)	(1,356)	(1,784)
Addition of other borrowings	–	2,768	–	2,768
Gain on modification of lease	–	–	(1,659)	(1,659)
Repayment of lease liabilities	–	–	(9,995)	(9,995)
Addition of lease liabilities	–	–	1,860	1,860
Termination of lease	–	–	(13,591)	(13,591)
Exchange realignment	–	(405)	(1,230)	(1,635)
<b>Net debt as at 31 December 2023</b>	<b>5,860</b>	<b>7,179</b>	<b>37,720</b>	<b>50,759</b>

### 31. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed on the consolidated financial statements, the Group has following transactions with related parties:

#### Key management compensation

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Wages, salaries and other short-term employee benefits	1,865	1,620
Pension costs-defined contribution plans	36	36
	<b>1,901</b>	1,656

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	18	20
Right-of-use assets	1,085	167
Investments in subsidiaries	–	–
	<b>1,103</b>	187
<b>Current assets</b>		
Prepayments, deposits and other receivables	780	1,132
Cash and cash equivalents	63,967	69,765
	<b>64,747</b>	70,897
<b>Total assets</b>	<b>65,850</b>	71,084
<b>EQUITY</b>		
<b>Capital and reserves attributable to the equity holders of the Company</b>		
Share capital	131,979	131,979
Reserves	(102,247)	(94,347)
<b>Total equity</b>	<b>29,732</b>	37,632

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2023 HK\$'000	2022 HK\$'000
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Lease liabilities	202	–
Bonds payables	–	5,366
	<b>202</b>	5,366
<b>Current liabilities</b>		
Accrual and other payables	3,542	2,347
Bonds payables	5,860	–
Amounts due to subsidiaries	25,576	25,570
Lease liabilities	938	169
	<b>35,916</b>	28,086
<b>Total liabilities</b>	<b>36,118</b>	33,452
<b>Total equity and liabilities</b>	<b>65,850</b>	71,084
<b>Net current assets</b>	<b>28,831</b>	42,811
<b>Total assets less current liabilities</b>	<b>29,934</b>	42,998

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

- (a) The following is a list of the subsidiaries which, in the opinion of the Directors, principally affected the results of the Group for the years ended 31 December 2023 and 2022 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Company Name	Places of incorporation/ establishment and kind of legal entity	Issued and Fully paid-up share capital/ registered or paid-in capital	Equity interests attributable to the Company				Principal activities and places of operations
			Direct		Indirect		
			2023	2022	2023	2022	
深圳市瑪莎嘉兒連鎖實業有限公司	The PRC, wholly foreign owned enterprise	RMB10,000,000	–	–	70%	70%	Operations of beauty and wellness business in the PRC
深圳市瑪莎康盈生物科技有限公司	The PRC, wholly foreign owned enterprise	RMB1,000,000/ RMB2,000,000	–	–	70%	70%	Operations of beauty and wellness business in the PRC
澧縣鳳凰醫院有限公司	The PRC, wholly foreign owned enterprise	RMB15,000,000	–	–	100%	70%	Medical services of internal medicine, nephrology, surgery, Chinese medicine, medical laboratory and medical imaging in the PRC
益陽子仲腎臟病醫院有限公司	The PRC, wholly foreign owned enterprise	RMB10,000,000	–	–	70%	70%	Medical services of internal medicine, nephrology, medical laboratory and medical imaging, ultrasound and electrocardiography

- (b) The amounts due to subsidiaries The amounts are denominated in Hong Kong dollars. The balances are unsecured, interest-free and repayable on demand.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: *(Continued)*

(c) Reserve

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	895,647	(937,739)	(42,092)
Loss for the year	–	(52,255)	(52,255)
At 31 December 2022 and 1 January 2023	<b>895,647</b>	<b>(989,994)</b>	<b>(94,347)</b>
Loss for the year	–	<b>(7,900)</b>	<b>(7,900)</b>
<b>At 31 December 2023</b>	<b>895,647</b>	<b>(997,894)</b>	<b>(102,247)</b>

### 33. SHARE OPTION SCHEME

As at 31 December 2023 and 2022, the Group has the following share option scheme:

At the annual general meeting of the Company held on 26 June 2019, a new share option scheme (the “**New Share Option Scheme**”) was approved by the shareholders of the Company. The New Share Option Scheme has a lifespan of 10 years. At the annual general meeting of the Company held on 26 June 2019, the Scheme Mandate Limit was approved to allow the Company to grant options for the holders thereof to subscribe up to 147,326,614 shares (before adjustments upon the share consolidations) representing 10% of the shares in issue as the date of approval of the scheme. Details of the New Share Option Scheme are set out in the circular of the Company dated 24 May 2019.

No share options were granted under the New Share Option Scheme for the year ended 31 December 2023 and 2022 and there were no outstanding share options as at 31 December 2023 and 2022. As at the date of this report, the maximum number of options which can be granted under the New Share Option Scheme was 29,465,322 consolidated shares (equivalent to 147,326,614 options before the five-to-one share consolidation took effect on 22 January 2021), representing 4.47% of the existing issued share capital of the Company.

### 34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement were approved and authorized for issue by the board of Directors on 28 March 2024.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>RESULTS</b>					
Revenue	48,831	47,236	69,057	65,532	78,659
Direct costs and operating expenses	(20,003)	(21,089)	(31,451)	(28,788)	(31,202)
<b>Gross profit</b>	<b>28,828</b>	26,147	37,606	36,744	47,457
Other income/(expenses) and gains, net	7,445	2,779	(563)	1,403	(6,878)
Gain on disposal of a subsidiary	–	–	–	2,789	1,104
Selling expenses	(13,270)	(12,647)	(21,347)	(23,601)	(32,396)
Administrative expenses	(21,989)	(23,821)	(37,441)	(45,790)	(64,279)
Loss on disposal of financial assets at fair value through profit or loss	–	–	–	–	(11,289)
Fair value change of derivative financial instruments					
— Financial liabilities at fair value through profit or loss	–	–	–	–	2,913
— Financial assets at fair value through profit or loss	–	–	–	–	–
— Derivative financial assets	–	–	–	(3,505)	2,802
Impairment loss of goodwill	–	–	(8,566)	(2,162)	(25,692)
Impairment loss of trademark user right and technical know-how	(4,369)	(1,295)	(11,027)	(12,203)	(60,143)
Impairment loss of property plant and equipment	(1,387)	(651)	(8,569)	(5,787)	–
Impairment loss of right-of-use asset	(2,340)	(1,039)	(18,971)	(3,504)	–
Finance cost	(2,278)	(3,330)	(4,189)	(6,381)	(11,225)
<b>Loss before income tax</b>	<b>(9,360)</b>	(13,857)	(73,067)	(61,997)	(157,626)
Income tax credit/(expenses)	569	43	(342)	685	5,629
<b>Loss for the year</b>	<b>(8,791)</b>	(13,814)	(73,409)	(61,312)	(151,997)
<b>Loss for the year attributable to:</b>					
— Equity holders of the Company	(10,626)	(13,229)	(70,329)	(59,274)	(147,992)
— Non-controlling interests	1,835	(585)	(3,080)	(2,038)	(4,005)
	<b>(8,791)</b>	(13,814)	(73,409)	(61,312)	(151,997)

## FIVE-YEAR FINANCIAL SUMMARY

	As at 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
TOTAL ASSETS	<b>136,201</b>	168,637	214,813	283,977	305,381
TOTAL LIABILITIES	<b>(92,589)</b>	(114,102)	(145,498)	(142,682)	(206,705)
Non-controlling interests	<b>(2,448)</b>	(2,348)	(3,064)	(6,105)	(7,769)
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>41,164</b>	52,187	66,251	135,190	90,907